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

Consolidated Financial Statements

December 31, 2016

(With Independent Auditors' Report)

(Free Translation from the Original Spanish-Language Version)

KPMG

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Independent Auditors' Report

To the Shareholders of
Banco del Reservas de la República Dominicana, Banco de Servicios Múltiples

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Banco de Reservas de la República Dominicana, Banco de Servicos Múltiples and its subsidiaries (the Bank), which comprise the consolidated statement of balance sheet as at December 31, 2016, and the consolidated income statement, statements of net equity and cash flows for the year then ended, and notes to the consolidated financial statements including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and Subsidiaries as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with accounting practices established by the Superintendence of Banks of the Dominican Republic, as described in note 2 to the accompanying consolidated financial statements.

Basis for Opinion

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

Emphasis of Matters

We draw attention to notes 1 and 37 to the consolidated financial statements. As at December 31, 2016 and for the year then ended, for its condition of being the Bank of the Dominican Republic State, a significant proportion of assets and liabilities, as well as financial income and expenses, correspond to balances held and transactions performed with entities of the government sector. Our opinion is not modified in respect of these matters.

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Other Matter

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

Responsibilities of Management and Those Charged with Governance of the Bank for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs modified by the Institute of Certified Public Accountants of the Dominican Republic, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

KPMG

March 28, 2017

Santo Domingo,
Dominican Republic

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

Consolidated Balance Sheets

(Free Translation from the Original Spanish-Language Version)

(Amounts in Thousands of RD$)

	At December 31, 2016	At December 31, 2015
ASSETS		
Available funds (notes 3, 4, 35, 36 and 37)	84,595,641	61,803,490
Investments (notes 3, 6, 15, 35, 36, 37 and 39)		
Other investments in debt instruments	59,761,529	41,034,286
Interests receivable	1,199,556	772,448
Allowance for investments	(245,176)	(213,614)
	60,715,909	41,593,120
Loans portfolio (notes 3, 7, 15, 35, 36, 37 and 39)		
Current	276,835,893	265,355,710
Restructured	2,888,530	2,214,828
Past due	2,708,098	1,950,479
In legal collection	1,267,408	1,661,165
Interests receivable	4,011,089	3,972,745
Allowance for loans	(6,694,596)	(5,768,204)
	281,016,422	269,386,723
Debtors by acceptances (notes 3, 8 and 35)	2,726,202	592,467
Accounts receivable (notes 3, 9, 10, 35, 37 and 39)		
Commissions receivable	34,498	37,606
Accounts receivable	1,702,212	1,623,432
Insurance premiums receivable	1,920,121	1,520,327
Receivables from insurance and guarantees	8,387	7,310
	3,665,218	3,188,675
Assets received in loans settlements (notes 11, 15 and 39)		
Assets received in loans settlements	8,237,324	8,323,176
Allowance for assets received in loans settlements	(5,960,004)	(5,257,239)
	2,277,320	3,065,937
Investments in shares (notes 3, 12, 15, 35, 36, 37 and 39)		
Investments in shares	1,002,937	938,040
Allowance for investments in shares	(22,723)	(25,935)
	980,214	912,105
Property, furniture and equipment (note 13)		
Property, furniture and equipment	16,498,375	13,292,020
Accumulated depreciation	(3,257,052)	(2,793,825)
	13,241,323	10,498,195
Properties under development intended for sale and leasing	1,030,318	1,083,361
Other assets (notes 3, 14 and 35)		
Deferred charges	2,747,827	2,640,743
Intangibles	197,726	114,057
Other assets	3,261,313	3,375,297
Accumulated amortization	(128,660)	(84,090)
	6,078,206	6,046,007
TOTAL ASSETS	**456,326,773**	**398,170,080**
Contingent accounts (notes 24 and 28)	**720,989,336**	**715,175,260**
Memorandum accounts (note 29)	**1,415,466,800**	**1,333,979,229**

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

Simón Lizardo Mézquita
General Administrator

Andrés Guerrero
Comptroller

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

Consolidated Balance Sheets

(Free Translation from the Original Spanish-Language Version)

(Amounts in Thousands of RD$)

	At December 31, 2016	At December 31, 2015
LIABILITIES AND EQUITY		
LIABILITIES		
Customers' deposits (notes 3, 16, 35, 36, 37 and 39)		
Checking	50,264,738	43,336,602
Savings	102,638,847	91,174,757
Time	49,078,981	46,067,779
	201,982,566	180,579,138
Deposits from domestic and foreign financial institutions (notes 3, 17, 35 and 36)		
From domestic financial institutions	20,113,683	20,553,511
From foreign financial institutions	15,665	15,130
	20,129,348	20,568,641
Borrowed funds (notes 3, 18, 35 and 36)		
From domestic financial institutions	1,973,409	1,800,000
From foreign financial institutions	36,452,328	34,939,490
Interests payable	349,307	150,323
	38,775,044	36,889,813
Outstanding acceptances (notes 3, 8 and 35)	2,726,202	592,467
Outstanding securities (notes 19, 35, 36 and 37)		
Securities	124,448,151	96,293,554
Creditors for insurance and bank guarantees (notes 3 and 25)	853,511	884,051
Insurance premium deposits	472,817	161,171
Other liabilities (notes 3, 15, 20, 28 and 35)	10,069,078	9,902,797
Technical reserves (note 22)		
Mathematical and technical life insurance reserves	145,943	140,019
Reserves for unearned insurance premiums	2,801,067	2,524,397
	2,947,010	2,664,416
Subordinated debts (notes 3, 21, 35 and 36)		
Subordinate debts	23,728,310	23,349,985
Interest payable	416,283	406,065
	24,144,593	23,756,050
TOTAL LIABILITIES	426,548,320	372,292,098
NET EQUITY OF THE OWNER IN THE PARENT COMPANY (notes 26 and 39)		
Paid-in capital	10,000,000	8,300,000
Other equity reserves	14,872,807	12,719,187
Revaluation surplus	722,245	733,385
Retained earnings from prior periods	11,140	11,140
Net income for the year	3,999,581	3,965,134
	29,605,773	25,728,846
Minority interest	172,680	149,136
TOTAL EQUITY	29,778,453	25,877,982
TOTAL LIABILITIES AND EQUITY	**456,326,773**	**398,170,080**
Contingent accounts (notes 24 and 28)	**720,989,336**	**715,175,260**
Memorandum accounts (note 29)	**1,415,466,800**	**1,333,979,229**

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

Simón Lizardo Mézquita
General Administrator

Andrés Guerrero
Comptroller

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

Consolidated Income Statements

(Free Translation from the Original Spanish-Language Version)

(Amounts in Thousands of RD$)

	Years Ended December 31,	
	2016	**2015**
Financial income (notes 6, 7, 30 and 37)		
Interest and commissions on loans	33,475,090	29,387,479
Interest on investments	5,849,958	4,790,853
Gains on sale of investments and securities	1,416,863	1,612,422
Insurance premiums net of returns and cancellations	6,414,578	6,240,495
	47,156,489	42,031,249
Financial expenses (notes 16, 17, 18, 19, 21 and 30)		
Interest on deposits	13,323,468	10,923,062
Loss on sale of investments and securities	202,556	428,654
Interest and commissions on borrowed funds	1,190,865	811,112
Reinsurance expense	2,294,849	2,355,479
Insurance claims and contractual obligations	2,335,879	1,967,103
Expenses related to technical adjustment to reserves	108,001	131,129
Expenses related to acquisition, conservation and collection of insurance premiums	665,402	609,265
	20,121,020	17,225,804
Gross financial margin	27,035,469	24,805,445
Allowance for loan losses (note 15)	2,143,124	1,458,803
Allowance for investments (note 15)	1,086	-
	2,144,210	1,458,803
Net financial margin	24,891,259	23,346,642
Foreign exchange gain (loss) (note 31)	(385,175)	(35,798)
Other operating income (notes 32 and 37)		
Credit card fees	1,295,824	846,592
Service fees	4,514,567	3,250,926
Foreign exchange commissions	1,875,268	1,902,877
Miscellaneous income	1,916,137	1,962,445
	9,601,796	7,962,840
Other operating expenses (notes 32 and 37)		
Commissions for services	307,714	298,810
Miscellaneous expenses	1,698,711	1,371,218
	2,006,425	1,670,028
Gross operating income	32,101,455	29,603,656
Operating expenses (notes 15, 28, 34 and 38)		
Salaries and personnel compensation	14,804,900	13,324,226
Professional fees	2,638,766	1,752,215
Depreciation and amortization	1,021,677	798,527
Other provisions	1,627,758	1,415,855
Other expenses	6,522,014	6,358,995
	26,615,115	23,649,818
Net operating income	5,486,340	5,953,838

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

Consolidated Income Statements (Continued)

(Free Translation from the Original Spanish-Language Version)

(Amounts in Thousands of RD$)

	Years Ended December 31, 2016	2015
Other income (expenses) (note 33)		
Other income	2,045,188	1,844,959
Other expenses	(938,844)	(961,527)
	1,106,344	883,432
Income before income tax	6,592,684	6,837,270
Income tax (note 23)	(403,525)	(697,922)
Net income for the period	**6,189,159**	**6,139,348**
ATTRIBUTABLE TO:		
Owners of the controlling entity (Parent Company)	6,153,201	6,100,206
Minority interest	35,958	39,142
	6,189,159	**6,139,348**

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

Simón Lizardo Mézquita
General Administrator

Andrés Guerrero
Comptroller

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

Consolidated Statements of Net Equity

Years ended December 31, 2016 and 2015

(Free Translation from the Original Spanish-Language Version)

(Amounts in Thousands of RD$)

	Paid-in capital	Other equity reserves	Revaluation surplus	Retained earning from prior periods	Net Income for the year	Total	Minority interest	Total net equity
Balances at January 1, 2015	5,500,000	12,941,903	744,525	-	4,573,908	23,760,336	121,546	23,881,882
Transfer to retained earnings	-	-	-	4,573,908	(4,573,908)	-	-	-
Cash dividends paid to minority interest	-	-	-	-	-	-	(11,552)	(11,552)
Dividends paid to the Dominican Republic Government (note 26):								
Cash	-	-	-	(1,500,000)	-	(1,500,000)	-	(1,500,000)
Common shares	2,800,000	(2,357,788)	-	(442,212)	-	-	-	-
Amortization of National Treasury Voucher Law 121-05	-	-	-	(1,500,000)	-	(1,500,000)	-	(1,500,000)
Amortization of National Treasury Voucher Law 99-01	-	-	-	(75,000)	-	(75,000)	-	(75,000)
Interest payment of National Treasury Voucher Law 99-01	-	-	-	(3,750)	-	(3,750)	-	(3,750)
Amortization of debt of the Dominican Republic State	-	-	-	(1,052,946)	-	(1,052,946)	-	(1,052,946)
Effect of depreciation on revaluated assets	-	-	(11,140)	11,140	-	-	-	-
Net income for the year	-	-	-	-	6,100,206	6,100,206	39,142	6,139,348
Transfer to other equity reserves (note 26)	-	2,135,072	-	-	(2,135,072)	-	-	-
Balances at December 31, 2015	8,300,000	12,719,187	733,385	11,140	3,965,134	25,728,846	149,136	25,877,982
Transfer to retained earnings	-	-	-	3,965,134	(3,965,134)	-	-	-
Cash dividends paid to minority interest	-	-	-	-	-	-	(12,414)	(12,414)
Dividends paid to the Dominican Republic Government (note 26):								
Cash	-	-	-	(1,275,294)	-	(1,275,294)	-	(1,275,294)
Common shares	1,700,000	-	-	(1,700,000)	-	-	-	-
Amortization of National Treasury Voucher Law 99-01	-	-	-	(75,000)	-	(75,000)	-	(75,000)
Interest payment of National Treasury Voucher Law 99-01	-	-	-	(3,000)	-	(3,000)	-	(3,000)
Debt amortization of the Dominican Republic State	-	-	-	(922,980)	-	(922,980)	-	(922,980)
Effect of depreciation on revaluated assets	-	-	(11,140)	11,140	-	-	-	-
Net income for the year	-	-	-	-	6,153,201	6,153,201	35,958	6,189,159
Transfer to other equity reserves (note 26)	-	2,153,620	-	-	(2,153,620)	-	-	-
Balances at December 31, 2016	**10,000,000**	**14,872,807**	**722,245**	**11,140**	**3,999,581**	**29,605,773**	**172,680**	**29,778,453**

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

Simón Lizardo Mézquita
General Administrator

Andrés Guerrero
Comptroller

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

Consolidated Statements of Cash Flows

(Free Translation from the Original Spanish-Language Version)

(Amounts in Thousands of RD$)

	Years Ended December 31,	
	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and commissions collected on loans	32,341,490	26,688,798
Other financial income collected	6,634,157	6,032,747
Other operating income collected	9,601,796	7,624,360
Insurance premium collected	6,326,430	5,877,548
Increase in insurance and guarantees	(2,817,275)	(2,770,215)
Interest paid on deposits	(13,279,325)	(10,873,852)
Interest and commissions paid on borrowed funds	(991,881)	(746,094)
General and administrative expenses paid	(24,110,618)	(21,416,266)
Other operating expenses paid	(2,006,425)	(1,670,028)
Income taxes paid	(403,525)	(682,297)
Insurance claims and contractual obligation	(2,335,879)	(1,967,103)
Miscellaneous collected (payments) of operating activities	208,460	(1,515,608)
Net cash provided by operating activities	9,167,405	4,581,990
CASH FROM INVESTMENT ACTIVITIES		
Decrease (increase) in investments	(18,786,784)	(7,881,975)
Loans granted	(269,490,091)	(266,069,059)
Loans collected	255,273,781	222,919,085
Interbank funds granted	(18,115,000)	(13,329,000)
Interbank funds collected	18,115,000	13,329,000
Decrease (increase) in properties under development intended for sale and leasing	53,043	(716,335)
Acquisition of property, furniture and equipment	(3,697,518)	(3,675,854)
Proceeds from sale of property, furniture and equipment	4,730	50,859
Proceeds from sale of assets received in loan settlements	750,314	12,453
Net cash used in investment activities	(35,892,525)	(55,360,826)
CASH FROM FINANCING ACTIVITIES		
Deposits received	3,547,511,470	4,286,789,332
Returned deposits	(3,498,392,738)	(4,248,551,945)
Interbank funds received	-	40,000
Interbank funds paid	-	(40,000)
Borrowed funds received	59,389,104	63,514,599
Borrowed funds paid	(57,702,857)	(61,374,854)
Dividends paid and other payments to shareholders	(1,287,708)	(1,511,552)
Net cash provided by financing activities	49,517,271	38,865,580
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,792,151	(11,913,256)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	61,803,490	73,716,746
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**84,595,641**	**61,803,490**

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

Consolidated Statements of Cash Flows (Continued)

(Free Translation from the Original Spanish-Language Version)

(Amounts in Thousands of RD$)

	Years Ended December 31,	
	2016	2015
Reconciliation between the net income for the period and net cash provided by operating activities		
Net income for the period	6,189,159	6,139,348
Adjustments to reconcile net income for the period to net cash provided by operating activities:		
Provisions for risky assets and contingencies	3,771,968	2,874,658
Release of provisions for risky assets and contingencies	(807,985)	(666,437)
Technical reserves increase	108,001	131,129
Depreciation and amortization	876,739	817,697
Gain (Loss) on sale of property, furniture and equipment	3,507	(10,611)
Share equity in other companies	(41,870)	(138,470)
Gain on sale of assets received in loan settlements	(67,041)	(43,114)
Income for discount in purchase of loan portfolio	-	(338,480)
Currency exchange rate fluctuations, net	359,065	417,267
Amortization of debt issuance cost and discount on subordinated debts	33,925	35,217
Net change in assets and liabilities:		
Interests receivable	(1,563,708)	(2,640,555)
Debtors by acceptances	(2,133,735)	(569,572)
Commissions receivable	3,108	(3,026)
Accounts receivable	(109,907)	(302,278)
Insurance premiums receivable	(399,794)	(396,060)
Receivables from reinsurance and guarantees	(1,077)	(476)
Deferred charges	(107,084)	(966,891)
Intangibles	(83,669)	(15,804)
Other assets	190,468	(1,373,670)
Interests payable	209,202	79,011
Outstanding acceptances	2,133,735	569,572
Creditors of insurance and bank guarantees	(30,540)	54,545
Insurance premium deposits	311,646	33,113
Other liabilities	148,699	755,417
Technical reserves	174,593	140,460
Total adjustments	2,978,246	(1,557,358)
Net cash provided by operating activities	**9,167,405**	**4,581,990**

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

Simón Lizardo Mézquita
General Administrator

Andrés Guerrero
Comptroller

1 Entity

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

Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and subsidiaries (the Bank) offers multiple banking 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 granting 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, management of pension funds, among others.

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

A detail of the principal officers is as follows:

Name	Position
Donald Guerrero Ortiz	Minister of Finance - Ex-Officio Chairman
Simón Lizardo Mézquita	General Administrator
Aracelis Medina Sánchez	Deputy Administrator - Administration
José Manuel Guzmán Ibarra	Deputy Administrator - Government Business
William Read Ortiz	Deputy Administrator - Business
Marcial H. Mejía Guerrero	Deputy Administrator - Operation & Technology
Rienzi M. Pared Pérez	Deputy Administrator - Subsidiary Entities
Andrés Guerrero	Comptroller
Luis Eduardo Rojas de Peña	General Director - Treasury, Investment Banking and Capital Market
Julio Enrique Páez Presbot	General Auditor

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

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As of December 31 2016 and 2015, a detail of the Bank's offices, automatic teller machines (ATMs) and post offices is as follows:

	2016			2015		
Location	Offices (*)	ATMs	Post Offices	Offices (*)	ATMs	Post Offices
Metropolitan area	98	331	-	94	283	-
Provinces	193	317	10	184	281	10
	291	**648**	**10**	**278**	**564**	**10**

(*) 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 the population is facilitated with access to financial services. As of December 31, 2016 and 2015, the network of subagents was 1,249 (912 in the metropolitan area and 337 in the provinces) and 1,005 (725 in the metropolitan area and 280 throughout in the interior of the country) businesses authorized, respectively.

