

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

Consolidated Financial Statements

September 30, 2020

(Free Translation from the Original Spanish-Language Version)

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

Consolidated Balance Sheets

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	<u>At september 30,</u> <u>2020</u>	<u>At December 31,</u> <u>2019</u>
ASSETS		
Available funds (notes 3, 4, 34, 35 and 36)		
Cash on hand	17,327,105	7,823,164
Central Bank	71,974,030	68,204,996
Local banks	545,096	249,255
Foreign banks	21,424,586	2,570,331
Other funds	195,679	335,934
Interests receivable	198	3,251
	<u>111,466,694</u>	<u>79,186,931</u>
Investments (notes 3, 6, 14, 34, 35, 36 and 38)		
Available-for-sale	24,682,264	-
Other investments in debt instruments	160,374,026	124,921,872
Interests receivable	2,453,655	2,104,841
Allowance for investments	(175,235)	(176,954)
	<u>187,334,710</u>	<u>126,849,759</u>
Loans portfolio (notes 3, 7, 14, 34, 35, 36 and 38)		
Current	322,708,312	335,329,676
Restructured	2,439,619	2,868,708
Past due	3,169,746	3,919,088
In legal collection	1,316,118	1,161,738
Interests receivable	6,203,121	3,557,112
Allowance for loans	(15,814,258)	(9,815,562)
	<u>320,022,658</u>	<u>337,020,760</u>
Debtors by acceptances (notes 3, 8 and 34)		
	<u>732,342</u>	<u>1,192,096</u>
Accounts receivable (notes 3, 9, 34 and 36)		
Commissions receivable	244,383	181,393
Accounts receivable	1,423,685	824,573
Insurance premiums receivable	2,393,824	2,504,490
Receivables from insurance and guarantees	7,923	6,929
Interests receivable	223	387
	<u>4,070,038</u>	<u>3,517,772</u>
Assets received in lieu of foreclosure of loans (notes 10, 14 and 38)		
Assets received in lieu of foreclosure of loans	10,305,645	9,694,662
Allowance for assets received in lieu of foreclosure of loans	(9,185,926)	(8,601,099)
	<u>1,119,719</u>	<u>1,093,563</u>
Investments in shares (notes 3, 11, 14, 34, 35, and 38)		
Investments in shares	1,442,447	1,392,077
Allowance for investments in shares	(49,783)	(36,764)
	<u>1,392,664</u>	<u>1,355,313</u>
Property, furniture and equipment (note 12)		
Property, furniture and equipment	18,969,825	18,770,661
Accumulated depreciation	(5,809,589)	(5,396,239)
	<u>13,160,236</u>	<u>13,374,422</u>
Properties under development intended for sale and lease		
	<u>849,820</u>	<u>874,430</u>
Other assets (notes 3, 13, 22 and 34)		
Deferred charges	5,050,230	3,063,503
Intangibles	3,033,704	3,011,432
Other assets	763,027	525,955
Accumulated amortization	(935,301)	(572,216)
	<u>7,911,660</u>	<u>6,028,674</u>
TOTAL ASSETS	<u>648,060,541</u>	<u>570,493,720</u>
Contingent accounts (notes 23 and 27)	<u>957,046,356</u>	<u>942,984,096</u>
Memorandum accounts (note 28)	<u>3,281,948,944</u>	<u>2,953,097,050</u>

(Continues)

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

Consolidated Balance Sheets

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	<u>At september 30, 2020</u>	<u>At December 31, 2019</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Customers' deposits (notes 3, 15, 34, 35 and 36)		
Checking	88,497,762	94,823,829
Savings	213,504,231	173,153,311
Time	48,173,483	43,454,871
Interests payable	203,614	34,134
	350,379,090	311,466,145
Deposits from domestic and foreign financial institutions (notes 3, 16, 34 and 35)		
From domestic financial institutions	25,047,855	13,302,622
Interests payable	2,641	-
	25,050,496	13,302,622
Purchase of titles with re-sale agreement	25,378,190	-
Borrowed funds (notes 3, 17, 34 and 35)		
From Central Bank	40,943	60,101
From domestic financial institutions	207,308	-
From foreign financial institutions	23,493,196	39,349,818
Others	-	1,316,637
Interests payable	332,229	377,056
	24,073,676	41,103,612
Outstanding acceptances (notes 3, 8 and 34)	732,342	1,192,096
Outstanding securities (notes 18, 34, 35 and 36)		
Securities	128,241,851	118,272,460
Interests payable	275,574	311,149
	128,517,425	118,583,609
Creditors for insurance and bank guarantees (notes 3 and 24)	985,659	1,376,684
Insurance premium deposits	352,435	298,130
Other liabilities (notes 3, 14, 19, 22, 27 and 34)	17,046,465	11,627,260
Technical reserves (note 3 and 21)		
Mathematical and technical life insurance reserves	250,374	270,142
Reserves for unearned insurance premiums	5,339,574	4,664,873
	5,589,948	4,935,015
Subordinated debts (notes 3, 20, 34 and 35)		
Subordinate debts	27,364,320	25,721,199
Interests payable	406,693	470,341
	27,771,013	26,191,540
TOTAL LIABILITIES	605,876,739	530,076,713
NET EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (notes 25 and 38)		
Paid-in capital	10,000,000	10,000,000
Other equity reserves	22,879,264	22,879,264
Revaluation surplus	688,825	688,825
Unrealized gains (losses) on investments available for sale	64,262	-
Retained earnings from previous periods	206,847	506,055
Net income for the year	7,952,733	6,012,073
	41,791,931	40,086,217
Non-controlling interests	391,871	330,790
TOTAL EQUITY	42,183,802	40,417,007
TOTAL LIABILITIES AND EQUITY	648,060,541	570,493,720
Contingent accounts (notes 23 and 27)	957,046,356	942,984,096
Memorandum accounts (note 28)	3,281,948,944	2,953,097,050