The consolidated financial statements were approved for issuance by the Board of Directors on the 28 of March of 2017.

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 of the Dominican Republic 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 respects in the form and content of 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 the IFRS.

The accompanying consolidated financial statements are prepared on the historical cost basis, except for certain land and buildings that were revaluated to carry out them at their market value at December 31, 2004.

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

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 of the Dominican Republic differ from IFRS in certain aspects. A summary of the most relevant differences is as follows:

i) The allowance for loan portfolios corresponds to the amount determined based on a risks assessment carried out by the Bank, the level of reserves required for the classification assigned to each loan (for commercial loans denominated as major debtors), the number of days past due (for consumer, mortgage and minor commercial loans) and some specific approvals issued by the Superintendence of Banks. This evaluation (for major commercial debtors) includes the ability to pay based on a review of credit records, payment history and collateral levels which are only considered to determine the provisions, following the guidelines of the Instruction for the Asset Evaluation (REA for its Spanish acronyms), the Instructions for the Asset Evaluation Process in Permanent Regimes and related circulars. Furthermore, there are some exemptions for certain types of credits issued, either by the Superintendence of Banks or the Monetary Board.

   In evaluation with IFRS, loan portfolios are assessed by separating individual and collective loans. Individual loan analysis are made on a loan-by-loan basis.

   In the case of loans that are collectively evaluated to determine whether impairment exist, the estimate of the contractual cash flows of the group of assets, analysis of historical losses and Management's opinions on whether the current economic situation and loans conditions may change the actual level of the inherent historical losses are considered. A provision is recognized, if objective evidence exist that there has been an impairment loss, which would result in the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate and not take into consideration any waiver.

ii) Banking regulations require financial institutions to establish allowances for assets received in loans settlements, 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 (at 1/18th monthly); real estate is reserved over a three year period, on a straight-line basis counted as of the first anniversary of its recording in the Bank's books (at 1/24th monthly). IFRS require that these assets be reserved only in the event of impairment.

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iii) Interest receivable past due for less than 90 days, is reserved according to the classification granted to the corresponding principal. Past due interest receivables with more than 90 days if 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 the IFRS, allowances on interest receivable are determined based on existent risks in the portfolio. In the event of impairment, the loans are adjusted and subsequent accrual of interest is based on the adjusted balance using the effective interest rate.

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 balance sheet date. IFRS require that all foreign currency balances be translated at the exchange rate at which the Bank had access at the balance sheet date.

v) The Superintendence of Banks of the Dominican Republic requires that reserves held on loans at the moment of executing their collateral, be transferred to the assets received in loan settlements. IFRS only require reserves when the fair value of the asset is lower than its book value or when impairment exists.

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

vii) In accordance with banking regulations, income from renewal of credit cards, letters of credit, card operations and outstanding acceptances are immediately recognized. In accordance with IFRS, these are deferred and recognized as income over the term of the credit cards, letters of credit and outstanding acceptances.

viii) The Superintendence of Banks of the Dominican Republic require leasehold improvements and computer software must be previously authorized by the Superintendence of Banks in order to be recognized 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.

ix) The Superintendence of Banks of the Dominican Republic 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.

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x) The Superintendence of Banks of the Dominican Republic require that financial institutions classify investments into four categories, which are: trading, available-for-sale investments, held-to-maturity investments, and other investments in debt securities. Also, the Superintendence allows classifying in one of the 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 and the classification will depend on management's intentions.

The investment portfolio is classified according to the risk categories determined by the Superintendence of Banks that require specific provisions, following the instructions of the Assets Evaluation Regulation, the Instructions for Credit Evaluations, Investments and Contingent Operations of the Public Sector, the instructive for the Asset Evaluation Process in Permanent Regimes and Specific Provisions. IFRS require determining allowances based on the assessment of the existent risks on the basis of an incurred loss model instead of an expected loss model.

xi) 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.

xii) The Superintendence of Banks allowed 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.

xiii) The Superintendence of Banks require that cash flows corresponding to loans portfolio and customers' deposits, be classified as investing and financing activities, respectively. IFRS require that the cash flows from these transactions be recognized as part of operating activities.

xiv) The Superintendence of Banks of the Dominican Republic require banks to recognize a provision for contingent operations, which includes, among others, granted guarantees, 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 recognizing a provision when there is a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable amount can be estimated.

xv) The Superintendence of Banks allowed 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 establishes that pension plan obligations must be recognized initially in full and periodically updated in subsequent periods and the effects to be recognized either in profit or loss or other comprehensive income.

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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 the loans, 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 entity and b) the nature and scope of the risks resulting from the financial instruments to which the entity is exposed during the period and at the reporting date and how the entity manages those risks.

xvii) The Superintendence of Banks does not allow the release of provision for assets received in loans settlements without its prior authorization. In the case of the sale of assets that are provisioned, if the sale occurs at a higher value than its book value, a gain cannot be recognized as required by the IFRS, but instead the provision released could be transferred to other regulatory provisions or request authorization from the Superintendence of Banks to recognize them as income.

xviii) The Superintendence of Banks authorized financial intermediation institutions to write off a loan with or without guaranties when it becomes a non-performing portfolio, excluding related-party loans that should be written off when all legal collection processes have been exhausted and the involved officers and/or directors have been removed from their duties. The IFRS require these write offs immediately when loans are determined to be unrecoverable.

xix) IFRS require that, if the Bank realizes operations related to other comprehensive income, a statement of comprehensive income or a separate statement of other comprehensive income must be presented showing the nature and amount of line items for other comprehensive income during the reporting period. The Superintendence of Banks of the Dominican Republic does not include this requirement in the preparation of financial statements.

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

xxi) The Superintendence of Banks granted its non-objection so the Bank recognizes immediately as income, discounts received from the acquisition of the loan portfolio from other financial institutions. IFRS require that these discounts be differed and recognized as an adjustment in the effective interest rate during the term of the acquired portfolio.

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2.1.b *Differences between the accounting practices issued and allowed by the Superintendence of Insurance and Superintendence of Health and Labor Risk (SISALRIL for its Spanish acronyms) and the 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, 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.

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

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

ii) In accordance with IFRS, investments are classified into four 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 at amortized cost.

iii) The Superintendence of Insurance establishes that insurance premiums receivable that are considered uncollectible by the Bank, are reversed against income. In accordance with IFRS, premiums receivable should be assessed regularly and a provision should be created for amounts deemed uncollectible. This provision should be recognized through a charge to operating expenses of the year.

iv) The Superintendence of Insurance does not require the recognition of specific reserves for claims incurred but not reported at the statement of financial position 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.

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v) According to the accounting practices of the Superintendence of Insurance, the Bank accounts for salvage in accounts memorandum, and should not be recognized in the accounting records until disposal. IFRS sets out that at the balance sheet date of the consolidated financial statements, such assets shall be measured at fair value less any cost of sale and recognized as other assets against a deduction of the cost of the claims that gave rise to the salvages in the accounting period in which the Bank obtained the rights over the salvages and recoveries.

vi) In accordance with the accounting practices of the Superintendence of Insurance, savings components of life insurance contracts are not accounted separately in the balance sheet. IFRS require to account separately for the deposit components and recognize the premium paid by the life insurance policy as a financial liability.

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

viii) Additional costs incurred in the process of acquisition and issuance of insurance contracts are recognized as expenses when they occur, except commissions to agents, which are deferred and amortized in proportion to the premium that originated it following the percentages established by the Superintendence of Insurance. In accordance with IFRS, these costs must be deferred and recognized as expense using the straight line method over the life of the related insurance contract.

ix) According to the accounting practices established and permitted by the Superintendence of Insurance, property, furniture and equipment are recognized as such, regardless of their use. IFRS require that property, plant and equipment, which intended use is to obtain income or goodwill, shall be considered investment property and therefore, their recognition and disclosure are different from the other assets being used in the operations of the Bank.

x) The 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 honor possible commitments arising from current insurance contracts. The accounting practices of the Superintendence of Insurance do not require this kind of provision.

xi) The Superintendence of Insurance and the Superintendence of Health and Labor Risk requires that short-term investments, highly liquid investments and investments easily convertible to cash be presented as investments. However, IFRS require that such investments be presented as cash equivalents.

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xii) The IFRS require that if an entity to separate embedded derivative from the host contract and accounted for as a derivative if economic characteristic and risks of the embedded derivative are not closely related to the economic characteristic and risks of the host contract. Accounting practices established by the Superintendence of Insurance and the Superintendence of Health and Labor Risk of the Dominican Republic do not provide for guidance on accounting of derivatives.

xiii) There are certain differences in presentation and disclosures of the financial statements according to the accounting practices established by the Superintendence of Insurance and the Superintendence of Health and Labor Risk of the Dominican Republic and financial statements prepared in accordance with IFRS.

xiv) The Superintendence of Insurance and the Superintendence of Health and Labor Risk allows that significant revenues and expenses that affect the consolidated financial statements of prior years, be recognized in retained earnings without restate the previous reported amounts of the consolidated financial statements. The IFRS require that these transactions be recognized retroactively, correcting the previously reported financial statements, including the presentation of the statements of financial position for the most recent three years

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

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 provisions 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 %, which are: Tenedora Banreservas, S.A. and subsidiaries, which include Seguros Banreservas, S.A., Reservas Asistencia, S.A.S., Reservas Inmobiliaria, S. A. and subsidiary, Administradora de Fondos de Pensiones Reservas, S. A., Inversiones & Reservas, S.A., Fiduciaria Reservas, S.A., Seguridad y Protección Institucional, S. A. (SEPROI) (previously Occidental Security Service, S.R.L.), Inversiones Finanprimas SB, S.A.S. and Sociedad Administradora de Fondos de Inversión Reservas, S.A. Additionally, Administradora de Riesgo de Salud Reservas, Inc., a non-profit entity whose net assets are included as other liabilities.

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All these entities are located and incorporated under the laws of the Dominican Republic. Balances and transactions among the consolidated entities are eliminated in consolidation. There are differences among some of the accounting policies of the subsidiaries, which prepare their financial statements 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 of the Dominican Republic approved the incorporation of the financial statements of these subsidiaries in the consolidated financial statements without homogenizing its accounting practices to the ones followed by the Bank.

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

Subsidiaries	Country of Operation	% of Ownership
Directly subsidiaries:		
Tenedora Banreservas, S. A. and Subsidiaries	Dominican Republic	97.74
Administradora de Riesgo de Salud Reservas, Inc.	Dominican Republic	-
Indirectly subsidiaries:		
Administradora de Fondos de de Pensiones Reservas, S .A.	Dominican Republic	98.50
Seguros Banreservas, S. A.	Dominican Republic	97.91
Reservas Inmobiliaria, S. A.	Dominican Republic	99.99
Operadora de Zonas Francas Villa Esperanza, S.A.	Dominican Republic	99.99
Inversiones & Reservas, S. A.	Dominican Republic	100.00
Reservas Asistencia, S.A.S.	Dominican Republic	100.00
Fiduciaria Reservas, S. A.	Dominican Republic	100.00
Seguridad y Protección Institucional, S. A. (SEPROI), (previously Occidental Security Service, S.R.L.)	Dominican Republic	100.00
Inversiones Finanprimas SB, S.A.S.	Dominican Republic	100.00
Sociedad Administradora de Fondos de Inversión Reservas, S.A.	Dominican Republic	100.00

All intra-group balances and transactions among companies included in the consolidated financial statements, were eliminated on consolidation.

The Superintendence of Banks of the Dominican Republic authorized the Bank to not eliminate in the consolidation the allowance for investment in subsidiaries.

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

The Bank is the most important entity and provides financial intermediation services such as loans, investments 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 non-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 Banreservas, S. A. and Subsidiaries

Is the Parent Company of the following subsidiaries:

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

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

(b) *Administradora de Fondos de Pensiones Reservas, S. A. (AFP for 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 of this law.

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

(c) *Reservas Inmobiliaria, 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 Reservas Inmobiliaria, S. A. corresponds to 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.

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(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) (*previously Occidental Security Services, S.R.L.)

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

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

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

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

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

2.4 Loan portfolio

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

The Bank considers the balance of the corresponding capital as the basis for calculating the interest on credit to cardholders.

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The Bank assigns to commercial loans that have been restructured an initial classification no lower than "C" independently of their capability and payment behavior and country risk; this can be changed subsequently to a lower risk category based on satisfactory payment behavior. The Bank is also required to create an allowance for consumer and mortgage loans that have been restructured and classified no lower than "D." Such classification may be changed based on payment behavior, which must remain in that category depending on the evolution of payments, but in no event can be classified lower than "B".

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

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 2.5.3).

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 the allowance for loans portfolio is based on the criteria established in the Asset Assessment Regulation issued by the Monetary Board in its First Resolution dated December 29, 2004, supplementary circulars, instructional and observations made by the Superintendence of Banks (basis for determination of provisions), the First Resolution of the Monetary Board dated July 9, 2015 and the Instruction for the Process of Assessment of Assets in Permanent Regime issued by the Superintendence of Banks March 7, 2008.

According to such regulation, the estimate of loan loss reserves on the loan portfolio depends on the type of loan, which can be classified as: major commercial debtors, minor commercial debtors, consumer and mortgage loans. The estimation of the allowance for loan losses for major commercial debtors is based on a detailed quarterly review of each debtor's solvency, payment 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 institutions and other public institutions that are classified as established by the Instructive for Loan Evaluation, Investments and Contingent Operations of the Public Sector, as established by the first Resolution of the Monetary Board dated July 9, 2015.

Major commercial debtors are classified considering the categorized analysis of each debtor according to their payment abilities as established in the Assets Evaluation Regulation, and evaluating other factors such as liquidity ratios, profitability, leverage, market analysis, historical payment behavior, country risk and alignment. Collaterals, as a safety factor in the recovery of credit operations, are considered as a secondary element and are not considered in the debtor's classification, although they are included in the calculation coverage for the required allowances in the case of commercial debtors (major and minor commercial debtors).

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Major commercial debtors are those whose total credit operations owed in the financial system are equal to or greater than RD$25 million, both at the individual and consolidated levels in the system. On August 12, 2016, the Superintendence of Banks of the Dominican Republic issued Circular SIB No. 005/16, according to which these parameters were changed so that instead of considering the total transactions of credits approved in the financial system only the totals of credits owed are considered.

The regulation requires creating a provision for the positive exchange differences on foreign currency loans with more than 90 days overdue, considering as a risk exposure 20 % of the amount past due on collateralized loans classified as D and E, for more than 90 days past due.

The Superintendence of Banks granted an extension to all financial institutions to require a provision for the positive difference in foreign exchange currency loans, only for those loans classified as D and E with more than 90 days past due, until the Assets Evaluation Regulation is amended.

For consumer, mortgage and minor commercial debtors loans, the allowance is determined based on the days in arrears. Loan collaterals are not taken into account when determining the allowance, except in the case of minor commercial debtors.

Write-offs on 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 show that the legal procedures for recovery have been exhausted and the officers or managers directly related have been released of their duties. Loans written-off remain in memorandum accounts until the reasons that led to the write-off are not overcome.

Excesses in provision for loan portfolio cannot be released without prior authorization from the Superintendence of Banks, excluding the provisions for interest receivable with more than 90 days.

Collaterals securing loan operations are classified according to the Assets Evaluation Regulation and its modifications through the first Resolution of the Monetary Board dated July 9, 2015, based on its multiple uses and ease of realization. Each type of collateral is considered as a secondary element in the calculation of provisions coverage, based on a permissible amount established. Acceptable collateral will be accepted based on the discount percentages established in this Regulation at its market value. Collaterals are classified as follows:

Multi-use collateral (“Multipurpose guarantees”)

Multipurpose guarantees are considered to be real property that is 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 appraised value for purposes of covering the risks they support, depending on the guarantee.

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Specific use collateral ("Non-Multipurpose guarantees")

They are the guarantees backed by goods that, due to their difficult realization, generally cannot be used for different activities. These guarantees will only apply between 30 % and 50% of the value of the valuation for purposes of calculating the coverage of the risk they support.

Each classification of collateral is taken into account in calculating the amount of loan coverage based on a schedule (Table 8) established in the Asset Evaluation Regulation and its modifications.

Collaterals are measured at fair value, that is, at their net realizable value through appraisals or certificates prepared by independent professionals, not older than 12 months for personal property, excluding securities, and a term not exceeding 18 months for real estate.

Other considerations

As of December 31, 2016 and 2015, the Bank has waived and no objections from the Central Bank of the Dominican Republic and the Superintendence of Banks to specifically account 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, loans granted to some power generators and other operations linked to the sector, some credits to the agricultural sector and loan portfolio acquired from a local financial institution.

According to the sixth (6^{th}) resolution of the Monetary Board, dated December 20, 2016, the loans granted by the Bank to the Dominican Republic State, as well as the facilities granted through the program of contractor and suppliers of the Dominican Republic State, will be classified in risk category "A" with a 0 % provision requirement, reported as current portfolio and the private sector.

2.5.2 Allowance for loans portfolio of the public sector

At December 31, 2016 and 2015, the Bank evaluated the portfolio of major commercial debtors of the public sector, following the Instructional Guidelines for the Evaluation of Investment Loans and Contingent Operations of the Public Sector and related circulars. Provisions for public sector loans that have the guarantee of the same or of actual cash flows forth in the Law on General Budget of the State are classified as "A", and have a provisional requirement of a 0%, according to the First Resolution of the Monetary Board dated July 9, 2015. As of December 31, 2015, loans granted to the companies of the Dominican Republic State of the electric sector are classified as "A" and 0 % of provision, as established in Communication ADM / 1028/15 issued by the Superintendence of Banks dated September 10, 2015.

(Continues)

2.5.3 Allowance for interest receivable

The allowance for current interest receivable is determined using specific percentages according to the classification granted to the loan portfolio. The allowance for interest receivable on consumer loans and mortgages, is based on specific percentages of each type of loan, depending on the age of the balances set out in the based on days in arrears using parameters established in the Assets Evaluation Regulation.

Interests receivable 90 days past due (except for credit card transactions) are fully reserved. Interests receivable on credit cards are fully reserved after 60 days past due. Such accounts are then maintained on a non-accrual basis, recorded as a memorandum accounts (*Cuentas de Orden*) and interest are recognized as income only when collected.

2.5.4 Allowance for other assets

The Asset Valuation Regulation establishes a maximum term for the disposal of assets received in loans settlements 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, recorded on a straight-line basis starting on the seventh month.
Real estate:	100 %	Over three years, recorded on a straight-line basis starting on the thirteenth month.

The corresponding allowance to the loan portfolio for debtors, which guarantees have been received in loans settlements, must be transferred to allowances for losses on assets received in loans settlement. The allowance on assets received in loans settlement that have been sold cannot be released without prior authorization of the Superintendence of Banks; however, they can be transferred to other risky assets without prior authorization.

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

2.5.5 Allowance for contingencies

The allowance for contingent operations, which includes insurance bonds, endorsements, non-negotiated letters of credit, lines of credit and unused credit cards, among others, and which are recognized as other liabilities, is determined in conjunction with the rest of the obligations of the debtors' loan portfolio, based on the risk classification of the debtor and the deductible eligible collateral for the purposes of calculating the allowance. The nature and amounts of contingencies are described in note 28 to the consolidated financial statements.

(Continues)

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 5.40 % of the monthly salaries paid to officers and employees, plus 2.5 % of the gross profits of the Bank and extraordinary contributions, 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 approve pensions to be paid directly by the Bank, which are included in the determination of actuarial liability of the Plan.

The Bank's net obligation with respect to the defined benefit plans, is calculated by estimating the amount of future benefits that employees will have earned in the current and prior 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, 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). 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 compensation

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

(Continues)

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 (US$) 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. 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.

The Instructive for Classification, Valuation and Measurement of Investments in Debt Instruments 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 income statements.

Available-for-sale investments: Includes investments held to achieve a reasonable return for their temporary surplus or investments that the entity 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 the changes in the fair value are recognized in equity.

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.

(Continues)

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

At December 31, 2016, the bank has a waiver from the Superintendence of Banks to classify with risk category “A” and 0 % of provision, investments held by the Bank in debt instruments of the Dominican electric sector.

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 and the Instructive for the Asset Assessment Process in Permanent Regimes, except for investments in affiliates which are recognized using the equity method, following the Superintendence of Bank’s authorization.

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 12.

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 at December 31, 2004, are measured at cost less accumulated depreciation and impairment losses. Existing land and buildings at December 31, 2004, are recognized at market value, determined by independent appraisers and those acquired after that date are carried at the acquisition cost.

(Continues)

2.9.2 Depreciation

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

Depreciation percentages are as follows:

Description	Estimated years of useful life
Buildings	40
Furniture and office equipment	8
Transportation equipment	4
Computer equipment	5
ATMs	10
Leasehold improvements	5

2.10 Valuation of assets received in loan settlements

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

a) The value agreed upon payment in kind or the awarded price in a public auction.

b) The market value at the date assets are 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 2.5.4.

2.11 Deferred charges

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

Other prepaid expenses are amortized when the Bank receives the prepaid services.

2.12 Assets and liabilities in foreign currency

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

(Continues)

At December 31, 2016 and 2015, the exchange rates used for the translation of the US dollar balances to Dominican pesos was RD$46.6171 and RD$45.4691, respectively.

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 are 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 income statement, based on the accumulation of simple interest, except those corresponding to savings accounts and certificate of deposits with capitalized returns, which are accumulated using the compound interest method (applied to the minimum balance for savings accounts).

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

Income on sale of investments in debt instruments

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

Other income and other operating expenses

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

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.

(Continues)

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

2.13.2 Revenue recognition of insurance companies

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

(a) Short-term insurance contracts - These are annual, semi-annual or quarterly contracts with renewable options issued by the insurance company that cover personal risks, and recognized as income when invoiced.

(b) General insurance contracts - Premiums on these contracts are earned at the time of their underwriting which coincides with the commencement of the term of the contract. Premiums that have been underwritten before the commencement of the term of the contract, are unearned and not recognized in the consolidated financial statements.

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

2.13.3 Revenues from the Administrator of Pension Funds (AFP)

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

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

Income from the complementary annual commission of the Pension Fund T-I (Contributive), T-4 (Distributive) corresponds to 25 % until May 31, 2015 and from June 1st to 15 % and for the Fund T-5 corresponds to 5 % of the excess of yield portfolio of the weighted average rate of the previous month for all terms of fixed-term certificates of deposits, indefinite certificates of deposit and time certificates issued by commercial and multiple services banks. The Superintendence of Pensions reports the rate to the AFP according to the information provided by the Central Bank of the Dominican Republic.

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

2.13.4 Revenues for services to the Health Insurance Administrator (ARS for its Spanish acronyms)

The Health Insurance Administrator (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.

(Continues)

2.14 Provisions

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.

2.15 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 voluntarely 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 2017. The remaining subsidiaries of the Bank are subject to payment of income tax, for which, the tax effects of the transactions are recognized in the year in which they occurred, regardless of when they are recognized for tax purposes.

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

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

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

Deferred tax assets in respect of temporary differences are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; this reduction shall be reversed to the extent there 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 when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet.

(Continues)

2.16 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: cash on hand and in banks, certificate of deposits in other banks, bank acceptances, customer's liability acceptances, accrued interest receivable, outstanding acceptances and accrued interest payable.

Investment in securities

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.

Outstanding securities

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

Loan portfolio

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

Interest on financial assets and liabilities

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

(Continues)

2.17 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.

2.18 Impairment of assets

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

The recoverable amount of an asset maintained and used in operations, is measured by comparing the carrying amount of the assets with the 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 income of the year when determined.

2.19 Contingencies

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

2.20 Accounts receivable

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

2.21 Distribution of dividends

The Bank pays dividends based on the results of their operations in accordance with the decisions of the Board of Directors’ meeting. As established by Resolution No. 12-2001 dated December 5, 2001, issued by the Superintendence of Banks of the Dominican Republic, 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.

(Continues)

2.22 Revaluation surplus

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

2.23 Mathematical and technical reserves - life insurance and collective insurance

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

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

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

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

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

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

Transportation and freight insurance	15 %
Bank guarantees	40 %
For other insurances	40 %

(Continues)

2.25 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.

2.26 Amortization of non-proportional contracts - catastrophic premiums

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

2.27 Incurred but not reported claims (IBNR)

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

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

2.28 Segment reporting

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

3 Transactions in foreign currency and 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:

	2016		2015	
	Amount in foreign currency US$	Total in RD$	Amount in foreign currency US$	Total in RD$
Assets				
Available funds	984,083	45,875,099	625,595	28,445,253
Investments	437,417	20,391,092	347,897	15,818,570
Loan portfolio, net	1,826,090	85,127,017	2,132,301	96,953,822
Debtors by acceptances	58,481	2,726,202	13,030	592,467
Receivable insurance premiums	16,197	755,080	15,514	705,392
Accounts receivable	3,382	157,656	1,059	48,158
Investments in shares, net	832	38,773	832	37,818
Other assets	736	34,328	3,723	169,280
Contingencies (a)	150,000	6,992,565	-	-
Total assets	3,477,218	162,097,812	3,139,951	142,770,760

(Continues)

	2016		2015	
	Amount in foreign currency US$	Total in RD$	Amount in foreign currency US$	Total in RD$
Liabilities				
Customer deposits	1,837,627	85,664,827	1,771,012	80,526,296
Deposits from domestic and foreign financial institutions	338,340	15,772,409	342,352	15,566,441
Borrowed funds	792,865	36,961,079	771,579	35,082,986
Outstanding acceptances	58,481	2,726,202	13,030	592,467
Obligations derived from insurance and bonds	3,272	152,534	3,371	153,276
Other liabilities	57,596	2,684,964	27,127	1,233,451
Subordinated debts	306,942	14,308,747	306,552	13,938,657
Total liabilities	3,395,123	158,270,762	3,235,023	147,093,574
Long position (short) in foreing currency	**82,095**	**3,827,050**	**(95,072)**	**(4,322,814)**

(a) Corresponds to the nominal value of the transaction through an "Exchange Rate Coverage Agreement" with the Central Bank of the Dominican Republic (BCRD), whereby the Bank sold to the BCRD the amount of US$150 million to be exchanged for Dominican pesos the current rate to date for each US $, the BCRD offering exchange coverage on the amount of the exchange of the currencies agreed by the difference between the rate of the original transaction and the exchange rate of sale of the BCRD in effect at each hedging date.

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

As of December 31, 2016 and 2015, the exchange rates used by the Bank was RD$46.6171 and RD$45.4691, respectively, for each United States dollar (US$).

4 Available funds

Available funds are summarized as follows:

		2016	2015
Cash on hand (a)	RD$	5,799,089	4,894,229
Central Bank of the Dominican Republic (b)		65,360,065	49,110,009
Domestic banks (c)		859,473	720,362
Foreign banks (d)		12,189,931	5,421,049
Other funds - in transit (e) (f)		386,541	1,657,729
Interest receivable		542	112
	RD$	**84,595,641**	**61,803,490**

(Continues)

(a) Includes US$21,300 in 2016 and US$20,014 in 2015.

(b) Includes US$689,321 in 2016 and US$453,921 in 2015.

(c) Includes US$8,524 in 2016 and US$188 in 2015.

(d) Includes US$261,491 in 2016 and US$119,225 in 2015.

(e) Includes US$3,439 in 2016 and US$32,247 in 2015.

(f) Represents effects received from other banks pending collection in the Clearing House. As of December 31, 2016 includes US$8.

The required legal reserve amounts to RD$35,299,033 and US$382,903 for 2016 and RD$28,879,012 and US$363,535 for 2015. For these purposes, the Bank maintains amounts of RD$35,634,201 and US$688,836 for 2016 and RD$29,328,718 and US$453,538 for 2015.

5 Interbank funds

The movements of interbank funds received and granted during the years ended December 31, 2016 and 2015, is as follows:

	Interbank assets			
Entity	Quantity	Amount in RD$	No. of days	Weighted average rate
2016				
Banco Múltiple BHD León, S. A.	25	11,995,000	2	5.01 %
Banco Múltiple Vimenca, S. A.	2	65,000	3	6.50 %
Banco Múltiple BDI, S. A.	21	685,000	3	6.45 %
Banco Múltiple Caribe Internacional, S. A.	17	1,665,000	3	6.48 %
Citibank, N. A.	4	875,000	2	5.16 %
Banco Múltiple Promérica de la República Dominicana, S. A.	15	1,420,000	4	7.11 %
Banco Dominicano del Progreso, S. A., Banco Múltiple	3	400,000	2	7.00 %
Banesco, Banco Múltiple, S. A.	4	300,000	2	6.42 %
Banco de Ahorro y Créditos Providencial, S.A.	12	300,000	7	7.54 %
Asociación La Nacional de Ahorros y Préstamos	4	410,000	3	6.66 %
		18,115,000		

(Continues)

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

Notes to the Consolidated Financial Statements

	Interbank assets			
Entity	Quantity	Amount in RD$	No. of days	Weighted average rate
2015				
Banco Múltiple BHD León, S. A.	17	7,025,000	3	5.70 %
Banco Múltiple Vimenca, S. A.	6	217,000	2	6.42 %
Banco Múltiple BDI, S. A.	18	942,000	5	5.90 %
Banco Múltiple Caribe Internacional, S. A.	14	1,340,000	4	6.25 %
Citibank, N. A.	5	1,875,000	2	5.58 %
Asociación Popular de Ahorros y Préstamos	7	1,530,000	7	5.02 %
Banco Múltiple Promérica de la República Dominicana, S. A.	5	370,000	4	6.42 %
Banesco, Banco Múltiple, S. A.	1	30,000	1	7.00 %
		13,329,000		

	Interbank liabilities			
Entity	Quantity	Amount in RD$	No. of days	Weighted average rate
Banco Múltiple BHD León, S. A.	1	40,000	1	5.65 %
		40,000		

During the years 2016 and 2015, the Bank negotiated interbank funds with different financial institutions; however, at December 31, 2016 and 2015 there are no pending balances in interbank funds.

(Continues)

6 Investments

As of December 31, 2016 and 2015, the Bank's investments classified as other investments in debt instruments are as follows:

2016

Type of Investment	Issuer	Amount in RD$	Interest rate	Maturity
Other investments in debt instruments:				
Time deposits	Central Bank of the Dominican Republic	9,461,186	4.00 % until 15.50 %	2017 until 2023
Bonds Law No. 99-01	Dominican Republic State	225,000	1.00 %	2021
Bonds Law 366-09 131-11, 361-11, 193-11, 58-13, 175-12, 48-10, 260-15, 297-10, 548-14, 155-13, 331-15, 361-11 and 152-14 (a)	Dominican Republic State (includes US$ US$112,442)	27,109,243	3.75 % until 18.50 %	2017 until 2044
Trust values (b)	Fideicomiso para la Operación, Mantenimiento y Expansión de La Red Vial principal de la República Dominicana	2,498,630	10.50 %	2026
Agreement with the Dominican Republic Electric Sector debt (b)	Edesur Dominicana, S. A. (corresponds to US$118,219)	5,511,028	10.00 %	2020
	Empresa Distribuidora de Electricidad del Este, S. A. (corresponds to US$123,460)	5,755,322	10.00 %	2020
	Edenorte Dominicana, S. A. (corresponds to US$70,497)	3,286,379	10.00 %	2020
Corporate bonds	Empresa Generadora de Electricidad Haina, S. A. (corresponds to US$1,993)	92,916	4.07 % until 11.25 %	2017 until 2026
Bonds	Consorcio Energético CEPM (corresponds to US$2,287)	106,596	4.19 % and 5.15 %	2025
Bonds	Compañía de Electricidad de Puerto Plata, S. A. (corresponds to US$560)	26,121	4.38 % and 6.00 %	2019
Corporate bonds	Parallax Valores, Puesto de Bolsa, S. A.	50,000	10.90 %	2018
Time deposits	Banco Agrícola de la República Dominicana	1,185,000	6.00 % and 7.00 %	2017
Time deposits	Asociación Popular de Ahorros y Préstamos	112,992	8.50 %	2017

(Continues)

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

Notes to the Consolidated Financial Statements

2016

Type of Investment	Issuer	Amount in RD$	Interest rate	Maturity
Time deposits	Asociación Peravia de Ahorros y Préstamos	82,808	8.50 %	2017
Time deposits	Asociación Cibao de Ahorros y Préstamos	19,874	6.50 %	2017
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	86,187	9.00 %	2017
Time deposits	Asociación La Nacional de Ahorros y Préstamos	65,771	7.00 % and 10.25 %	2017
Time deposits	Asociación Maguana de Ahorros y Préstamos	23,036	7.00 % until 8.00 %	2017
Time deposits	Asociación Romana de Ahorros y Préstamos	36,079	8.00 % until 8.50 %	2017
Time deposits	Asociación Duarte de Ahorros y Préstamos	2,025	8.00 %	2017
Time deposits	Asociación Bonao de Ahorros y Préstamos	24,645	7.50 %	2017
Time deposits	Banco Múltiple Caribe, S. A.	104,245	10.25 % until 12.00 %	2017
Time deposits	Banco Múltiple Promérica de la República Dominicana, S. A.	55,773	9.75 %	2017
Time deposits	Banco Popular Dominicano, S. A. Banco Múltiple	96,619	10.50 %	2017
Time deposits	Motor Crédito, S. A. Banco de Ahorro y Crédito	22,848	9.50 % and 10.60 %	2017
Time deposits	Banco Múltiple de las Américas, S.A.	21,013	8.50 % until 10.00 %	2017
Time deposits	Banco Múltiple BHD León, S. A.	24,294	8.25 %	2017
Time deposits	Banco Múltiple BDI, S. A.	25,539	12.00 %	2017
Time deposits	Banesco, Banco Múltiple, S. A.	104,381	9.25 % and 10.00 %	2017
Time deposits	Banco Dominicano del Progreso, S. A. Banco Múltiple (corresponds to US$3,900)	181,807	1.65 %	2017
Time deposits	Banco de Ahorro y Crédito ADOPEM, S. A.	10,651	9.00 %	2017
Quote of participation	Administradora de Fondos de Inversión Universal, S. A.	10,652	8.01 %	2017
Restricted securities				
Bonds Law No.152-14, 548-14, 131-11, 331-15, 297-10 and 260-15	Dominican Republic State	1,925,719	10.38 % until 15.95 %	2021 until 2029
Time deposits	Central Bank of the Dominican Republic	378,000	14.50 %	2018
Mortgage notes (c)	Banco Múltiple BHD León, S. A.	201	5.20 %	2017
Time deposits (c)	Asociación Popular de Ahorros y Préstamos	3,000	5.00 %	2017
Profitability guarantee	Asociaciones de Ahorros y Préstamos	924,289	-	-

(Continues)