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

Samuel Pereyra Rojas
General Administrator

Henry V. Polanco Portes
Comptroller

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

Consolidated Statements of Profit or Loss

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	Nine month periods ended	
	<u>At September 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial income (notes 6, 7, 29 and 36)		
Interest and commissions on loans	29,947,783	27,790,884
Interest on investments	9,094,941	7,881,623
Gains on sale of investments and securities	5,819,511	1,605,908
Insurance premiums net of returns and cancellations	6,189,653	5,826,084
Income related to technical adjustment to reserves	3,341	-
	<u>51,055,229</u>	<u>43,104,499</u>
Financial expenses (notes 15, 16, 17, 18, 20, 29 and 36)		
Interest on deposits	(8,887,039)	(9,505,483)
Loss on sale of investments and securities	(470,240)	(515,777)
Interest and commissions on borrowed funds	(724,513)	(1,056,348)
Reinsurance expense	(2,047,963)	(1,708,007)
Insurance claims and contractual obligations	(1,939,963)	(2,212,197)
Expenses related to technical adjustment to reserves	-	(127,632)
Expenses related to acquisition, conservation and collection of insurance premiums	(633,180)	(600,023)
	<u>(14,702,898)</u>	<u>(15,725,467)</u>
Gross financial margin	<u>36,352,331</u>	<u>27,379,032</u>
Allowance for loan losses (note 14)	(6,289,708)	(2,452,493)
Allowance for investments	(100)	-
	<u>(6,289,808)</u>	<u>(2,452,493)</u>
Net financial margin	<u>30,062,523</u>	<u>24,926,539</u>
Foreign exchange gain (loss) (note 30)	<u>(840,415)</u>	<u>(360,031)</u>
Other operating income (notes 31 and 36)		
Credit card fees	1,815,492	1,885,188
Service fees	5,249,613	5,090,074
Foreign exchange commissions	2,487,664	1,103,387
Miscellaneous income	2,466,583	3,023,344
	<u>12,019,352</u>	<u>11,101,993</u>
Other operating expenses (notes 31 and 36)		
Commissions for services	(860,964)	(960,873)
Miscellaneous expenses	(2,645,014)	(1,843,199)
	<u>(3,505,978)</u>	<u>(2,804,072)</u>
Gross operating profit	<u>37,735,482</u>	<u>32,864,429</u>
Operating expenses (notes 14, 27, 33 and 37)		
Salaries and personnel compensation	(17,355,813)	(13,690,387)
Professional fees	(2,456,413)	(2,489,729)
Depreciation and amortization	(1,485,136)	(1,355,695)
Other provisions	(1,475,691)	(1,242,240)
Other expenses	(5,300,465)	(5,534,425)
	<u>(28,073,518)</u>	<u>(24,312,476)</u>
Net operating profit	<u>9,661,964</u>	<u>8,551,953</u>

(Continues)

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

Consolidated Statements of Profit or Loss

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	<u>Nine month periods ended</u>	
	<u>At September 30,</u>	
	<u>2020</u>	<u>2019</u>
Other income (expenses) (note 32)		
Other income	1,170,669	1,006,995
Other expenses	<u>(1,950,004)</u>	<u>(1,709,768)</u>
	<u>(779,335)</u>	<u>(702,773)</u>
Profit before income tax	8,882,629	7,849,180
Income tax (note 22)	<u>(868,815)</u>	<u>(905,612)</u>
Net income for the period	<u>8,013,814</u>	<u>6,943,568</u>
ATTRIBUTABLE TO:		
Owners of the Bank (Parent Company)	7,952,733	6,877,876
Non-controlling interests	<u>61,081</u>	<u>65,692</u>
	<u>8,013,814</u>	<u>6,943,568</u>