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

Notes to the Consolidated Financial Statements

Type of investment	Issuer	Amount in RD$	Interest Rate	Maturity
Other investments (b)	Housing Trust, Low cost	78,462	-	-
Bonds	Treasury of the United States of America, (corresponds to US$712)	33,198	13.16 %	2024
		59,761,529		
	Interest receivable, (includes US$3,531)	1,199,556		
		60,961,085		
	Provision for investment, (includes US$184)	(245,176)		
		60,715,909		
2015				
Time deposits	Central Bank of the Dominican Republic	2,046,609	9.00 % until 22.00	2016 until 2022
Bonds Law No. 99-01	Dominican Republic State	300,000	1.00 %	2016 until 2021
Bonds Law No. 366-09 361-11, 193-11, 58-13 131-11, 297-10, 548-14 and 152-14 (a)	Dominican Republic State (includes US$2,528)	18,497,364	2.50 % until 18.50 %	2016 until 2045
Agreement with the Dominican Republic Electric Sector debt (b)	Edesur Dominicana, S. A. (corresponds to US$122,679)	5,578,089	10.00 %	2020
	Empresa Distribuidora de Electricidad del Este, S. A. (corresponds to US$81,328)	3,697,898	10.00 %	2020
	Edenorte Dominicana, S. A. (represents US$135,140)	6,144,681	10.00 %	2020
Corporate bonds	Empresa Generadora de Electricidad Haina, S. A. (corresponds to US$1,246)	56,656	5.75 % and 7.00 %	2016 until 2025
Bonds	Consorcio Energético CEPM (corresponds to US$2,791)	126,904	5.15 %	2025
Bonds	Compañía de Electricidad de Puerto Plata, S. A. (corresponds to US$33)	1,514	6.00 %	2019
Corporate bonds	Parallax Valores, Puesto de Bolsa, S. A.	50,000	10.90 %	2018
Time deposits	Banco Agrícola de la República Dominicana	1,185,000	6.00 % until 7.00 %	2016
Time deposits	Asociación Popular de Ahorros y Préstamos	134,956	7.65 % until 8.00 %	2016
Time deposits	Asociación Peravia de Ahorros y Préstamos	92,011	8.50 % until 8.75 %	2016 until 2017
Time deposits	Asociación Cibao de Ahorros y Préstamos	18,619	6.75 %	2016
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	71,105	6.00 %	2016
Time deposits	Asociación La Nacional de Ahorros y Préstamos	13,555	5.00 %	2016

(Continues)

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

Notes to the Consolidated Financial Statements

Type of investment	Issuer	Amount in RD$	Interest rate	Maturity
Time deposits	Asociación Maguana de Ahorros y Préstamos	14,536	7.00 %	2016
Time deposits	Asociación Romana de Ahorros y Préstamos	47,098	6.00 % and 7.00 %	2016
Time deposits	Asociación Duarte de Ahorros y Préstamos	25,579	7.00 % and 8.00 %	2016
Time deposits	Asociación Mocana de Ahorros y Préstamos	61,617	7.00 % until 8.00 %	2016
Time deposits	Asociación Bonao de Ahorros y Préstamos	23,228	6.00 %	2016
Time deposits	Banco Múltiple Caribe, S. A.	24,964	7.25 % until 10.25 %	2016
Time deposits	Banco Múltiple Promérica de la República Dominicana, S. A.	61,564	8.25 % until 9.75 %	2016
Time deposits	Motor Crédito, S. A. Banco de Ahorro y Crédito	11,447	9.75 %	2016
Time deposits	Banco Múltiple de las Américas, S. A.	36,455	8.50 % until 9.25 %	2016
Time deposits	Banco Múltiple BHD León, S. A.	22,362	6.55 %	2016
Time deposits	Banesco, Banco Múltiple, S. A.	126,196	11.60 %	2016
Invoice discounted	Escogido Baseball Club, S. A.	11,307	14.00 %	2016
Restricted securities				
Bonds Law No.152-14, 548-14, 131-11 and 297-10	Dominican Republic State	1,745,372	10.38 % until 15.95 %	2021 until 2029
Mortgage notes (c)	Banco Múltiple BHD León, S. A.	201	6.10 %	2016
Time deposits (c)	Asociación Popular de Ahorros y Préstamos	3,000	5.15 %	2016
Profitability guarantee	Asociaciones de Ahorros y Préstamos	772,644	-	-
Bonds	Treasury of the United States of America, (corresponds to US$698)	31,755	13.16 %	2024
		41,034,286		
	Interest receivable, (includes US$1,636)	772,448		
		41,806,734		
	Provision for investment, (includes US$182)	(213,614)		
		41,593,120		

(a) At December 31, 2016 and 2015, Includes securities for the amount of RD$2,893,476 and RD$2,893,700, respectively, which are considered for legal reserve (*encaje legal*) purposes, under the First Resolution of the Monetary Board of March 26, 2015.

(b) 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.

(c) Investments affected by lawsuits against the Bank.

(Continues)

7 Loans portfolios

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

		2016			2015		
		Public sector	Private sector	Total	Public sector	Private sector	Total
Commercial loans:							
Advances on checking accounts	RD$	-	14,399	14,399	-	20,294	20,294
Loans (includes US$1,572,059 and US$1,815,608 in 2016 and 2015)		66,979,833	126,888,344	193,868,177	73,924,161	112,618,720	186,542,881
Discounted notes		-	2,902	2,902	-	2,692	2,692
Discounted on invoices (includes US$250,531 and US$286,182 in 2016 and 2015)		-	11,701,652	11,701,652	-	13,038,611	13,038,611
Financial leases		31,862	3,157	35,019	65,980	17,912	83,892
Advance on export notes (corresponds to US$740 and US$951 in 2016 and 2015)		-	34,496	34,496	-	43,257	43,257
Letters of credit (corresponds to US$1,867 and US$2,606 in 2016 and 2015)		-	87,032	87,032	-	118,517	118,517
Other loans		-	15,932	15,932	-	24,101	24,101
		67,011,695	138,747,914	205,759,609	73,990,141	125,884,104	199,874,245
Consumer loans:							
Credit cards (includes US$17,220 and US$13,426 in 2016 and 2015)		-	6,629,865	6,629,865	-	5,166,852	5,166,852
Consumer loans: (includes US$1,732 and US$1,206 in 2016 and 2015)		-	37,844,445	37,844,445	-	34,304,698	34,304,698
		-	44,474,310	44,474,310	-	39,471,550	39,471,550
Mortgage loans:							
Residential purchases (includes US$1,520 and US$1,533 in 2016 and 2015)		-	32,490,619	32,490,619	-	30,819,872	30,819,872
Construction, improvements, repairs, expansion and others		-	975,391	975,391	-	1,016,515	1,016,515
		-	33,466,010	33,466,010	-	31,836,387	31,836,387
		67,011,695	216,688,234	283,699,929	73,990,141	197,192,041	271,182,182

(Continues)

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

Notes to the Consolidated Financial Statements

		2016			2015		
		Public sector	Private sector	Total	Public sector	Private sector	Total
Interest receivable (includes US$8,697 and US$39,907 in 2016 and 2015)		172,606	3,838,483	4,011,089	1,927,135	2,045,610	3,972,745
Allowance for loan losses and interest receivable (includes US$28,276 and US$29,118 in 2016 and 2015)		-	(6,694,596)	(6,694,596)	-	(5,768,204)	(5,768,204)
	RD$	67,184,301	213,832,121	281,016,422	75,917,276	193,469,447	269,386,723

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

		2016			2015		
		Public sector	Private sector	Total	Public sector	Private sector	Total
Commercial loans:							
Current (i) (includes US$1,775,626 and US$2,063,407 in 2016 and 2015)	RD$	67,011,089	128,911,756	195,922,845	73,990,134	115,597,920	189,588,054
Restructured (ii) (includes US$37,912 US$16,818 in 2016 and 2015)		-	2,832,986	2,832,986	-	2,160,427	2,160,427
Past due:							
31 to 90 days (iii) (includes US$34 and US$101 in 2016 and 2015)		-	44,583	44,583	-	47,659	47,659
More than 90 days (iv) (includes US$2,069 and US$1,162 in 2016 and 2015)		606	867,878	868,484	7	649,202	649,209
Legal collections (v), (includes (US$7,259 and US$22,019 in 2016 and 2015)		-	833,820	833,820	-	1,472,262	1,472,262
		67,011,695	133,491,023	200,502,718	73,990,141	119,927,470	193,917,611
Microcredits:							
Current (i)		-	14,888	14,888	-	-	-
		-	14,888	14,888	-	-	-
Microenterprises loans:							
Current (i) (includes US$2,252 and US$1,826 in 2016 and 2015)		-	5,005,216	5,005,216	-	5,756,125	5,756,125
Restructured (ii)		-	3,251	3,251	-	6,509	6,509
Past due:							
31 to 90 days (iii) (includes US$4 in 2016)		-	12,512	12,512	-	13,821	13,821
More than 90 days (iv) (includes US$25 in 2016)		-	150,026	150,026	-	167,317	167,317
Legal collections (v) (includes US$15 in 2016 and 2015)		-	70,998	70,998	-	12,862	12,862
		-	5,242,003	5,242,003	-	5,956,634	5,956,634

(Continues)

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

Notes to the Consolidated Financial Statements

	2016 Public Sector	2016 Private Sector	2016 Total	2015 Public Sector	2015 Private Sector	2015 Total
Consumer loans:						
Current (i) (includes US$18,040 and US$14,144 in 2016 and 2015)	-	43,148,086	43,148,086	-	38,714,915	38,714,915
Restructured (ii)	-	10,960	10,960	-	13,266	13,266
Past due:						
31 to 90 days (iii)	-	198,461	198,461	-	142,196	142,196
More than 90 days (iv) (includes US$808 and US$486 in 2016 and 2015)	-	992,134	992,134	-	570,949	570,949
Legal collections (v), (includes US$104 and US$1 in 2016 and 2015)	-	124,669	124,669	-	30,224	30,224
	-	44,474,310	44,474,310	-	39,471,550	39,471,550
Mortgage loans:						
Current (i) (includes US$1,058 and US$1,461 in 2016 and 2015	-	32,744,858	32,744,858	-	31,296,616	31,296,616
Restructured (ii)	-	41,333	41,333	-	34,626	34,626
Past due:						
31 to 90 days (iii) (includes US$1 and US$3 in 2016 and 2015)	-	3,728	3,728	-	4,154	4,154
More than 90 days (iv) (includes US$462 and US$69 in 2016 and 2015)	-	438,170	438,170		355,174	355,174
Legal collections (v)	-	237,921	237,921	-	145,817	145,817
	-	33,466,010	33,466,010	-	31,836,387	31,836,387
Interest receivable:						
Current (i) (includes US$5,986 and US$37,049 in 2016 and 2015)	172,531	3,405,813	3,578,344	1,927,135	1,647,204	3,574,339
Restructured (ii) (includes US$231 and US$146 in 2016 and 2015)	-	11,589	11,589	-	32,351	32,351
Past due:						
From 31 to 90 days (iii) (includes US$19 and US$39 in 2016 and 2015)	-	89,953	89,953	-	97,796	97,796
More than 90 days (iv) (includes US$2,326 and US$2,242 in 2016 and 2015)	75	284,958	285,033	-	224,265	224,265
Legal collections (v) (includes US$135 and US$431 in 2016 and 2015)	-	46,170	46,170	-	43,994	43,994
	172,606	3,838,483	4,011,089	1,927,135	2,045,610	3,972,745
Allowance for loans and interest receivable (includes US$28,276 and US$29,118 in 2016 and 2015)	-	(6,694,596)	(6,694,596)	-	(5,768,204)	(5,768,204)
RD$	67,184,301	213,832,121	281,016,422	75,917,276	193,469,447	269,386,723

(Continues)

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

Notes to the Consolidated Financial Statements

(i) Corresponds to loans that are up to date in fulfilling the payment plan agreed or that do not show arrears over 30 days from the date on which they have become due and payable, except consumer loans relating to credit card, which will remain current until 60 days after the date on which payments have become due and payable.

(ii) Corresponds to principal and interest receivable on loans, that being current or past due, their conditions and payment terms have changed, resulting in a change of the interest rate and maturity of the original loan contract, as well as loans resulting from capitalization of interest, default commissions and other charges of a previous loan.

(iii) Corresponds to principal installments and interest past due 31 to 90 days from the day in which the principal should have been paid.

(iv) Corresponds to the total principal and interest receivable that are past due in their principal payments for more than 90 days. Loans payable in installments are classified as overdue portfolio. Furthermore, includes overdrafts on demand with more than three days in arrears.

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

c) By type of collateral:

		2016			2015		
		Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Multi use collateral (i)	RD$	31,862	62,933,533	62,965,395	65,980	70,151,332	70,217,312
Specific use collateral (ii)		-	5,581,691	5,581,691	-	4,981,140	4,981,140
Without collateral (iii)		66,979,833	148,173,010	215,152,843	73,924,161	122,059,569	195,983,730
		67,011,695	216,688,234	283,699,929	73,990,141	197,192,041	271,182,182
Interest receivable		172,606	3,838,483	4,011,089	1,927,135	2,045,610	3,972,745
Allowance for loan losses and interest receivable		-	(6,694,596)	(6,694,596)	-	(5,768,204)	(5,768,204)
	RD$	**67,184,301**	**213,832,121**	**281,016,422**	**75,917,276**	**193,469,447**	**269,386,723**

The third resolution of the monetary board dated December 20, 2016, modified with immediate application the percentages of admissibility and the classifications of some guarantees, also included some new types of guarantee.

(i) Multi-use collateral are 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 December 31, 2016 and 2015, these collaterals are considered as follows:

(Continues)

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

Notes to the Consolidated Financial Statements

Type of collateral	Percentage of admittance (%)
Debt securities issued or guaranteed by the Dominican State (Central Bank, Ministry of Finance)	100
Debt securities issued by financial intermediaries	95
Time deposits in domestic or foreign currency owned by the financial intermediary	100
Time deposits in domestic or foreign currency of other financial intermediaries	95
Sureties or guarantees, irrevocable letters of credit and letters of credit stand-by	95
Plots or land	80
Plots or exclusive land for agricultural purposes	80
Residential buildings, property and apartments	80
Buildings and commercial space	80
Motor vehicles with less than five years of antiquity	50
Industries of multiple use	70
Warrants of inventory	90
Securities guaranteed by trusts of public offering trusts of securities of the Central Bank and Ministry of Finance (a)	-
Security trust certificates over guarantee trusts (a)	-
Trust accounts for payment sources	50
Other multi-use collateral	70

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

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

Type of collateral	Percentage of admittance (%) 2016	2015
Heavy vehicles	50	50
Hotels in operation	70	70
Hotel projects under construction	80	50
Industrial building	80	50
Free trade zone	80	60
Single-use industries	50	30
Other non multi-use collaterals	50	30

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

(Continues)

d) By source of funds:

		2016			2015		
		Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Own funds	RD$	67,011,695	216,658,101	283,669,796	73,990,141	197,117,224	271,107,365
Other domestic institutions		-	30,133	30,133	-	74,817	74,817
		67,011,695	216,688,234	283,699,929	73,990,141	197,192,041	271,182,182
Interest receivable		172,606	3,838,483	4,011,089	1,927,135	2,045,610	3,972,745
Allowance for loan losses and interest receivable		-	(6,694,596)	(6,694,596)	-	(5,768,204)	(5,768,204)
	RD$	**67,184,301**	**213,832,121**	**281,016,422**	**75,917,276**	**193,469,447**	**269,386,723**

e) By term:

		2016			2015		
		Public sector	Private sector	Total	Public sector	Private sector	Total
Short-term (up to one year)	RD$	49,507,875	100,457,153	149,965,028	41,232,691	89,759,270	130,991,961
Medium-term (more than one year and up to three years)		14,630,229	84,449,881	99,080,110	19,982,949	77,385,297	97,368,246
Long-term (more than three years)		2,873,591	31,781,200	34,654,791	12,774,501	30,047,474	42,821,975
		67,011,695	216,688,234	283,699,929	73,990,141	197,192,041	271,182,182
Interest receivable		172,606	3,838,483	4,011,089	1,927,135	2,045,610	3,972,745
Allowance for loan losses and interest receivable		-	(6,694,596)	(6,694,596)	-	(5,768,204)	(5,768,204)
	RD$	**67,184,301**	**213,832,121**	**281,016,422**	**75,917,276**	**193,469,447**	**269,386,723**

(Continues)

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

Notes to the Consolidated Financial Statements

f) By economic sector:

		2016			2015		
		Public sector	Private sector	Total	Public sector	Private sector	Total
Government	RD$	67,010,556	-	67,010,556	73,988,582	-	73,988,582
Financial sector		1,139	4,063,476	4,064,615	1,559	4,744,371	4,745,930
Non-financial sector							
Agriculture, livestock and forestry		-	3,497,323	3,497,323	-	3,322,682	3,322,682
Fishing		-	9,675	9,675	-	7,751	7,751
Mining and quarries		-	463,561	463,561	-	365,428	365,428
Manufacturing industry		-	10,625,370	10,625,370	-	14,152,564	14,152,564
Electricity, gas and water		-	4,997,872	4,997,872	-	4,605,381	4,605,381
Construction		-	47,331,261	47,331,261	-	37,384,100	37,384,100
wholesale and retail business		-	39,228,519	39,228,519	-	39,261,810	39,261,810
Hotels and restaurants		-	12,510,870	12,510,870	-	6,700,685	6,700,685
Transportation, warehousing and communication		-	1,787,716	1,787,716	-	1,573,199	1,573,199
Real estate, and leasing activities		-	7,002,710	7,002,710	-	5,821,264	5,821,264
Education		-	319,307	319,307	-	338,229	338,229
Health and social services		-	172,507	172,507	-	207,474	207,474
Other social and personal services activities		-	77,969,614	77,969,614	-	72,787,440	72,787,440
Private household with local services		-	6,708,453	6,708,453	-	5,919,663	5,919,663
		67,011,695	216,688,234	283,699,929	73,990,141	197,192,041	271,182,182
Interest receivable		172,606	3,838,483	4,011,089	1,927,135	2,045,610	3,972,745
Allowance for loans losses and interest receivable		-	(6,694,596)	(6,694,596)	-	(5,768,204)	(5,768,204)
	RD$	**67,184,301**	**213,832,121**	**281,016,422**	**75,917,276**	**193,469,447**	**269,386,723**

As of December 31, 2016 and 2015, loans to the private sector include RD$43,800 million and RD$29,049 million, respectively, which correspond to credit line operations with contractors and suppliers who are carrying out works to the Dominican Republic State with the guarantee of the government. Until December 20, 2016, these loans had the non-objection of the Superintendence of Banks to be classified in risk category "A", provisioning at 1 % and their accounting as private sector loans. Through the sixth resolution of the Monetary Board dated December 20, 2016, a no-objection was granted until April 30, 2017 for the Bank to classify these credits with risk category "A" and provision requirement to 0 %, as well as their accounting as current and classify as loans to the private sector.