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

Samuel Pereyra Rojas
General Administrator

Henry V. Polanco Portes
Comptroller

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

Consolidated Statements of Cash Flows

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	<u>Nine month periods ended</u>	
	<u>At September 30,</u>	
	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and commissions collected from loans	25,242,718	28,436,542
Other financial income collected	14,095,562	9,319,620
Other operating income collected	12,019,352	11,101,993
Insurance premium collected	6,354,624	5,786,468
Insurance and guarantees	(2,414,888)	(2,001,080)
Interest paid on deposits	(8,923,786)	(9,512,888)
Interest and commissions paid on borrowed funds	(769,340)	(1,155,917)
General and administrative expenses paid	(25,107,180)	(21,699,060)
Other operating expenses paid	(3,505,978)	(2,804,072)
Income taxes paid	(868,815)	(905,612)
Insurance claims and contractual obligation	(1,939,963)	(2,212,197)
Miscellaneous collections (payments) by operating activities	<u>2,654,941</u>	<u>1,939,832</u>
Net cash provided by operating activities	<u>16,837,247</u>	<u>16,293,629</u>
CASH FROM INVESTMENT ACTIVITIES		
Increase (decrease) in investments	(34,596,674)	(40,455,841)
Loans granted	(195,709,991)	(371,849,464)
Loans collected	207,624,377	372,504,681
Interbank funds granted	(8,410,000)	(22,380,000)
Interbank funds collected	8,410,000	22,380,000
Decrease in properties under development intended for sale and lease	13,884	12,686
Acquisition of property, furniture and equipment	(803,981)	(1,627,830)
Proceeds from sale of property, furniture and equipment	(69,953)	261,773
Proceeds from sale of assets received in lieu of foreclosure of loans	<u>-</u>	<u>294,340</u>
Net cash used in investment activities	<u>(23,542,338)</u>	<u>(40,859,655)</u>
CASH FROM FINANCING ACTIVITIES		
Deposits received	5,032,479,388	4,602,148,993
Returned deposits	(4,971,884,753)	(4,575,618,374)
Borrowed funds received	47,169,673	62,175,774
Borrowed funds paid	(64,154,782)	(69,314,753)
Dividends paid and other payments to equityholders	<u>(4,624,672)</u>	<u>(3,500,000)</u>
Net cash provided by financing activities	<u>38,984,854</u>	<u>15,891,640</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,279,763	(8,674,386)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>79,186,931</u>	<u>83,234,343</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>111,466,694</u>	<u>74,559,957</u>

(Continues)

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

Consolidated Statements of Cash Flows

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	<u>Nine month periods ended</u>	
	<u>At September 30,</u>	
	<u>2020</u>	<u>2019</u>
Reconciliation between the net profit for the period and net cash provided by operating activities		
Net income for the period	8,013,814	6,943,568
Adjustments to reconcile net profit for the period to net cash provided by operating activities:		
Provisions for risky assets and contingencies	7,765,499	3,694,733
Mathematical and Technical reserves increase	(3,341)	127,632
Depreciation and amortization	1,490,647	1,371,176
Gain on sale of property, furniture and equipment	(28,716)	(8,522)
Equity on earnings in other companies	(143,660)	(106,374)
Loss on sale of assets received in lieu of foreclosure of loans	248,856	(30,294)
Currency exchange rate fluctuations, net	1,816,483	677,736
Amortization of debt issuance cost and discount on subordinated debts	26,901	27,537
Net change in assets and liabilities:		
Interests receivable	(5,053,715)	993,524
Debtors by acceptances	459,754	(678,181)
Commissions receivable	(62,990)	2,829
Accounts receivable	(599,112)	(487,140)
Insurance premiums receivable	110,666	(43,266)
Receivables from reinsurance and guarantees	(994)	(1,061)
Deferred charges	(1,986,727)	(40,284)
Intangibles	(22,272)	19,378
Other assets	(237,072)	787,310
Interests payable	(108,475)	(134,511)
Outstanding acceptances	(459,754)	678,181
Creditors of insurance and bank guarantees	(391,025)	(375,442)
Insurance premium deposits	54,305	3,650
Other liabilities	5,289,901	2,187,997
Technical reserves	658,274	683,453
Total adjustments	<u>8,823,433</u>	<u>9,350,061</u>
Net cash provided by operating activities	<u>16,837,247</u>	<u>16,293,629</u>

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

Samuel Pereyra Rojas
General Administrator

Henry V. Polanco Portes
Comptroller

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

Consolidated Statements of Changes in Equity

Nine Month Periods Ended at September 30, 2020 and 2019

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

	Paid-in capital	Other equity reserves	Revaluation surplus	Unrealized gains (losses) on investments available for sale	Retained earning from previous periods	Net income for the period	Total	Non-controlling Interests	Total equity
Balances at January 1st, 2019	10,000,000	19,641,993	699,965	-	193,227	4,651,699	35,186,884	256,208	35,443,092
Transfer to retained earnings	-	-	-	-	4,651,699	(4,651,699)	-	-	-
Dividends paid to the Dominican Republic Government (note 25):									
Cash	-	-	-	-	(3,500,000)	-	(3,500,000)	-	(3,500,000)
Voucher amortization of National Treasury Law 99-01	-	-	-	-	(75,000)	-	(75,000)	-	(75,000)
Voucher interest payment of National Treasury Law 99-01	-	-	-	-	(750)	-	(750)	-	(750)
Net income for the year	-	-	-	-	-	6,877,876	6,877,876	65,692	6,943,568
Balances at September 30, 2019	10,000,000	19,641,993	699,965	-	1,269,176	6,877,876	38,489,010	321,900	38,810,910
Balances at December 31, 2019	10,000,000	22,879,264	688,825	-	506,055	6,012,073	40,086,217	330,790	40,417,007
Transfer to retained earnings	-	-	-	-	6,012,073	(6,012,073)	-	-	-
Dividends paid to the Dominican Republic Government (note 25):									
Cash	-	-	-	-	(4,624,672)	-	(4,624,672)	-	(4,624,672)
Debt amortization of the Dominican Republic State	-	-	-	-	(1,686,609)	-	(1,686,609)	-	(1,686,609)
Unrealized gains (losses) on investments available for sale				64,262			64,262		64,262
Net income for the year	-	-	-	-	-	7,952,733	7,952,733	61,081	8,013,814
Balances at September 30, 2020	10,000,000	22,879,264	688,825	64,262	206,847	7,952,733	41,791,931	391,871	42,183,802

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

Samuel Pereyra Rojas
General Administrator

Henry V. Polanco Portes
Comptroller

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

Notes to the Consolidated Financial Statements

As of September 30, 2020 and December 31, 2019 and for the Nine Months Periods
Ended September 30, 2020 and 2019

(Free Translation from the Original Spanish-Language Version)

Amounts in Thousands of Dominican pesos (RD\$)

1 Entity

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

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

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

<u>Name</u>	<u>Position</u>
José Manuel Vicente	Minister of Finance - Ex-Officio Chairman
Samuel Pereyra Rojas	General Administrator
José Manuel Almonte	Deputy Administrator - Administration
Ysidro García	Deputy Administrator - Business
Francisco Elías	Deputy Administrator - Subsidiary Entities
Fraysis Moronta	Senior General Director Human Capital, Process, Technology and Operations.
Fernando Mir	Senior General Director of Strategic, Finance and Commercial Intelligence
José Obregón	Senior General Director of Risk – Compliance and Corporate Governance
Henry V. Polanco Portes	Comptroller
Ramón Pimentel	General Director Treasury

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

1 Entity (continued)

As of September 30, 2020 and December 31, 2019, a detail of the Bank's offices, automatic teller machines (ATMs) and post offices is as follows:

<u>Location</u>	<u>2020</u>			<u>2019</u>		
	<u>Offices (*)</u>	<u>ATMs</u>	<u>Post offices</u>	<u>Offices (*)</u>	<u>ATMs</u>	<u>Post offices</u>
Metropolitan area	113	346	-	112	348	-
Provinces	<u>188</u>	<u>381</u>	<u>8</u>	<u>186</u>	<u>378</u>	<u>6</u>
	<u>301</u>	<u>727</u>	<u>8</u>	<u>298</u>	<u>726</u>	<u>6</u>

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

The Bank signed service agreements with multiple merchants located in different parts of the country called banking subagents, through which general public has access to financial services. As of September 30, 2020 and December 31, 2019, the network of subagents was 1,267 (456 in the metropolitan area and 811 in the interior of the country) and 1,259 (440 in the metropolitan area and 819 in the interior of the country) businesses authorized, respectively.

The consolidated financial statements were approved for issuance by the Board of Directors on November 24, 2020.

2 Summary of significant accounting policies

2.1 Accounting basis of the consolidated financial statements

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

Although the different accounting practices adopted by the companies included in these consolidated financial statements, they have been prepared following the conceptual framework of the Superintendence of Banks.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

The accompanying consolidated financial statements are prepared on the historical cost basis.

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

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

2.1.a Differences between banking regulations and IFRS

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

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

In accordance with IFRS, specifically IFRS 9 *Financial Instruments* (mandatory for years beginning on January 1st, 2018, replacing IAS 39), an entity must recognize the impairment of the value of the loan portfolio for expected losses during their life time (evaluated on a collective or individual basis), considering all reasonable and sustainable information, including those which refers to the future. The IFRS 9 establishes a three-phase approach for accounting the impairment provision, which is based on the change in the credit quality of financial assets since their initial recognition.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

- x i) The investment portfolio is quantified according to the risk categories determined by the Superintendence of Banks that requires specific provisions, following the instructions of the REA, 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. The IFRS require that impairment for investments accounted for at amortized cost be determined following the same considerations indicated for the loan portfolio indicated in item i) above.
- x ii) The Superintendence of Banks requires that cash flows from loans portfolio and customers' deposits, be classified as investing and financing activities, respectively. IFRS require that the cash flows from these transactions be recognized as part of operating activities.
- x iii) 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.
- x iv) The Superintendence of Banks requires banks to recognize a provision for contingent operations, which includes, among others, granted collateral, non-negotiable letters of credit issued, and unused amounts of lines of credit of automatic use, based on a classification of risk category following the REA. IFRS require the recognition of estimated expected losses on loan commitments in a consistent manner, with their expectations of provisions of that loan commitment.
- x v) The Superintendence of Banks granted a no objection to the Bank to recognize the actuarial liability related to the Pension and Retirement Funds and those paid directly by the Bank over a nine-year period beginning in 2011. IFRS establish that pension plan obligations must be recognized initially in full and periodically updated in subsequent periods and the effects to be recognized either in profit or loss or other comprehensive income.
- x vi) In accordance with current banking regulations, the Bank must quantitatively disclose the risks derived from its financial instruments, such as liquidity and interest rate risks and the credit risk of loans, among others. IFRS require the following disclosures that allows users of the financial statements to evaluate: a) the importance of the financial instruments in relation to the financial position and performance of the Bank and b) the nature and scope of risks resulting from the financial instruments to which the Bank is exposed during the period and at the reporting date and how the Bank manages those risks.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

- xvii) The Superintendence of Banks authorizes financial intermediation institutions to write-off a loan with or without collateral when it becomes past due and is 100% provisioned, excluding related-party loans that should be written off when all legal collection processes have been exhausted and the involved officers and/or directors have been removed from their duties. In accordance with IFRS, an entity will directly reduce the carrying amount of a financial asset when it has no reasonable expectation of recovering all or a part of this.
- xviii) IFRS require that, if the Bank maintains other comprehensive income, a statement of other comprehensive income or a separate statement of other comprehensive income must be presented showing the nature and amount of items comprising other comprehensive income during the reporting period. The Superintendence of Banks does not include this requirement in the presentation of financial statements.
- xix) The Superintendence of Banks authorized the inclusion in the consolidated financial statements, the financial statements of subsidiaries that were prepared following different accounting practices to those set in the Accounting Manual for Financial Institutions, without being homogenized with the accounting practices followed by the Bank. Under IFRS, entities included in the consolidation should follow the same accounting policies.
- xx) Current banking regulations require financial intermediaries to recognize as expenses, payments arising from operating leases, to the extent that they are accrued. As of January 1st, 2019, IFRS require operating leases to be recognized in the accounting books of lessee as follows:
 - a) At inception of lease, the lessee must recognize an asset for the right-of-use asset under the lease, and a financial liability for the obligation contracted in the lease.
 - b) Subsequent to initial recognition, the asset is depreciated on a straight-line basis over the term of the lease and the liability changes to reflect lease payments and interest generated.
 - c) In the statement of profit or loss, the expenses originated by the lease contract are comprised of the amortization expense of the underlying asset and the interest expense generated by the financial liability incurred.