(Continues)

According to the First Resolution of the Monetary Board dated July 9th, 2015, direct and indirect financing granted to the Dominican State that has the guarantee of the same or with the funds for the repayment of the debt from real flows recorded in the law of the Dominican Republic's general budget, will be classified with risk category "A" and a provision requirement of 0 %. According to the sixth resolution of the Monetary Board dated December 20, 2016, a no-objection was granted until April 30, 2017 so that credits granted to the Dominican State that are in its loan portfolio as of December 31, 2016 , will be classified in risk category "A", requirement of 0 % provision and reported as current.

On March 27, 2014, the Bank signed a transactional agreement with a domestic financial institution, in which the following was agreed:

- The domestic financial institution sold the Bank a loan portfolio classified by the Superintendence of Banks in the risk categories A, B and C, with a face value of RD$1,420,009. This portfolio was acquired with a discount of RD$355,002, that on December 31, 2014, was recorded as other liabilities and recognized in net income during the term thereof. Through circular ADM/2068/15, the Superintendence of Banks granted a non-objection so that the Bank would recognize as income during 2016, the outstanding amount pending to amortize for the total of RD$318,636.

- According to communication 0379-14 dated June 17, 2014, the Superintendence of Banks awarded its non-objection to the Bank to classify into an "A" risk category with 0 % of provision requirement, the loans received from the domestic financial institution for a period of two years, counted from the effective date of the portfolio transfer was June 11, 2014.

  Subsequently, through Circular ADM/1685/16, dated September 2, 2016, this period was extended until November 2016.

- The domestic financial institution transferred to the Bank its loan portfolio, classified by the Superintendence of Banks in risk categories of D and E, with a face value of approximately RD$800,000. This portfolio is managed by the Bank, and commission is charged when the amounts are recovered.

The Bank sold to local and foreign financial institutions a portion of its loan portfolio with the Ministry of Finance and other debtors, whose amounts to US$62,134 and RD$9,621,081 in 2016 and US$177,251 in 2015. During the years ended December 31, 2016 and 2015, these operations generated profits for the Bank for approximately RD$59,100 and RD$116,000, respectively, which are included in the line of other income in the accompanying financial statements.

(Continues)

8 Debtors by acceptances

A summary of debtors by acceptances is as follows:

	2016		2015	
Correspondent Bank	Amount in RD$	Maturity Date	Amount in RD$	Maturity Date
Wells Fargo Bank (corresponds to US$9,818 in 2016 and US$1,568 in 2015)	457,670	2017	71,281	2016
Bank of America (corresponds to US$120 in 2016 and US$60 in 2015)	5,594	2017	2,728	2016
Societe Generale (corresponds to US$6,861 in 2016 and US$11,040 in 2015)	319,822	2017	501,957	2016
Deustche Bank (corresponds to US$7,888 in 2016 and US$193 in 2015)	367,710	2017	8,795	2016
Bancoldex (corresponds to US$169 in 2015)	-	-	7,706	2016
The Bank of Tokyo-Mitsubishi (corresponds to US$1,103 in 2016)	51,444	2017	-	-
Commerzbank (corresponds to US$2,680 in 2016)	124,917	2017	-	-
CoBank (corresponds to US$30,011 in 2016)	1,399,045	2017	-	-
	2,726,202		592,467	

9 Accounts receivable

A summary of accounts receivable is as follows:

		2016	2015
Commission's receivable (includes US$61 and US$49 in 2016 and 2015)	RD$	34,498	37,606
Other receivables:			
Foreign exchange contracts (includes US$968 in 2016)		45,106	-
Advances to suppliers		9,017	44,697
Accounts receivable from employees		505,797	479,885
Recoverable expenses		5,962	198
Security deposits		46,437	44,200

(Continues)

		2016	2015
Judicial and administrative deposites		2,014	2,014
Credit card claims		47,869	26,668
Accounts receivable for real estate and leasing operations (includes US$73 and US$70 in 2016 and 2015)		21,153	12,746
Management funds		125,118	56,683
Discounted documents receivable		128,679	139,517
Returned checks (includes US$2 and US$10 in 2016 and 2015, respectively)		114	546
Accounts receivable - other (includes US$2,278 and US$930 in 2016 and 2015, respectively)		764,946	816,278
		1,702,212	1,623,432
	RD$	**1,736,710**	**1,661,038**

10 Premiums receivable

A summary of insurance premiums receivable is as follows:

		2016	2015
General insurances (includes US$15,643 and US$15,029 in 2016 and 2015)	RD$	1,828,833	1,468,663
Life insurance includes US$554 and US$485 in 2016 and 2015)		91,288	51,664
	RD$	**1,920,121**	**1,520,327**

11 Assets received in loan settlements

A summary of assets received in loan settlements as of December 31, 2016 and 2015, is as follows:

		2016	2015
Furniture and equipment	RD$	486,920	487,654
Real estate		7,750,404	7,835,522
		8,237,324	8,323,176
Allowance for losses on assets received in loan settlements		(5,960,004)	(5,257,239)
	RD$	**2,277,320**	**3,065,937**

(Continues)

Following is a description of assets received in loan settlements (by aging) as of December 31, 2016 and 2015:

		Amount	Provision
2016			
Up to 40 months:			
Furniture and equipment	RD$	486,233	(486,233)
Real estate		3,954,153	(1,676,833)
More than 40 months:			
Furniture and equipment		687	(687)
Real estate		3,796,251	(3,796,251)
Total	**RD$**	**8,237,324**	**(5,960,004)**
2015			
Up to 40 months:			
Furniture and equipment	RD$	486,967	(163,689)
Real estate		4,136,723	(1,394,064)
More than 40 months:			
Furniture and equipment		687	(687)
Real estate		3,698,799	(3,698,799)
Total	**RD$**	**8,323,176**	**(5,257,239)**

12 Investments in shares

A summary of investments in shares is as follows:

Amount of investment in RD$	Percentage of shares	Type of shares	Face value RD$	Market value RD$	Number of outstanding shares
December 31, 2016					
Investments in associates:					
647,508	24.53 %	Common	100	(a)	4,866,613
202,336	27.08 %	Common	1,000	(a)	161,888
849,844					

(Continues)

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	Amount of investment in RD$	Percentage of shares	Type of shares	Face value RD$	Market value RD$	Number of outstanding shares
December 31, 2016						
Investments in other companies:						
	40,021 (a)	0 %	Common	311	1,372	128,776
	15,605 (b)	10 %	Common	100	(a)	156,048
	97,467 (b)					
	153,093					
	1,002,937					
	(22,723) (c)					
Total	**980,214**					
December 31, 2015						
Investments in associates:						
	617,385	24.53 %	Common	100	(a)	4,866,613
	246,168	27.08 %	Common	1,000	(a)	468,056
	863,553					
Investments in other companies:						
	39,035 (a)	0 %	Common	258	1,179	128,776
	15,605 (b)	10 %	Common	100	(a)	69,221
	19,847 (b)					
	74,487					
	938,040					
	(25,935) (c)					
Total	**912,105**					

(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 active markets, which book value at December 31, 2016 and 2015 amounted to RD$40 million and RD$39 million, respectively, the market value was RD$177 and RD$152 million, respectively.

(b) Corresponds to minor investments in several entities.

(c) Represents an allowance for investments in shares.

As of December 31, 2016 and 2015, investments in shares include US$832 net of allowance for US$27, respectively.

(Continues)

A movement of the investment, dividends received and equity shares in net income of the associates at December 31, 2016 and 2015, is as follows:

		2016	2015
Investment balances at January 1st	RD$	863,553	746,940
Equity share recognized		41,870	138,470
Dividends received in cash		(55,579)	(21,857)
Investment balances at December 31	**RD$**	**849,844**	**863,553**

13 Property, furniture and equipment

As of December 31, 2016 and 2015, a summary of property, furniture and equipment are as follows:

2016		Land and improvements	Buildings	Furniture and equipment	Leasehold improvements	Construction and acquisitions in process (a)	Total
Gross balance at January 1st, 2016	RD$	1,386,565	4,695,310	3,881,819	176,768	3,151,558	13,292,020
Acquisitions		-	15,333	53,260	-	3,628,925	3,697,518
Retirements		-	-	(491,163)	-	-	(491,163)
Transfers		115,726	354,608	1,430,222	31,625	(1,932,181)	-
Balance at December 31, 2016		1,502,291	5,065,251	4,874,138	208,393	4,848,302	16,498,375
Accumulated depreciation at January 1st, 2016		-	(1,299,123)	(1,457,426)	(37,276)	-	(2,793,825)
Depreciation expenses		-	(131,570)	(771,109)	(43,474)	-	(946,153)
Retirements		-	-	470,781	12,145	-	482,926
Balance at December 31, 2016		-	(1,430,693)	(1,757,754)	(68,605)	-	(3,257,052)
Property, furniture and equipment at December 31, 2016	**RD$**	**1,502,291**	**3,634,558**	**3,116,384**	**139,788**	**4,848,302**	**13,241,323**

(Continues)

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2015		Land and improvements	Buildings	Furniture and equipment	Leasehold improvements	Construction and acquisitions in process (a)	Total
Gross balance at January 1st, 2015	RD$	1,262,793	4,530,965	2,860,027	36,910	1,043,991	9,734,686
Acquisitions		70,340	40,679	27,513	-	3,537,322	3,675,854
Retirements		-	-	(114,408)	(4,112)	-	(118,520)
Transfers		53,432	123,666	1,108,687	143,970	(1,429,755)	-
Balance at December 31, 2015		1,386,565	4,695,310	3,881,819	176,768	3,151,558	13,292,020
Accumulated depreciation at January 1st, 2015		-	(1,175,967)	(926,498)	(11,107)	-	(2,113,572)
Depreciation expenses		-	(123,156)	(605,082)	(30,287)	-	(758,525)
Retirements		-	-	74,154	4,118	-	78,272
Transfers							
Balance at December 31, 2015		-	(1,299,123)	(1,457,426)	(37,276)	-	(2,793,825)
Property, furniture and equipment at December 31, 2015	**RD$**	**1,386,565**	**3,396,187**	**2,424,393**	**139,492**	**3,151,558**	**10,498,195**

(a) Corresponds mainly to acquisition of hardware, renovations and building of branches.

Land and buildings held by the Bank 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, and is presented as revaluation surplus, net of cumulative depreciation in the accompanying consolidated financial statements.

14 Other assets

A summary of other assets is as follows:

		2016	2015
Deferred charges:			
Commissions to insurance agents on unearned premiums	RD$	236,793	212,814
Prepaid insurances		205,038	178,830
Non-deferred proportional reinsurance premium ceded (a)		184,498	311,176
Prepaid income tax		1,403,038	962,249
Other prepaid payments (includes US$4 in 2016)		565,789	839,543
Prepaid interest and commissions		-	11,559
Other deferred charges		152,671	124,572
		2,747,827	2,640,743

(Continues)

		2016	2015
Intangibles:			
Software		195,526	111,857
Others		2,200	2,200
		197,726	114,057
Accumulated amortization		(128,660)	(84,090)
		69,066	29,967
Other assets:			
Assets acquired for financial leases		727,060	727,060
Stationery and office supplies		122,672	165,723
Plastic credit card inventory		15,138	30,503
Libraries and artwork		24,365	24,300
Other miscellaneous assets (b)		2,254,441	2,077,197
Items pending for allocation (c), (includes US$732 and US$3,723 in 2016 and 2015)		111,649	252,861
Others		5,988	97,653
		3,261,313	3,375,297
	RD$	**6,078,206**	**6,046,007**

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

(b) Corresponds to cash advances to acquire software and other related disbursements.

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

15 Summary of allowances for risky assets

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

		Loan portfolio	Investments	Interest receivable	Other assets (a)	Contingent operations (b)	Total
December 31, 2016							
Balance at January 1st, 2016	RD$	5,432,913	238,516	336,324	5,257,239	194,790	11,459,782
Constitution of reserves		2,143,124	7,186	901,951	647,095	72,612	3,771,968
Write-offs against reserves		(1,132,269)	-	(172,276)	-	-	(1,304,545)
Transfers of reserves		(180,050)	21,174	160,909	55,670	(57,703)	-
Release of reserves		-	-	(807,985)	-	-	(807,985)

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		Loan portfolio	Investments	Interest receivable	Other assets (a)	Contingent operations (b)	Total
December 31, 2016							
Effect of change in exchange rates and others		12,524	239	215	-	2,673	15,651
Balance at December 31, 2016		6,276,242	267,115	419,138	5,960,004	212,372	13,134,871
Minimum allowances required at December 31, 2016 (c)		6,218,208	248,836	331,204	5,959,068	195,251	12,952,567
Excess (deficit) in the minimum allowance required at December 31, 2016 (d)	**RD$**	**58,034**	**18,279**	**87,934**	**936**	**17,121**	**182,304**
December 31, 2015							
Balance at January 1st, 2015	RD$	4,998,331	234,782	458,714	4,803,987	134,109	10,629,923
Constitution of reserves		1,458,803	21,700	743,567	547,099	103,489	2,874,658
Write-offs against reserves		(1,194,762)	-	(224,959)	-	-	(1,419,721)
Transfers of reserves		134,271	(17,317)	19,183	(93,847)	(42,290)	-
Release of reserves		-	-	(666,437)	-	-	(666,437)
Effect of change in exchange rates and others		36,270	(649)	6,256	-	(518)	41,359
Balance at December 31, 2015		5,432,913	238,516	336,324	5,257,239	194,790	11,459,782
Minimum allowances required at December 31, 2015 (c)		5,332,400	238,516	328,585	5,257,239	144,758	11,301,498
Excess (deficit) in the minimum allowance required at December 31, 2015 (d)	**RD$**	**100,513**	**-**	**7,739**	**-**	**50,032**	**158,284**

(a) Corresponds to the allowance for assets received in loan settlements.

(b) This allowance is included in the line item of other liabilities in note 20.

(c) Represents the amounts of allowance determined by a self-assessment as of December 31, 2016 and 2015 plus other adjustments made.

(Continues)

(d) In the case that the required provisions are lower than the provisions recorded, the Superintendence of Banks of the Dominican Republic does not allow the release of provisions without prior authorization from the regulatory authorities, except allowances for interest receivable over 90 days.

According to the First Resolution of the Monetary Board dated December 23, 2016, the Bank must classify with risk "A" and 0 % of provision and weighting of 0 % for purposes of calculating the solvency ratio of the loans given to specific companies for the amount of US$295,800.

At December 31, 2016 and 2015, loans to some power generator companies were classified as risk "A" and with a requirement for provision of 0 %, as set forth in communication ADM/1028/15 issued by the Superintendence of Banks of the Dominican Republic in September 10, 2015. Also, the loans awarded for the development of the Dominican road sector, were classified as risk "A" with a 0 % requirement provision, as stated in Circular ADM/0093/14 dated February 26, 2014.

The Superintendence of Banks of the Dominican Republic communicated to the Bank its non-objection to the development of a financing program in favor of contractors of priority works, both of the Central Government and decentralized and autonomous companies and nonfinancial public companies, that they be classified in category of risk "A" and therefore constitute 1 % of provision. By means of the Sixth Resolution of the Monetary Board of December 20, 2016, a waiver was granted until April 20, 2017 to grant a rating of risk "A" and requirement to provide a 0 % on these credits. As of December 31, the amount of the debt under this program amounts to approximately RD$43,800,000 and the decrease in the required provision originated by this exemption was approximately RD$438,000.

16 Customers’ deposits

Customers’ deposits are summarized as follows:

a) By type

	Local currency RD$	Annual weighted average rate	Foreign currency RD$	Annual weighted average rate	Total RD$
December 31, 2016					
Checking	50,264,738	0.63 %	-	-	50,264,738
Savings	66,050,531	1.38 %	36,588,316	0.93 %	102,638,847
Time	2,470	6.12 %	49,076,511	2.49 %	49,078,981
	116,317,739	**1.05 %**	**85,664,827**	**1.82 %**	**201,982,566**

(Continues)

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	Local currency RD$	Annual weighted average rate	Foreign currency RD$	Annual weighted average rate	Total RD$
December 31, 2015					
Checking	43,336,602	0.56 %	-	-	43,336,602
Savings	56,713,432	1.32 %	34,461,325	0.93 %	91,174,757
Time	2,808	5.81 %	46,064,971	2.43 %	46,067,779
	100,052,842	**0.99 %**	**80,526,296**	**1.79 %**	**180,579,138**

b) By sector

	Local currency RD$	Annual weighted average rate	Foreign currency RD$	Annual weighted average rate	Total RD$
December 31, 2016					
Non-financial public sector	23,184,305	0.65 %	5,342,168	1.27 %	28,526,473
Non-financial private sector	93,131,704	1.16 %	80,313,477	1.86 %	173,445,181
Non-resident	1,730	0.63 %	9,182	1.50 %	10,912
	116,317,739	**1.05 %**	**85,664,827**	**1.82 %**	**201,982,566**
December 31, 2015					
Non-financial public sector	19,983,085	0.57 %	4,462,608	0.96 %	24,445,693
Non-financial private sector	80,042,879	1.10 %	76,035,590	1.83 %	156,078,469
Non-resident	26,878	0.58 %	28,098	2.14%	54,976
	100,052,842	**0.99 %**	**80,526,296**	**1.79%**	**180,579,138**

c) By maturity date

	Local currency RD$	Annual weighted average rate	Foreign currency RD$	Annual weighted average rate	Total RD$
December 31, 2016					
To 15 days	116,315,346	1.05 %	40,142,892	1.05 %	156,458,238
16 to 30 days	464	6.93 %	12,253,847	2.86 %	12,254,311
31 to 60 days	396	5.89 %	5,757,510	2.53 %	5,757,906
61 to 90 days	186	0.01 %	4,643,292	2.40 %	4,643,478
91 to 180 days	333	5.71 %	11,292,798	2.58 %	11,293,131
181 to 360 days	-	-	7,810,662	1.94 %	7,810,662
More than 1 year	1,014	6.01 %	3,763,826	2.35 %	3,764,840
	116,317,739	**1.05 %**	**85,664,827**	**1.82 %**	**201,982,566**

(Continues)

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	Local currency RD$	Annual weighted average rate	Foreign currency RD$	Annual weighted average rate	Total RD$
December 31, 2015					
To 15 days	100,050,161	0.99 %	36,603,523	1.05 %	136,653,684
16 to 30 days	63	6.52 %	4,643,904	2.05 %	4,643,967
31 to 60 days	943	6.03 %	6,303,910	1.91 %	6,304,853
61 to 90 days	283	4.33 %	4,119,127	2.57 %	4,119,410
91 to 180 days	378	5.83 %	15,951,140	2.88 %	15,951,518
181 to 360 days	-	-	8,714,024	2.01 %	8,714,024
More than 1 year	1,014	6.01 %	4,190,668	2.46 %	4,191,682
	100,052,842	**0.99 %**	**80,526,296**	**1.79 %**	**180,579,138**

At December 31, 2016 and 2015, customers' deposits include restricted amounts for the following concepts:

	Inactive accounts	Foreclosed funds	Deceased customers	Security deposits	Total RD$
December 31, 2016					
Customers' deposits:					
Checking	62,909	593,199	25,807	-	681,915
Savings	783,004	479,743	780,741	165,207	2,208,695
Time	-	1,409	74,647	2,166,070	2,242,126
	845,913	**1,074,351**	**881,195**	**2,331,277**	**5,132,736**
December 31, 2015					
Customers' deposits:					
Checking	78,016	487,929	25,767	-	591,712
Savings	660,499	544,159	446,496	154,807	1,805,961
Time	-	1,629	153,977	2,892,616	3,048,222
	738,515	**1,033,717**	**626,240**	**3,047,423**	**5,445,895**

(Continues)

At December 31, 2016 and 2015 customer' deposits include amounts of inactive accounts, as follows:

		From 3 to 10 years	More than 10 years	Total
December 31, 2016				
Customer deposits:				
Checking	RD$	61,587	1,322	62,909
Savings		764,464	18,540	783,004
	RD$	**826,051**	**19,862**	**845,913**
December 31, 2015				
Customer deposits:				
Checking	RD$	75,484	2,532	78,016
Savings		632,630	27,869	660,499
	RD$	**708,114**	**30,401**	**738,515**

17 Deposits from domestic and foreign financial institutions

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

a) By type and currency

	Local currency RD$	Weighted average rate	Foreign currency RD$	Weighted average rate	Total RD$
December 31, 2016					
Checking	3,872,330	0.63 %	-	-	3,872,330
Savings	484,505	1.38 %	10,730,175	0.93 %	11,214,680
Time	104	3.68 %	5,042,234	1.69 %	5,042,338
	4,356,939	**0.71 %**	**15,772,409**	**1.17 %**	**20,129,348**
December 31, 2015					
Checking	4,473,792	0.56 %	-	-	4,473,792
Savings	528,326	1.32 %	10,621,850	0.93 %	11,150,176
Time	82	3.50 %	4,944,591	1.43 %	4,944,673
	5,002,200	**0.64 %**	**15,566,441**	**1.09 %**	**20,568,641**

(Continues)

b) By maturity date

	Local currency RD$	Weighted average rate	Foreign currency RD$	Weighted average rate	Total RD$
December 31, 2016					
To 15 days	4,356,857	0.71 %	14,816,773	1.11 %	19,173,630
16 to 30 days	-	-	575,803	2.05 %	575,803
31 to 60 days	50	3.10 %	42,870	1.93 %	42,920
61 to 90 days	-	-	58,517	2.18 %	58,517
91 to 180 days	30	3.25 %	152,280	2.04 %	152,310
181 to 360 days	-	-	26,665	2.69 %	26,665
More than a year	2	5.63 %	99,501	2.91 %	99,503
	4,356,939	**0.71 %**	**15,772,409**	**1.17%**	**20,129,348**
December 31, 2015					
To 15 days	5,002,118	0.64 %	10,640,215	0.93 %	15,642,333
16 to 30 days	-	-	3,070,716	1.11 %	3,070,716
31 to 60 days	50	3.55 %	46,930	1.83 %	46,980
61 to 90 days	-	-	19,191	1.71 %	19,191
91 to 180 days	30	3.25 %	1,422,988	1.81 %	1,423,018
181 to 360 days	-	-	255,231	2.53 %	255,231
More than a year	2	5.63 %	111,170	2.91 %	111,172
	5,002,200	**0.64 %**	**15,566,441**	**1.09%**	**20,568,641**

At December 31, 2016 and 2015, 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$149,812 and RD$119,008, respectively.

The estatus of the inactive and/or dormant accounts of the deposits in domestic financial institutions, is as follows:

		2016	2015
Three to ten year term	**RD$**	**297**	**283**

(Continues)

18 Borrowed funds

A summary of borrowed funds is as follows:

Borrower	Type	Collateral	Rate	Maturity	Balance
December 31, 2016					
Domestic financial institutions:					
Banco Popular Dominicano, S. A. Banco Múltiple (includes US$2,507)	Line of credit	Secured	3.50 % until 10.00 %	2019	RD$ 1,223,409
Banco Múltiple BHD León, S. A.	Line of credit	Secured	10.00 %	2017	500,000
Asociación Popular de Ahorros y Préstamos	Line of credit	Secured	11.50 %	2017	250,000
					1,973,409
Foreign financial institutions:					
Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to US$146,000)	Line of credit	Unsecured	2.30 % until 2.95 %	2017	6,806,097
Citibank, N. A. (corresponds to US$139,000)	Line of credit	Unsecured	1.57 % until 2.52 %	2017	6,479,777
Banco Interamericano de Desarrollo, BID, (corresponds to US$180,000)	Loan	Unsecured	2.70 % until 3.40 %	2017	8,391,078
Eximbank, Republic of China Taiwán (corresponds to US$438)	Loan	Unsecured	1.61 % until 2.04 %	2017	20,427
Sumitomo Mitsui Banking Corp. (corresponds to US$19,000)	Loan	Unsecured	2.75 % until 3.06 %	2017	885,725
Wells Fargo Bank (corresponds to US$98,000)	Loan	Unsecured	2.17 % until 2.61 %	2017	4,568,476
Mercantil Commerce Bank (corresponds to US$48,000)	Loan	Unsecured	2.65 %	2017	2,237,621
Bank of America (corresponds to US$40,000)	Loan	Unsecured	2.92 %	2017	1,864,684
U. S. Century (corresponds to US$7,500)	Loan	Unsecured	2.50 %	2017	349,628
Deutsche Bank (corresponds to US$105,000)	Loan	Unsecured	2.67 % until 2.73 %	2017	4,894,795
Cost of debt commissions (a)					(45,980)
					36,452,328
Interest payable (includes US$7,420)					349,307
					RD$ 38,775,044

(Continues)

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

Notes to the Consolidated Financial Statements

Borrower	Type	Collateral	Rate	Maturity	Balance
December 31, 2015					
Domestic financial institutions:					
Banco Múltiple Popular Dominicano, S. A.	Line of credit	Secured	9.50 % and 10.00 %	2019	1,250,000
The Bank of Nova Scotia	Line of credit	Secured	9.50 %	2016	300,000
Asociación Popular de Ahorros y Préstamos	Line of credit	Secured	10.50 %	2016	250,000
					1,800,000
Foreign financial institutions:					
Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to US$200,000)	Line of credit	Unsecured	1.60 % until 1.99 %	2016	9,093,820
Citibank, N. A. (corresponds to US$138,000)	Line of credit	Unsecured	1.60 % until 1.80 %	2016	6,274,735
The Export Import Bank of Korea (represents US$431)	Loan	Unsecured	2.40 %	2016	19,608
Eximbank, Republic of China - Taiwán (represents US$377)	Loan	Unsecured	0.50 % until 1.50 %	2016 until 2017	17,116
Agencia Francesa de Desarrollo (corresponds to US$6,667)	Loan	Unsecured	4.40 %	2016	303,127
Wells Fargo Bank (corresponds to US$161,448)	Loan	Unsecured	1.60 % until 2.20 %	2016	7,340,914
Mercantil Commerce Bank (corresponds to US$50,000)	Loan	Unsecured	1.90 % until 2.60 %	2016	2,273,455
Bank of America (corresponds to US$54,000)	Loan	Unsecured	1.90 %	2016	2,455,332
U. S. Century (corresponds to US$7,500)	Loan	Unsecured	1.80 %	2016	341,018
Deutsche Bank (corresponds to US$150,000)	Loan	Unsecured	1.90 %	2016	6,820,365
					34,939,490
Interest payable (includes US$3,156)					150,323
					RD$ 36,889,813

(a) Corresponds to the costs incurred in the issuance of the debt, which are deferred and amortized using the straight-line method during the term of the debt.

(Continues)

19 Outstanding securities

A summary of outstanding securities, is as follows:

a) By type

	Local currency RD$	Annual weighted average rate
December 31, 2016		
Time certificates	**124,448,151**	**8.08 %**
December 31, 2015		
Time certificates	**96,293,554**	**7.76 %**

b) By sector

	Local currency RD$	Annual weighted average rate
December 31, 2016		
Non-financial public sector	18,575,574	7.71 %
Non-financial private sector	77,378,887	7.52 %
Financial Sector	28,493,680	9.72 %
Non-resident	10	5.00 %
	124,448,151	**8.08 %**
December 31, 2015		
Non-financial public sector	12,035,542	8.10 %
Non-financial private sector	58,100,931	6.67 %
Financial Sector	26,157,037	9.79 %
Non-resident	44	1.50 %
	96,293,554	**7.76 %**

(Continues)

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

Notes to the Consolidated Financial Statements

c) By maturity date

	Local currency RD$	Annual weighted average rate
December 31, 2016		
0 to 15 days	12,498,962	8.21 %
16 to 30 days	20,370,802	8.35 %
31 to 60 days	23,194,676	8.75 %
61 to 90 days	20,918,082	8.87 %
91 to 180 days	22,239,336	7.51 %
181 to 360 days	16,464,729	6.83 %
More than a year	8,761,564	7.35 %
	124,448,151	**8.08 %**
December 31, 2015		
0 to 15 days	5,274,779	7.08 %
16 to 30 days	11,525,621	7.99 %
31 to 60 days	16,931,886	7.87 %
61 to 90 days	14,292,958	8.08 %
91 to 180 days	24,125,557	8.49 %
181 to 360 days	14,182,746	6.47 %
More than a year	9,960,007	7.22 %
	96,293,554	**7.76 %**

At December 31, 2016 and 2015, outstanding securities include restricted amounts, as follows:

		Deceased clients	Received in collateral	Total
December 31, 2016				
Outstanding securities - time certificates	RD$	358,139	7,415,885	7,774,024
December 31, 2015				
Outstanding securities - time certificates	RD$	254,404	5,116,630	5,371,034

(Continues)

20 Other liabilities

A summary of other liabilities is as follows:

		2016	2015
Demand obligations (includes US$359 in 2016 and US$4,772 in 2015) (a)	RD$	671,811	1,485,132
Term obligations (includes US$52,396 in 2016 and US$14,425 in 2015) (b)		3,043,694	1,291,454
Differential by position of future contracts		13	-
Unclaimed third party balances (includes US$218 in 2016 and US$261 in 2015)		105,675	72,784
Sundry creditors:			
Commissions payable		57,186	93,388
Accounts payables to suppliers (includes (US$146 in 2016 and US$259 in 2015)		179,949	500,363
Withheld tax payable		89,216	120,022
Retained payable insurance premium (includes US$163 in 2015)		108,922	394,648
Other sundry creditors (c) (includes US$103 in 2016)		848,971	1,006,390
Reserves for contingent operations (includes US$2,657 in 2016 and US$2,999 in 2015) (d)		212,372	194,790
Other provisions:			
Income tax (note 23)		19,029	22,188
Provision for litigation		105,673	95,621
Bonus and other employee's benefits		2,550,766	2,171,724
Systemic risk prevention program		148,512	127,977
contingency fund		99,511	84,718
Accrued expenses payable		124,304	52,469
Credit card and electronic transactions		137,816	53,372
Extraordinary contributions to pension plan		60,582	20,194
Other reserves (includes US$66 in 2016 and US$50 in 2015)		121,797	300,363
Items pending for allocation (includes US$395 in 2016 and US$2,970 in 2015) (e)		241,567	332,943
Administration fund of the public sector		24,453	219,750
Commissions to agents on premiums pending payment (includes US$1,256 in 2016 and US$1,191 in 2015)		168,156	151,368
Tax on outstanding premium		197,710	211,621
Withholding tax to reinsurers		9,813	11,108
Payments received in advance (includes US$37 in 2015)		89,560	112,667
Others		652,020	775,743
	RD$	**10,069,078**	**9,902,797**

(Continues)

(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) At December 31, 2016 and 2015, includes RD$484,039 and RD$268,746, respectively, which relates to liabilities with dealers of vehicles as a result of financings awarded by the Bank in vehicle fairs.

(d) Corresponds to reserves to cover contingent operations as required by the Superintendence of Banks of the Dominican Republic (see note 15).

(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:

Type	Amount in RD$	Effective interest rate	Type of currency	Term
December 31, 2016				
Subordinated debts (corresponds to US$300,000 nominal value (a)	13,985,130	7.12 %	US$	10 years
Subordinated debts nominal value (b)	9,999,000	10.20 %	RD$	10 years
Debt issuance costs (c)	(171,538)	-	-	-
Discount on the issuance of the debt corresponds to (US$1,808) (d)	(84,282)	-	-	-
	23,728,310			
Interest payable (corresponds to US$8,750)	416,283			
	24,144,593			

(Continues)

Type	Amount in RD$	Effective interest rate	Type of currency	Term
December 31, 2015				
Subordinated debts (corresponds to US$300,000 nominal value) (a)	13,640,730	7.12	US$	10 years
Subordinated debts nominal value (b)	9,999,000	9.99	RD$	10 years
Debt issuance costs (c)	(197,142)	-	-	-
Discount on the issuance of the debt (corresponds to US$2,198) (d)	(92,603)	-	-	-
	23,349,985			
Interest payable (corresponds to US$8,750)	406,065			
	23,756,050			

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

Additionally, the bonds have the following characteristics:

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

b) Corresponds to bonds issued in the market of the Dominican Republic by the Bank on December 29, 2015, for a nominal value of RD$10,000,000. The amount placed corresponds to two issuances offered simultaneously of RD$5,000 million 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.

(Continues)

Subordinated debts may be used to compute part of the secondary capital (tier 2 capital) for the purposes of determining the Bank's technical capital.

c) Relates to costs incurred when issuing bonds, which are deferred and amortized over the straight-line basis during the term of the bonds.

d) Relates to discounts awarded for the issue of bonds, which are amortized over the straight-line basis during the term of the bonds.

22 Technical reserves

The subsidiaries Seguros Banreservas, S. A. and Administradora de Riesgos de Salud Reservas, Inc. maintain ongoing specific mathematical risk reserves to meet commitments arisign from the current insurance policies, which amounte to RD$2,947,010 and RD$2,664,416 at December 31, 2016 and 2015, respectively.