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

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

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

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

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

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

In accordance with IFRS, income from insurance contracts, both general and short-term life insurance, are recognized proportionately over the term of the policy.

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

- viii) According to accounting practices established and permitted by the Superintendence of Insurance, the service components that form part of the insurance contract are not separated and are recorded as revenue in conjunction with the premium income subscribed. Under IFRS, the components of services over which the company does not withhold insurance risks, should be separated from the insurance contract. Such components must be recognized as a liability, and defer any commission earned by the company in the intermediation in the service as income during the term of the policy that originated such commission.
- ix) Additional costs incurred in the process of acquisition and issuance of insurance contracts are recognized as expenses when they occur, except commissions to agents, which are deferred and amortized in proportion to the premium that originated it following the percentages established by the Superintendence of Insurance. In accordance with IFRS, these costs must be deferred and recognized as expense using the straight-line method over the life of the related insurance contract.
- x) According to the accounting practices established and permitted by the Superintendence of Insurance, property, furniture and equipment are recognized as such, regardless of their use. IFRS require that property, plant and equipment, which intention of use is to obtain income or goodwill, shall be considered investment property and therefore, their recognition and disclosure are different from the other assets being used in the operations of the Bank.
- xi) 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 cover possible commitments arising from current insurance contracts. The accounting practices of the Superintendence of Insurance do not require this kind of provision.
- xii) The Superintendence of Insurance and the Superintendence of Health and Labor Risk require that short-term investments, highly liquid investments and investments easily convertible to cash to be classified as investments. However, IFRS require that such investments to be classified as cash equivalents.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

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

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

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

Amounts in Thousands of Dominican pesos (RD\$)

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

- xviii) IFRS require that if an entity maintains derivative financial instruments, they are separated from its host contract and recognize it separately, if the characteristics and risks of the host contract and the derivative are not closely related. The Superintendence of Pensions of the Dominican Republic does not have standards in place for the recognition and presentation of derivative financial instruments.
- xix) There are differences between the presentation and certain disclosures in the financial statements under IFRS to those required by the Superintendence of Insurance, the Superintendence of Health and Labor Risks (SISALRIL, per its Spanish acronyms) and the Superintendence of Pensions of the Dominican Republic.

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

2.2 Use of estimates

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

The estimates are used primarily to account for 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.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.3 Consolidation

The consolidated financial statements include the figures of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples, and subsidiaries owned either directly or indirectly in more than 50 %, which are: Tenedora Reservas, S. A. and subsidiaries, which include Seguros Reservas, S. A., Reservas Asistencia, S.A.S., Inmobiliaria Reservas, 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), Inversiones Finanprimas SB, S.A.S., Sociedad Administradora de Fondos de Inversión Reservas, S. A. and Advanced Auto Technology, S. A. S. Additionally, Administradora de Riesgo de Salud Reservas, Inc., a non-profit entity whose net assets are included as other liabilities.

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

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

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

<u>Subsidiaries</u>	<u>Country of operation</u>	<u>Percentage of ownership (%)</u>
<i>Directly subsidiaries:</i>		
Tenedora Reservas, S. A. and Subsidiaries	Dominican Republic	97.74
Administradora de Riesgo de Salud Reservas, Inc.	Dominican Republic	-
<i>Indirectly subsidiaries:</i>		
Administradora de Fondos de de Pensiones Reservas, S .A.	Dominican Republic	98.50
Seguros Reservas, S. A.	Dominican Republic	97.91
Inmobiliaria Reservas, S. A.	Dominican Republic	99.99

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

<u>Subsidiaries</u>	<u>Country of operation</u>	<u>Percentage of ownership (%)</u>
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)	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
Advanced Auto Technology, S. A. S.	Dominican Republic	<u>100.00</u>

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

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

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

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

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

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

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

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

Tenedora Reservas, S. A. and Subsidiaries

Is the Parent Company of the following subsidiaries:

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

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

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

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

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

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

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

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

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

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

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

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

(e) Fiduciaria Reservas, S. A.

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

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

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

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

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

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

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

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

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

2.4 Loan portfolio

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

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

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

Amounts in Thousands of Dominican pesos (RD\$)

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

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

The risk classification of the restructured loan will be the classification assigned to all the debtor's credits within the same type of portfolio. An initial classification of no lower than "B" is assigned, which may be modified to a lower risk category, depending on the evolution of its payments up to the "A" classification, as long as it meets the conditions agreed in the contract. For major commercial debtors, additional to their payment capacity, payment behavior and country risk are evaluated, for any improvement in their risk classification.

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

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

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

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

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

The estimation of the allowance for loan losses for major commercial debtors is based on a detailed quarterly review of each debtor's solvency, payment behavior and country risk performed by the Bank for 100 % of its major commercial debtors (subject to review by the Superintendence of Banks), using specific percentages based on debtor classification, except for loans of 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.

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Notes to the Consolidated Financial Statements (continued)

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

The major commercial debtors are classified quarterly considering a categorized analysis of each debtor based on their payment capacity, as established in the Asset Evaluation Regulation and evaluating other factors such as: liquidity indexes, profitability, leverage, analysis of market, historical payment behavior, country risk and alignment. The guarantees, as a factor of security in the recovery of credit operations, are considered as a secondary element and are not taken into consideration in the classification of the debtor, although they do count in the calculation of the coverage of the provisions.

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

As of 2018, the Assets Assessment Regulation establishes the constitution of a 100 % provision for the effect of fluctuation of the positive exchange rate on loans in foreign currency classified D1, D2 and E, and with more than 90 days in arrears.

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

Medium-sized commercial debtors are those whose total credit operations owed to the financial system are equal to or greater than RD\$25,000 and less than RD\$40,000 both individually and consolidated in the financial system. For the minor credits of commercial, microcredits, consumer and mortgage loans, the classification is determined based on the delinquency at the date of the classification of each one of the debtor's commercial operations, assigning a unique classification on its payment behavior, except for mortgage loans granted with resources freed from the legal reserve, which are classified in risk category "A", with 0 (zero) constitution of allowance; weighting 0 % for purposes of the calculation of the solvency index in accordance with article 9 of the ninth resolution of the Monetary Board, dated May 30, 2019. Collaterals are considered in the computation of the coverage of the necessary allowance.

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

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

Write-offs of loans consist of operations by which the uncollectible loans are removed from the balance sheet and are recognized only in memorandum accounts. When the financial institution does not have the total loan allowance, it should establish the amount before performing the write-off, in order to not affect the level of allowance required for other loans. A loan may be written off, with or without a collateral, from the day in which the loan enters in a non-performing loan category, excluding related party loans with collaterals that can only be written-off when the Bank can prove that the legal procedures for recovery have been exhausted and the officers or managers directly related have been released from their duties. Loans written-off remain in memorandum accounts until are not exceeded through payment by the debtor.

Collateral

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

Multi-use collateral (multipurpose collateral)

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

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

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

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

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

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

Other considerations

As of September 30, 2020 and December 31, 2019, the Bank has received waivers and no objections from the Central Bank of the Dominican Republic and the Superintendence of Banks to specifically recognize for and report on certain loans granted to specific sectors of the Dominican Republic economy, such as: contractors of priority works of the Dominican State, development of road network, low-cost housing construction sector, loans granted to some power generators and other operations linked to the sector, and some credits to the agricultural sector.

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

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

2.5.2 Allowance for interests receivable

The allowance for current interests receivable is determined using specific percentages according to the classification provided and considering the collateral for the related loan portfolio. Interests receivable for loans with 90 days past due, except for credit card operations, are provided for at 100 %. In the case of credit card transactions, a 100 % allowance is made with 60 days past due. Such accounts are then maintained on a non-accrual basis, recognized as memorandum accounts and its interest are recognized as income only when collected.

2.5.3 Allowance for other assets

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

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

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

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

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

2.5.4 Allowance for contingencies

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.5 Determination of provisions to cover credit risks on loan losses in the loan portfolio, other assets and contingent operations (continued)****2.5.4 Allowance for contingencies (continued)**

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

The nature and amounts of contingencies are described in note 27 to the consolidated financial statements.

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

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

2.6.2 Defined benefits plan

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

The Bank's contribution to the plan is 17.5 % of the monthly salaries paid to officers and employees, 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 approved 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 previous periods, discounting that amount and deducting the fair value of the plan's assets.

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.6 Employee benefit cost (continued)****2.6.3 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 indemnities

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

2.7 Outstanding securities and subordinated debts

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

The Bank has subordinated debts relating to financing obtained in US dollars (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.

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.8 Valuation of different types of investments

2.8.1 Investments in securities and allowances

Investments are measured at cost less the required allowances.

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

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

Available-for-sale investments: Includes investments held to achieve a reasonable return for their temporary surplus or investments that the Bank is willing to sell at any time and are quoted in an active or organized market. Available-for-sale investments are initially recognized at fair value and 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.

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.

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.8 Valuation of different types of investments (continued)

2.8.1 Investments in securities and allowances (continued)

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

Other considerations

As of September 30, 2020 and December 31, 2019, the bank has a waiver from the Superintendence of Banks to classify with risk category “A” and 0 % of allowance, investments held by the Bank in debt instruments of the Dominican electric sector and road network development.

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

2.8.2 Investments in shares and allowances

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

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

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

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

2.9.1 Basis of recognition

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.9 Valuation of property, furniture and equipment and depreciation method used (continued)

2.9.2 Depreciation

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

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

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

2.10 Valuation of assets received in lieu of foreclosure of loans

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

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

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

2.11 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.

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.12 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 reporting date.

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

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

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

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

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

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

Income on sale of investments in debt instruments

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

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Notes to the Consolidated Financial Statements (continued)

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2 Summary of significant accounting policies (continued)

2.13 Revenue recognition and most significant expenditures (continued)

2.13.1 Banks' revenue recognition and expenditures (continued)

Other income and other operating expenses

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

Other income and expenses

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

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

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

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

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Notes to the Consolidated Financial Statements (continued)

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2 Summary of significant accounting policies (continued)

2.13 Revenue recognition and most significant expenditures (continued)

2.13.3 Revenues from the Administrator of Pension Funds (AFP, per its Spanish acronym)

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 AFPs 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, 232-05 and 239-05.