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

		Mathematical reserves	Specific reserves and ongoing risk	Total
2016				
Balance at January 1st, 2016	RD$	140,019	2,524,397	2,664,416
Plus: reserve increase		140,474	2,732,627	2,873,101
Less: reserve decrease		(134,550)	(2,455,957)	(2,590,507)
Balance at December 31, 2016	**RD$**	**145,943**	**2,801,067**	**2,947,010**
2015				
Balance at January 1st, 2015	RD$	99,472	2,293,355	2,392,827
Plus: Reserve increase		134,881	2,417,447	2,552,328
Less: Reserve decrease		(94,334)	(2,186,405)	(2,280,739)
Balance at December 31, 2015	**RD$**	**140,019**	**2,524,397**	**2,664,416**

(Continues)

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. Consolidated companies determine their net taxable income based on accounting practices to comply with existing legislation. A reconciliation of the results reported in the consolidated financial statements and for tax purposes for the years ended December 31, 2016 and 2015, is as follows:

		2016	2015
Balance before income tax	RD$	6,592,684	6,837,270
Plus (less) tax adjustments:			
Adjustments of exempted income and other items considered by the Bank		(5,652,547)	(4,896,476)
Exempt income from investments in associates		(41,870)	(138,470)
Dividends received from investments in shares		(14,552)	(6,623)
Fringe benefits taxes		163,562	153,218
Non-deductable taxes		535,259	99,208
Effect of depreciation of fixed assets		(110,532)	(112,629)
Gain on sale of fixed assets		(11,497)	(22,194)
Net results of companies that pay taxes on another basis		140,325	139,381
Other non-deductible items		79,421	(24,233)
Net taxable income	**RD$**	**1,680,253**	**2,028,452**

A detail of the determined income tax at December 31, 2016 and 2015, it is as follows:

		2016	2015
Net taxable income	RD$	1,680,253	2,028,452
Tax rate		27 %	27 %
		453,668	547,682
Total net taxable assets		1,138,015	1,143,800
Tax rate		1 %	1 %
		11,380	11,438
Total income tax determined	**RD$**	**465,048**	**559,120**

(Continues)

Income tax expense determined for the years ended December 31, 2016 and 2015, is as follows:

		2016	2015
Current income tax	RD$	465,048	559,120
Deferred income tax		(95,897)	28,999
Tax withheld on payment of dividends		67,231	94,393
Tax credit for Film Law		(19,000)	-
Tax credit for Renewal Energy Law		(9,793)	-
Previous year income tax		(4,064)	15,410
	RD$	**403,525**	**697,922**

A reconciliation between the current tax, prepaid income tax and the tax payable for the years ended December 31, 2016 and 2015, is as follows:

		2016	2015
Determined tax	RD$	465,048	559,120
Prepaid taxes during the year		(689,080)	(736,234)
Prepaid income tax from previous years		(962,249)	(542,944)
Income tax payment in the tax return declaration		-	(110,736)
Tax credit deduction for payments to government entities		(107,701)	(108,201)
Adjustment to the prepaid income tax		(4,064)	-
Tax credit for Film Law		(19,000)	-
Tax credit for Renewal Energy Law		(9,793)	-
Other movements, net		(57,170)	(1,066)
Prepaid income tax, net at the end of the period		(1,384,009)	(940,061)
Prepaid income tax		(1,403,038)	(962,249)
Income tax payable		19,029	22,188
	RD$	**(1,384,009)**	**(940,061)**

As of December 31 2016 and 2015, prepaid income tax is recognized as part of other assets, and income tax payable as part of other liabilities in the accompanying consolidated balance sheets.

(Continues)

The movement of deferred income tax during the years ended December 31, 2016 and 2015, is as follows:

		Beginning balances	Recognized in profit	Balances at the end
December 31, 2016				
Property, plant and equipment	RD$	8,526	1,913	10,439
Other assets		(6,004)	(1,383)	(7,387)
Net income of the consolidated subsidiaries		(170,343)	91,560	(78,783)
Other non-deductible provisions		4,366	(201)	4,165
Other deferred charges		18	4,014	4,032
Exchange rate difference		1,821	(6)	1,815
Total deferred income tax liabilities	**RD$**	**(161,616)**	**95,897**	**(65,719)**
December 31, 2015				
Property, plant and equipment	RD$	9,334	(808)	8,526
Other assets		(5,993)	(11)	(6,004)
Net income of the consolidated subsidiaries		(142,289)	(28,054)	(170,343)
Other non-deductible provisions		4,492	(126)	4,366
Other deferred charges		18	-	18
Exchange rate difference		1,821	-	1,821
Total deferred income tax liabilities	**RD$**	**(132,617)**	**(28,999)**	**(161,616)**

As of December 31, 2016 and 2015, the deferred incom tax liabilities, net is presented as part of other liabilities in the accompanying consolidated balance sheets.

(Continues)

24 Responsibilities

In addition to the obligation balances of insured risks retained, at December 31, 2016 and 2015 for RD$701,334,489 and RD$701,085,309, respectively, the subsidiaries Seguros Banreservas, S. A. and ARS Banreservas, Inc. recognize memorandum accounts for salvages warehouse amounting to RD$13,122 and RD$13,718 in 2016 and 2015.

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

		2016	2015
Responsibilities for insurance businesses and bonds taken directly	RD$	701,334,489	701,085,309
Surrendered and retracted insurance responsibilities		(485,181,289)	(447,106,148)
	RD$	**216,153,200**	**253,979,161**

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 are the following:

December 31, 2016			December 31, 2015		
Reinsurer	Class of contract	Participation (%)	Reinsurer	Class of contract	Participation (%)
Suiza	Surplus	10 until 25	Swiss re	Surplus	15.00
	Quota share	60 until100		Quota share	65 until 100
Korean GC	Surplus	5 until 10	Korean GC	Surplus	5.0 until 10
	Quota share	10.00		Quota share	10.00
Trans. RE Mallen	Surplus	15 until 25	Trans. RE Mallén	Surplus	15 until 17
	Quota share	15.00		Quota share	8 until 10
Hannover XL	Surplus	5.00	Hannover XL	Surplus	4 until 8
	Quota share	70 until 100		Quota share	70 until 100
Thompson Health	Surplus	2 until 22	Thompson Health	Surplus	2 until 22
	Quota share	5.00		Quota share	2 until 5
National Borg	Quota share	5.00	National Borg	Quota share	8.00
Everest-BMS	Surplus	25 until 40	Everest-JLT	Surplus	20 until 35
	Quota share	25 until 40		Quota share	25 until 34
General Re	Surplus	10 until 35	General Re.	Surplus	10 until 35
Axis	Quota share	3.00	Axis	Quota share	3.00
Barents-JLT	-	-	Barentts-JLT	Surplus	1.5 until 5
Navigators-BMS	Surplus	3.00	Navigators	Surplus	7 until 10
	Quota share	8.00		Quota share	6 until 8
Arch Re.	Quota share	15 until 80	Arch Re.	Quota share	15 until 80
Awac-BMS	Surplus	2 until 3	Awac-JLT	Surplus	1.0
Siruis-BMS	Surplus	3.5 until 5	Siruis JLT	Surplus	3.5 until 5.0

(Continues)

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 December 31, 2016	**10,000**	**10,000,000**	**10,000**	**10,000,000**
Balance at December 31, 2015	**8,300**	**8,300,000**	**8,300**	**8,300,000**

At December 31, 2016, the capital contributions of the Bank have arisen as follows:

The Bank's equity contributions are as follows:

a) Initial capital of RD$50,000 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) 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 issued RD$1,750,000 certified bonds in favor of the Bank.

d) In accordance with Law No. 121-05 of April 7, 2005, the Dominican Republic Government issued RD$1,500,000 bonds in favor of the Bank.

e) In accordance with the Law No. 543-14 of December 5, 2014, RD$2,000,000 by reinvesting dividends to be charged to earnings generated in 2013.

f) RD$2,800,000, by reinvesting dividends to earnings generated in 2015, in accordance with the Law No. 543-14 of December 5, 2014.

g) RD$1,700,000 through the reinvestment of dividends to the profits generated in 2015, pursuant to Law No. 543-14 of December 5, 2014.

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

50 % - For amortization of not less than 5 % of certified vouchers of the National Treasurer on behalf of the Dominican Republic Government, plus interest. 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 Branch.

35 % - 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.

(Continues)

By the 12th (Twelfth) Resolution of the Ordinary Session dated February 9, 2016, 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 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$6,111,346, as detailed below:

i) RD$2,135,072 transferred to equity reserve. This transfer was done effectively as of December 31, 2015.
ii) RD$1,275,294 cash dividends to be paid to the Dominican Republic State.
iii) RD$1,700,000 for payment of dividends in shares.
iv) RD$75,000 to amortize the National Treasury vouchers Law 99-01.
v) RD$3,000 to offset interest of the National Treasury vouchers Law 99-01.
vi) RD$922,980 to offset debts of the Dominican Republic State with the Bank.

By the eleventh Resolution of the Ordinary Session dated January 22, 2015, 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 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$7,030,785, as detailed below:

i) RD$99,088 (net amount of the transference of the net income of 2014 for RD$2,456,876, less RD$2,357,788, capitalized as a stock dividend).
ii) RD$2,800,000 for payment of dividends in shares.
iii) RD$1,500,000 cash dividends to be paid to the Dominican Republic State.
iv) RD$1,500,000 to amortize National Treasury vouchers Law 121-05.
v) RD$75,000 to amortize National Treasury vouchers Law 99-01.
vi) RD$3,750 to offset interest of the National Treasury vouchers Law 99-01.
vii) RD$1,052,946 to offset debts of the Dominican Republic State.

Increase in authorized and paid-in capital

Pursuant to Law No. 543-14 dated December 5, 2014, during the years ended December 31, 2016 and 2015, the Bank increased authorized, subscribed and paid-in capital from RD$8,300,000, equivalent to 8,300 common shares to RD$10,000,000, equivalent to 10,000 common shares in 2016 and from RD$5,500,000, equivalent to 5,500 common shares to RD$8,500,000, equivalent to 8,500 common shares, for the year 2015.

Other equity reserves

In accordance with the Bank's organic law, the Bank must segregate 35 % of its annual net income to equity reserves. As of December 31, 2016 and 2015, the Bank segregated equity reserves for the amount of RD$2,153,620 and RD$2,135,072, respectively.

(Continues)

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 income 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 of the Dominican Republic.

27 Information segments

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

Segment	Company	Jurisdiction	Functional currency	Equity shares	Percentage of voting rights direct and Indirect
December 31, 2016					
Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD$	10,000,000	100 %
Related services	Tenedora Banreservas, S. A. and Subsidiaries	Dominican Republic	RD$	1,551,434	97.74 %
				11,551,434	
	Elimination on consolidation adjustment			(1,551,434)	
				10,000,000	
December 31, 2015					
Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD$	8,300,000	100 %
Related services	Tenedora Banreservas, S. A. and Subsidiaries	Dominican Republic	RD$	1,551,434	97.74%
				9,851,434	
	Elimination on consolidation adjustment			(1,551,434)	
				8,300,000	

(Continues)

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

Company		Assets	Liabilities	Income	Expenses	Net income
December 31, 2016						
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	RD$	451,072,673	421,466,900	50,707,162	44,553,961	6,153,201
Tenedora Banreservas, S. A. and Subsidiaries		14,357,520	8,141,821	10,641,276	9,452,662	1,188,614
Administradora de Riesgos de Salud Reservas, Inc.		410,744	100,157	665,440	621,804	43,636
		465,840,937	429,708,878	62,013,878	54,628,427	7,385,451
Elimination on consolidation adjustment		(9,514,164)	(3,160,558)	(3,247,909)	(2,051,617)	(1,196,292)
	RD$	**456,326,773**	**426,548,320**	**58,765,969**	**52,756,810**	**6,189,159**
December 31, 2015						
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	RD$	394,119,613	368,390,767	44,288,291	38,188,085	6,100,206
Tenedora Banreservas, S. A. and Subsidiaries		12,915,323	7,817,261	9,917,996	8,668,743	1,249,253
Administradora de Riesgos de Salud Reservas, Inc.		363,854	98,205	578,887	524,633	54,254
		407,398,790	376,306,233	54,785,174	47,381,461	7,403,713
Elimination on consolidation adjustment		(9,228,710)	(4,014,135)	(2,999,341)	(1,734,976)	(1,264,365)
	RD$	**398,170,080**	**372,292,098**	**51,785,833**	**45,646,485**	**6,139,348**

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 financial statements. The most important balances of these commitments and contingent liabilities include:

		December 31	
		2016	2015
Collaterals granted:			
Endorsements	RD$	2,969,145	1,652,141
Other collaterals granted		44,091	208,306
Non-negotiable letters of credit issued		575,939	825,087
Credit lines of automatic use		16,065,672	11,404,417
	RD$	**19,654,847**	**14,089,951**

(Continues)

At December 31, 2016 and 2015, the Bank has reserves to cover possible losses from these operations for the amounts of RD$212,372 and RD$194,790, respectively.

At December 31, 2016 and 2015, the Insurance subsidiary and the ARS had contingent liabilities for retained risk, estimated as follows:

		2016	2015
General risks	RD$	632,409,476	654,027,288
Individual life insurance		10,798,158	8,726,862
Collective life insurance		58,126,855	38,331,159
	RD$	**701,334,489**	**701,085,309**

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

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

The Bank has lease contracts for the premises where some of its administrative offices, branches, business centers and ATM are located. For the years ended December 31, 2016 and 2015, expenses for this concept amounted to approximately RD$688,218 and RD$560,102, respectively, which are recognized in other operating expenses in the accompanying consolidated income statements.

(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 of the Dominican Republic. The expense for this concept for the years ended December 31, 2016 and 2015 was approximately RD$730,000 and RD$646,000, respectively, and has been recognized in other operating expenses in the accompanying consolidated statements.

(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 06, 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 of the Dominican Republic. This contribution shall not exceed 1 % of the total deposits from the public.

Expenses for this concept for the years ended December 31, 2016 and 2015, were approximately and RD$301,000 RD$278,000, respectively, and are recognized in other operating expenses in the accompanying consolidated statements.

(Continues)

(e) Banking consolidation fund

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

Expenses for this concept for the year ended December 31, 2016 and 2015, was approximately RD$541,000 and RD$495,000, respectively, and are recognized in the line item of other operating expenses in the accompanying consolidated statements.

(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 card services, credit or debit card. The Bank does not pay fees for the right of use of MasterCard. The Bank has the commitment to open a line of credit for no less than US$5 for each MasterCard Gold credit card issued. The duration of the license is indefinite; subject to the termination provisions as set forth in the contract.

Visa credit cards

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

(g) Lawsuits

At December 31, 2016 and 2015, there are several lawsuits and claims originated in the normal course of the Bank's operations. The Bank believes together with its legal advisors that the resolution of these claims will not result in an adverse material effect. As of December 31, 2016 and 2015, the amount reserved to meet these claims increased to RD$105,673 and RD$95,621, respectively, and is recognized in other liabilities in the accompanying consolidated balance sheet.

In the normal course of operations, the subsidiary Seguros Banreservas, 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.

(Continues)

(h) Insurance claims

The subsidiary Seguros Banreservas, S. A. has received insurance claims for catastrophes that arose in the normal course of business, which have occurred at December 31, 2016. The Bank initiated the operating processing of claims which to date has not been completed. The Bank's management expects that the ultimate effect of this process will not be significant in relation to the financial position of the Bank, and that the main risk be assumed by the reinsurers.

(i) Guaranteed minimum return

As of December 31, 2016 and 2015, 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 than 2.0 and 1.9 percentage points, respectively, as required by Article 103 of Law 87-01. If the return is below the weighted average calculated by the Superintendence of Pensions, the *Admistradora* would have a payment commitment with the fund.

29 Memorandum accounts

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

		2016	2015
Funds under management by the Bank:			
PROMIPYME Resources	RD$	2,482,231	2,066,320
PROMIDIGNA Resources		-	33
PROMIPYME - PROCREA		303	335
SEH - PETROCARIBE Resources		61	209
PROMICENTRAL		113,833	178,122
PROMIPYME - Fonper funds		60,717	52,084
PROMIPYME - PRESAAC loans		1,045	1,243
MI PRIMER PROGRESO loans		13,463	14,385
MI PRODEMICRO loans		279,348	186,098
Solidarity Bank		1,905,363	1,652,929
D and E loans from BNV		315,172	497,679
	RD$	**5,171,536**	**4,649,437**
Funds managed by the subsidiary - Pension Fund Management:			
Mandatory individual capitalization pension plan (Pension Fund T-1)	RD$	58,598,845	48,386,402
Pension fund of officers and employees of Banco de Reservas of the Dominican Republic (Pension Fund T-4)		11,207,070	9,926,588
Social solidary fund (Pension Fund T-5)		23,468,234	19,618,728
		93,274,149	77,931,718
	RD$	**98,445,685**	**82,581,155**

(Continues)

30 Financial income and expenses

A summary of financial income and expenses is as follows:

		2016	2015
Financial income:			
Loans portfolio:			
Commercial	RD$	21,819,853	18,978,213
Consumers		8,405,620	7,516,263
Mortgage		3,249,617	2,893,003
		33,475,090	29,387,479
Investments:			
Other debt securities		5,849,958	4,790,853
Gain on sale of investments		1,416,863	1,612,422
Insurance premiums net of returns and cancelations		6,414,578	6,240,495
Total	**RD$**	**47,156,489**	**42,031,249**
Financial expenses-on deposits:			
Customer deposits	RD$	(2,532,835)	(2,424,868)
Securities		(8,729,033)	(6,518,446)
Subordinated debts		(2,061,600)	(1,979,748)
		(13,323,468)	(10,923,062)
Financing-borrowed funds		(1,190,865)	(811,112)
Investments:			
Amortization of premiums from investments in debt securities		(201,896)	(348,384)
Loss on sale of investments		(660)	(80,270)
		(202,556)	(428,654)
Reinsurance:			
Reinsurance costs		(2,294,849)	(2,355,479)
Contratual losses and obligations		(2,335,879)	(1,967,103)
		(4,630,728)	(4,322,582)
Expenses for technical adjustment to reserves		(108,001)	(131,129)
Acquisition expense, conservation and premium collection - commission and other acquisition costs of the insurance company		(665,402)	(609,265)
Total	**RD$**	**(20,121,020)**	**(17,225,804)**

(Continues)

31 Income (expense) for exchange differences

A summary of the main income and expenses due to exchange differences were recognized during the years ended at December 31, 2016 and 2015, is as follows:

		2016	2015
Income due to foreign exchange:			
Loan portfolio	RD$	3,592,483	3,322,680
Investments		405,003	393,169
Available funds		2,617,994	2,548,798
Accounts receivable		4,917	2,002
Forward contracts		4	16
Non-financial investments		2,240	1,404
Other assets		39,338	35,972
Adjustments for exchange rate differences		1,668,319	1,101,716
Subtotal		8,330,298	7,405,757
Expenses due to foreign exchange:			
Customer deposits		(3,387,621)	(3,023,070)
Outstanding securities		-	(294)
Borrowed funds		(1,222,083)	(1,149,560)
Financial obligations		(262,134)	(91,321)
Subordinated debts		(353,003)	(332,009)
Creditors and various provisions		(9,921)	(8,317)
Future foreign exchange rate forward contract		(5)	(10)
Other liabilities		(123,525)	(98,392)
Adjustments for exchange rate differences		(3,357,181)	(2,738,582)
Subtotal		(8,715,473)	(7,441,555)
	RD$	**(385,175)**	**(35,798)**

(Continues)

32 Other operating income (expense)

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

		2016	2015
Other operating income:			
Credit Cards	RD$	1,295,824	846,592
Service fees:			
Drafts and wire transfers		184,596	164,476
Certification and sales of bank's checks		27,007	24,975
Collections		36,104	22,597
Other commissions collected		4,172,361	2,934,917
Letters of credit		48,216	48,394
Collaterals granted		46,283	55,567
		4,514,567	3,250,926
Exchange commissions:			
Gains on foreign exchange		1,791,500	1,274,813
Premium for future foreign exchange contracts		83,768	628,064
		1,875,268	1,902,877
Income on available funds		85,930	381,344
Other miscellaneous operating expenses:			
Claims for medical services		636,703	553,096
Other services and contingenies		1,193,504	1,028,005
		1,916,137	1,962,445
Total of other operating income	**RD$**	**9,601,796**	**7,962,840**
Other operating expenses:			
Services fees:			
Correspondents	RD$	(29,992)	(28,644)
Other services		(277,722)	(270,166)
		(307,714)	(298,810)
Miscellaneous expenses:			
Exchange commission		(21,447)	(106,021)
Other operating expenses		(1,085,819)	(780,990)
Commisions and sales of property		(8,805)	(5,992)
Claims for medical services		(582,640)	(478,215)
		(1,698,711)	(1,371,218)
Total of other operating expenses	**RD$**	**(2,006,425)**	**(1,670,028)**

(Continues)

33 Other income (expenses)

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

		2016	2015
Other income:			
Recovery of written off assets	RD$	392,591	441,620
Decrease of allowance for risky assets		807,985	666,437
Non-financial investments		41,870	138,470
Gain on sale of property, furniture and equipment		10,698	22,024
Gain on sales of assets received in loan settlement		93,740	57,377
Leases of property		45,491	16,408
Others		652,813	502,623
		2,045,188	1,844,959
Other expenses:			
Loss in shares equity in other entities		-	(45)
Assets received in loan settlements		(76,390)	(55,049)
Loss on sale of property, furniture and equipment		(13,690)	(11,413)
Loss on sales of assets received in loan settlement		(26,699)	(14,263)
Other expenses:			
Accounts receivable		(379)	(595)
Penalty for breach		(367)	(183)
Donations		(92,570)	(245,071)
Losses from thefts, assaults and frauds		(25,190)	(42,053)
Acquisition of parts for ATM - others		(703,559)	(592,855)
		(938,844)	(961,527)
Other income, net	**RD$**	**1,106,344**	**883,432**

(Continues)

34 Salaries and compensations to personnel

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

		2016	2015
Wages, salaries and benefits to employees	RD$	8,711,471	7,667,016
Social security		789,409	641,766
Contributions to the pension plan		1,094,731	1,033,278
Other personnel expenses		4,209,289	3,982,166
	RD$	**14,804,900**	**13,324,226**

As of December 31, 2016 and 2015, compensations to personnel include approximately RD$1,700,000 and RD$1,500,000, respectively, that corresponds to the executive management of the Bank which are defined as directors and above.

At December 31, 2016 and 2015, the Bank has approximately 11,800 and 11,000 employees, respectively.

35 Risk assessment

A summary of assets and liabilities subject to the interest rates risks at December 31, 2016 and 2015, is as follows:

Interest rate risk

		2016		2015	
		Local currency	Foreign currency	Local currency	Foreign currency
Assets sensitive to interest rate	RD$	208,471,126	98,443,494	178,104,236	101,107,636
Liabilities sensitive to interest rate		(255,954,912)	(154,294,248)	(213,112,372)	(145,035,557)
Net position	**RD$**	**(47,483,786)**	**(55,850,754)**	**(35,008,136)**	**(43,927,921)**
Interest rate exposure	**RD$**	**39,536**	**997,801**	**61,553**	**928,207**

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.

(Continues)

Liquidity risk

A summary of the most significant assets and liabilities according to their maturity date as of December 31, 2016 and 2015, is as follows:

		Up to 30 days	31 to 90 days	91 Days to one Year	One year to 5 years	More than 5 years	Total
December 31, 2016							
Assets:							
Available funds	RD$	84,595,641	-	-	-	-	84,595,641
Investments		3,018,847	6,877,157	9,798,822	13,182,756	28,083,503	60,961,085
Loans portfolio		42,334,694	19,433,248	104,941,876	70,923,966	50,077,234	287,711,018
Debtors by acceptances		325,754	150,888	2,249,560	-	-	2,726,202
Accounts receivable		3,551,977	-	-	-	113,241	3,665,218
Investments in shares		-	-	-	-	1,002,937	1,002,937
Other assets (i)		838,709	2,386,664	-	-	35,940	3,261,313
Total assets	**RD$**	**134,665,622**	**28,847,957**	**116,990,258**	**84,106,722**	**79,312,855**	**443,923,414**
Liabilities:							
Customers' deposits	RD$	165,461,107	10,848,664	19,099,630	3,826,693	2,746,472	201,982,566
Deposits from domestic and foreign financial institutions		19,591,181	115,553	178,975	99,501	144,138	20,129,348
Borrowed funds		3,133,033	9,900,059	22,870,026	2,871,926	-	38,775,044
Outstanding acceptances		325,754	150,888	2,249,560	-	-	2,726,202
Outstanding securities		33,881,539	45,099,760	36,625,826	8,841,026	-	124,448,151
Other liabilities (ii)		2,095,647	12	4,567,917	141,134	3,264,368	10,069,078
Subordinated debt		-	407,900	8,384	-	23,728,309	24,144,593
Total liabilities	**RD$**	**224,488,261**	**66,522,836**	**85,600,318**	**15,780,280**	**29,883,287**	**422,274,982**
December 31, 2015							
Assets:							
Available funds	RD$	61,803,490	-	-	-	-	61,803,490
Investments		1,247,795	1,158,895	4,186,001	17,817,253	17,396,790	41,806,734
Loans portfolio		52,932,091	13,923,279	77,783,856	67,499,689	63,016,012	275,154,927
Debtors by acceptances		142,633	143,249	306,585	-	-	592,467
Accounts receivable		2,454,405	133,369	123,072	438,305	39,524	3,188,675
Investments in shares		-	-	-	-	938,040	938,040
Other assets (i)		979,921	2,263,169	-	-	132,207	3,375,297
Total assets	**RD$**	**119,560,335**	**17,621,961**	**82,399,514**	**85,755,247**	**81,522,573**	**386,859,630**

(Continues)

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

Notes to the Consolidated Financial Statements

December 31, 2015

		Up to 30 days	31 to 90 days	91 Days to one year	One year to 5 years	More than 5 years	Total
Liabilities:							
Customers' deposits	RD$	139,017,052	10,416,154	24,557,653	4,190,607	2,397,672	180,579,138
Deposits from domestic and foreign financial institutions		18,613,220	66,171	1,678,249	111,170	99,831	20,568,641
Borrowed funds		2,280,250	14,733,980	18,074,582	1,801,001	-	36,889,813
Outstanding acceptances		142,633	143,249	306,585	-	-	592,467
Outstanding securities		19,581,284	31,408,340	35,343,923	9,960,007	-	96,293,554
Other liabilities (ii)		3,752,172	-	3,333,316	303,163	2,514,146	9,902,797
Subordinated debts		-	397,854	8,211	-	23,349,985	23,756,050
Total liabilities	**RD$**	**183,386,611**	**57,165,748**	**83,302,519**	**16,365,948**	**28,361,634**	**368,582,460**

(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 at December 31, 2016 and 2015, is as follows:

	As of December 31, 2016		As of December 31, 2015	
	In local currency	In foreign currency	In local currency	In foreign currency
Liquidity ratio:				
15 days adjusted	104.61 %	313.03 %	100.61 %	153.18 %
30 days adjusted	165.96 %	286.89 %	255.04 %	122.49 %
60 days adjusted	223.49 %	210.69 %	206.91 %	114.28 %
90 days adjusted	234.52 %	181.70 %	186.93 %	90.05 %
Position:				
15 days adjusted	637,367	772,334	111,959	249,168
30 days adjusted	10,071,453	767,486	24,029,905	147,997
60 days adjusted	23,090,108	652,634	23,046,269	115,995
90 days adjusted	26,472,979	576,008	23,312,066	(103,201)
Global (months)	(44.24) %	(23.08) %	(50.64)	(25.51)

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 %. At December 31, 2016 and 2015, the liquidity ratios maintained by the Bank are higher than required.

(Continues)

36 Fair value of financial instruments

A summary of the fair value of financial instruments at December 31, 2016 and 2015, is as follows:

		December 31, 2016		December 31, 2015	
		Book value	Fair value	Book value	Fair value
Financial assets:					
Available funds	RD$	84,595,641	84,595,641	61,803,490	61,803,490
Investments, net (a)		60,715,909	N/A	41,593,120	N/A
Loans portfolio, net (a)		281,016,422	N/A	269,386,723	N/A
Investments in shares, net (b)		980,214	N/A	912,105	N/A
	RD$	**427,308,186**	**84,595,641**	**373,695,438**	**61,803,490**
Liabilities:					
Customer deposits	RD$	201,982,566	N/A	180,579,138	N/A
Deposits from domestic and foreign financial institutions		20,129,348	N/A	20,568,641	N/A
Borrowed funds (a)		38,775,044	N/A	36,889,813	N/A
Outstanding securities (a)		124,448,151	N/A	96,293,554	N/A
Subordinated debt		24,144,593	23,832,028	23,409,692	23,448,532
	RD$	**409,479,702**	**23,832,028**	**357,740,838**	**23,448,532**

N/A: Not available.

(a) The Bank has not performed an analysis of the fair values of its loan portfolio, customer deposits, outstanding securities and borrowed funds, which market values might be affected by changes in the interest rates.

(b) There is not an active stock market in the Dominican Republic where the fair values of these investments may be obtained.

(Continues)

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 December 31, 2016 and 2015, are as follows:

	Current loans	Past due loans	Total	Collaterals
December 31, 2016				
Related to the ownership	67,011,695	-	67,011,695	31,862
Related to management	12,311,108	36,905	12,348,013	7,639,665
December 31, 2015				
Related to the ownership	73,990,141	-	73,990,141	65,980
Related to management	11,607,216	26,418	11,633,634	7,536,885

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

As of December 31, 2016 and 2015, there are credits granted to contractors and suppliers of the Dominican State for approximately RD$41,840 and RD$29,049, respectively, which are guaranteed by the Dominican State and are classified as loans provided to the private sector.

At December 31, 2016 and 2015, loans related to the management of the Bank includes RD$9,110 and RD$9,785 million, respectively, which were awarded to employees and relatives by consanguinity at an interest rate on more favorable terms than with non-related parties in accordance with the policy for personnel incentives. Similarly, deposits with related parties maintain interest rates at different conditions from those with unrelated parties.

The main balances and transactions with related parties through ownership for the years ended December 31, 2016 and 2015, include:

		2016		2015	
		Balance	Effect on revenues (expenses)	Balance	Effect on revenues (expenses)
Available funds	RD$	65,360,065	-	49,110,009	-
Loans portfolio		67,011,695	7,239,295	73,990,141	6,809,276
Customers' deposits - checking		23,819,105	(173,586)	1,178,604	(171,598)
Customers' deposits - saving		3,487,314	-	3,936,948	-
Other investments in debt securities		42,883,975	3,635,377	34,095,166	2,778,516
Outstanding securities		16,668,471	(1,507,956)	12,997,683	(1,141,207)
Interest receivable		1,036,172	-	2,510,364	-
Other liabilities		391,455	-	2,151,393	-

(Continues)

Other transactions with identifiable related parties performed during the periods ended December 31, 2016 and 2015 include:

		2016		2015	
		Balance	Effect on revenues (expenses)	Balance	Effect on revenues (expenses)
Loans portfolio	RD$	11,843,664	520,126	12,526,157	443,651
Accounts receivable to officers and employees		504,348	-	476,223	-
Officers and employees deposits		6,901,773	(236,690)	6,915,660	(129,080)

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 9th, 2001, which established the Social Security System of the Dominican Republic. Until June 30, 2015, contributions to this plan were 12.5 % of the monthly salaries of officials and employees paid. From July 1st, 2014, this contribution was increased to 17.5 %, plus 2.5 % of the gross profits of the Bank, as provided by the statute of the Pension Plan approved by the Board of Directors. Additionally, the Bank may also make extraordinary contributions based on the results of actuarial studies. A summary of the financial information of the (unaudited) plan, is as follows:

		2016	2015
Present value of obligations for past services	RD$	(11,600,043)	(10,330,431)
Net assets of the plan		11,207,070	9,926,588
Net position of the plan	**RD$**	**(392,973)**	**(403,843)**

The expense recognized during the years 2016 and 2015 amounted to RD$1,017,070 and RD$952,221, respectively, including extraordinary contributions of RD$242,327 for both years, with the purpose to cover the deficit until 2019, as authorized by the Superintendence of Banks.

By Circular SB ADM/0681/10 of December 31, 2010, the Superintendence of Banks (SB) 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 SB, 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.

(Continues)

Actuarial assumptions

At December 31, 2016 and 2015, the principal actuarial assumptions and other basic information of the plan used in determining the actuarial liabilities, are as follows:

	2016	2015
Mortality table	SIPEN 2011(M-F)	SIPEN 2011 (M-F)
Rate of return on assets	10.40 %	10.40 %
Long- term annual discount rate	9.00 %	9.75%
Annual salary increase scale	8.50 %	8.50%
Long-term annual inflation rate	5.00 %	6.00%

A summary of the number and amount of current pensions as of December 31, 2016 and 2015, is as follows:

		2016	2015
Number of members		1,904	1,980
Average retirement age		47	46
Average monthly salary	RD$	77	77

b) Employees who are affiliated to the Social Security System of the Dominican Republic, created by Law No. 87-01 issued on May 9th, 2001, consisting of a Contributive Regimen covering public and private employees and employers, funded by the latter, including the Dominican Republic Government as an employer. According to the Social Security System of the Dominican Republic, all employee and employers must be affiliated to the pension regimen through the *Administradora de Fondos de Pensiones* (AFP) and *Administradora de Riesgos de Salud* (ARS). The officers and employees of the Bank are affiliated in various pension plans, mainly in the Administradora de Fondos de Pensiones Reservas, S. A.

39 Non-monetary transactions

Non-monetary transactions are as follows:

		2016	2015
Write off of loan portfolio and interest receivable	RD$	1,304,545	1,419,721
Assets received in loan settlements		637,650	1,611,973
Transfer between allowance for risky assets:			
Loan portfolio		(180,050)	134,271
Investments		21,174	(17,317)
Interest receivable		160,909	19,183
Assets received in loan settlements		55,670	(93,847)
Contingencies		(57,703)	(42,290)

(Continues)

	2016	2015
Sales of assets received in loan settlements by new credit facilities	71,356	192,346
Share profit in associated companies	41,870	138,470
Acquisition of loan portfolio of a domestic financial institution:		
Loan porfolio acquired	-	48,985
Accounts receivable	-	11,162
Customer deposit	-	(40,785)
Other operating income	-	(19,362)
Amortization of National Treasury bonds Law 99-01	75,000	75,000
Interest on National Treasurer bonds Law 99-01	3,000	3,750
Amortization of National Treasury securities Law 121-05	-	1,500,000
Transfers of net income of the period to other to equity reserves	2,153,620	2,135,072
Dividends paid in shares	1,700,000	2,800,000
Dividends paid by offsetting the debt of the Dominican Republic State's institutions:		
Equity-retained earnigs from prior periods	922,980	1,052,946
Accounts receivable	-	(50,000)
Loan portfolio	-	(1,002,947)

40 Other disclousures

40.1 Future aplication of accounting standards

Circular SB: No. 007/16 dated December 12, 2016, amends Chapter III and IV of the Accounting Manual for Financial Institutions, in order to adapt the "Operation" section of account 129.02 - Provision for income receivable of the loan portfolio, according to this amendment, financial institutions may not reverse provisions without the prior authorization of the Superintendence of Banks, pursuant to Article 71 of the Asset Assessment Regulation (REA) and incorporate the model of accounting identified with the name "Receivables from the loan portfolio" to indicate the accounting treatment applicable to the accrual, suspense and constitution of the receivables.

The Superintendence of Banks of the Dominican Republic granted an extension for the adequacy of the afore mentioned circular, being the new date on January 2nd, 2017.

(Continues)

41 Subsequent events

On January 31, 2017, the Board of Directors approved the distribution of dividends as follows:

Cash dividends to be delivered to the Dominican Republic Government	RD$	3,010,491
15 % to cover the Dominican Republic State debts and its agencies with the Bank		922,980
Amortization of 5 % of certified vouchers of the National Treasury Law No. 99-01 and the yields generated		75,000
1 % interest on certified vouchers Law No. 99-01		2,250

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

Resolution No. 13-94 of the Superintendence of Banks of the Dominican Republic and its amendments sets the minimum disclosure requirements that the consolidated financial statements of financial institutions should include. As of December 31, 2016 and 2015, 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.
- Losses caused by disasters.
- Effect of changes in the fair value over the carrying amount of investments in securities.