2.13.4 Revenues for services to the Health Insurance Administrator (ARS, per its Spanish acronym)

The ARS recognizes revenues for services, resulting from basic, complementary, prepaid medicine, voluntary and independent plans on a straight-line basis, i.e., the uniform distribution of the amount of income during the validity period of the coverage of the policy.

2.13.5 Revenues from real estate

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

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Notes to the Consolidated Financial Statements (continued)

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2 Summary of significant accounting policies (continued)**2.13 Revenue recognition and most significant expenditures (continued)****2.13.5 Revenues from real estate (continued)**

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.

2.14 Leases

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

The subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc. and Inversiones & Reservas, S. A., have applied IFRS 16 *Leases* using the modified retrospective approach and, therefore, comparative information has not been restated and continues to be reported under the previous standard.

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.14 Leases (continued)*****Policy applicable from January 1st, 2019***

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

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

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

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

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

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.14 Leases (continued)

Policy applicable from January 1st, 2019 (continued)

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

Lease payments included in the measurement of the lease liability comprise the following:

- ♦ Fixed payments, including in-substance fixed payments, if any.
- ♦ Variable lease payments, which are dependent on an index or rate, initially measured using the index or rate as the commencement date.
- ♦ The exercise price under a purchase option that the subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc. and Inversiones & Reservas, S. A. are reasonably certain to exercise, lease payments in an optional renewal period, if the they are reasonably certain to exercise an extension option, and penalties for early termination of a lease, unless they are reasonably certain not to terminate early.

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

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

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

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2 Summary of significant accounting policies (continued)

2.14 Leases (continued)

Short-term leases and leases of low-value assets

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

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

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

2.15 Provisions

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

2.16 Income tax

According to its Organic Law, Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples, is exempt from income tax payment; however, the Bank calculates and voluntarily pays income tax following some guidelines and special criteria of the Tax Code, considering that the final beneficiary is also the Dominican Republic Government. Furthermore, the Bank considers the tax effects in transactions during the year they are included in profit or loss for tax purposes.

In accordance with Law No. 8-90 and Resolution No. 19-02 A of the National Council of free zones, the subsidiary Operadora de Zonas Francas Villa Esperanza, S. A. is exempt from payment of import tax, customs duties, income tax, and other related taxes, for a period of 15 years until 2030. The remaining subsidiaries of the Bank are subject to payment of income tax, for which, the tax effects of the transactions are recognized in the year in which they occurred, regardless of when they are recognized for tax purposes.

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.16 Income tax (continued)**

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

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

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

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

2.17 Financial instruments

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

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

Short-term financial instruments

The carrying amounts of short-term financial instruments, for both assets and liabilities, are similar to its book value as reflected in the Bank's consolidated balance sheet, because of the relatively short-term period of time between the origination of the instruments and their subsequent realization. This category includes cash on hand and in banks, certificate of deposits in other banks, bank acceptances, customer's liability acceptances, accrued interests receivable, outstanding acceptances and accrued interests payable.

Investment in securities and shares

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.17 Financial instruments (continued)

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.

2.18 Derecognition of financial assets

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

2.19 Impairment of assets

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

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

2.20 Contingencies

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)**2.21 Accounts receivable**

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

2.22 Distribution of dividends

The Bank pays dividends based on the results of their operations in accordance with the decisions of the Board of Directors' meeting. As established by Resolution No. 12-2001 dated December 5, 2001, issued by the Superintendence of Banks, which provides the allowed maximum amount of dividends to be distributed among the shareholders, should not be greater than the amount of the retained earning calculated on cash basis and considering what is established by the Bank's Organic Law No. 6133 and its amendments. (See note 25).

2.23 Revaluation surplus

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

2.24 Mathematical and technical reserves - life insurance and collective insurance

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

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

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

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

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

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

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

2.26 Specific reserves

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

2.27 Amortization of non-proportional contracts - catastrophic premiums

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

2.28 Incurred but not reported claims (IBNR)

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

2 Summary of significant accounting policies (continued)

2.29 Segment reporting

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

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:

	2020		2019	
	Amount in foreign currency <u>US\$</u>	Total in <u>RD\$</u>	Amount in foreign currency <u>US\$</u>	Total in <u>RD\$</u>
Assets				
Available funds	1,407,589	82,047,807	856,748	45,323,837
Investments	976,513	56,920,528	701,306	37,100,630
Loan portfolio, net	944,119	55,032,296	1,613,799	85,373,534
Debtors by acceptances	12,564	732,342	22,534	1,192,096
Accounts receivable	16,225	945,757	27,416	1,450,343
Investments in shares, net	818	47,677	875	46,282
Other assets	460	26,837	96	5,061
Contingencies (a)	<u>50,000</u>	<u>2,914,480</u>	<u>140,100</u>	<u>7,411,598</u>
Total assets	<u>3,408,288</u>	<u>198,667,724</u>	<u>3,362,874</u>	<u>177,903,381</u>
Liabilities				
Customers' deposits	2,297,247	133,905,605	2,158,318	114,179,740
Deposits from domestic and foreign financial institutions	226,124	13,180,645	96,120	5,084,964
Borrowed funds	406,741	23,708,765	750,909	39,724,724
Outstanding acceptances	12,564	732,342	22,534	1,192,096
Creditors for insurance and bonds	1,741	101,507	1,654	87,518
Other liabilities	18,851	1,098,833	12,560	664,427
Subordinated debts	302,710	17,644,854	307,734	16,279,817
Technical reserves	<u>16,263</u>	<u>947,968</u>	<u>6,297</u>	<u>333,136</u>
Total liabilities	<u>3,282,241</u>	<u>191,320,519</u>	<u>3,356,126</u>	<u>177,546,422</u>
Long position in foreign currency	<u><u>126,047</u></u>	<u><u>7,347,205</u></u>	<u><u>6,748</u></u>	<u><u>356,959</u></u>

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

Amounts in Thousands of Dominican pesos (RD\$)

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

- (a) Corresponds to the nominal value of the operation through a "Forward Foreign Exchange Contracts" with the Central Bank of the Dominican Republic (BCRD, per its Spanish acronyms), for which the Bank sold to the BCRD, as of September 30, 2020 and December 31, 2019, the amount of US\$50,000 and US\$140,000 for the Primary Currency Market Brokers program, and will be exchanged for Dominican pesos (RD\$) at the exchange rate in force at the date, for each US\$1, offering the BCRD foreign exchange hedge on the exchange amount of the currencies agreed upon, for the difference between the rate of the original operation and the exchange rate of sale of the BCRD in effect on each date of coverage. It also includes a transaction through a "Macro Forward Contract" with a private client, for the amount of US\$100 as of December 31, 2019.

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 September 30, 2020 and December 31, 2019, the exchange rates used by the Bank was RD\$58.2896 and RD\$52.9022, respectively.

4 Available funds

Available funds are summarized as follows:

	<u>2020</u>	<u>2019</u>
Cash on hand (a)	17,327,105	7,823,164
Central Bank of the Dominican Republic (b)	71,974,030	68,204,996
Local banks (c)	545,096	249,255
Foreign banks (d)	21,424,586	2,570,331
Other funds - in transit (e)	195,679	335,934
Interests receivable (f)	198	3,251
	<u>111,466,694</u>	<u>79,186,931</u>

(a) Includes US\$179,367 in 2020 and US\$18,137 in 2019.

(b) Includes US\$853,129 in 2020 and US\$786,242 in 2019.

(c) Includes US\$6,752 in 2020 and US\$2,723 in 2019.

(d) Includes US\$367,554 in 2020 and US\$48,587 in 2019.

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

4 Available funds (continued)

(e) Represents effects received from other banks pending collection in the Clearing House. As of September 30, 2020 includes US\$784 and US\$997 in December 31, 2019.

(f) Corresponds to US\$3 in 2020 and US\$62 in 2019 pending to be collected.

The required legal reserve amounts to RD\$37,920,201 and US\$501,293 for September 30, 2020 and RD\$34,452,752 and US\$449,924 for December 31, 2019. For hedging purposes, the Bank maintains cash in the BCRD for RD\$38,928,786 and US\$861,014 for September 30, 2020 and RD\$25,242,943 and US\$699,267 for December 31, 2019. The Bank also maintains a loan portfolio in productive sectors as of September 30, 2020 and December 17,795,464 and RD\$9,564,006, respectively.

5 Interbank funds

The movements of interbank funds received and granted during the years ended September 30, 2020 and December 31, 2019, is as follows:

Entity	Interbank assets			Percentage of weighted average rate (%)
	Quantity	Amount in RD\$	No. of days	
September 30, 2020				
Banco Múltiple BHD León, S. A.	1	1,600,000	5	4.50
Banco Múltiple Caribe Internacional, S. A.	13	5,410,000	5	4.66
Citibank, N. A.	2	<u>1,400,000</u>	2	<u>5.75</u>
		<u>8,410,000</u>		
December 31, 2019				
Banco Múltiple BHD León, S. A.	20	17,440,000	6	5.04
Banco Múltiple Caribe Internacional, S. A.	11	2,795,000	3	5.53
Citibank, N. A.	19	9,000,000	4	6.02
Banesco, Banco Múltiple, S. A.	13	<u>3,020,000</u>	4	<u>6.01</u>
		<u>32,255,000</u>		

As of September 30, 2020 and December 31, 2019, the Bank negotiated interbank funds with different financial institutions; however, as of September 30, 2020 and December 31, 2019 there are no pending balances in interbank funds.

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Notes to the Consolidated Financial Statements (continued)

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6 Investments

As of September 30, 2020 and December 31, 2019, the Bank's investments classified as other investments in debt instruments, are as follows:

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
September 30, 2020				
Other investments in debt instruments:				
Time deposits (c)	Central Bank of the Dominican Republic (includes US\$200,000)	88,951,349	5.98 %	2020 until 2025
Bonds Law No. 05-06, 366-09, 131-11, 294-11, 361-11, 175-12, 58-13, 143-13, 151-14, 152-14, 548-14, 331-15, 693-16, 248-17, 64-18, 493-19 and 512-19 (a)	Dominican Republic State (includes US\$371,861)	64,448,131	9.24 %	2020 until 2060
Trust values (a)	Fideicomiso para la Operación, Mantenimiento y Expansión de La Red Vial principal de la República Dominicana	3,572,127	10.49 %	2026 until 2028
Trust Agreement with the Dominican Republic Electric Sector debt (a)	Fideicomiso de Edesur Dominicana, S. A. (corresponds to US\$100,812)	5,876,266	7.00 %	2020 until 2024
	Empresa Distribuidora de Electricidad del Este, S. A. (corresponds to US\$176,283)	10,275,478	7.00 %	2020 until 2024
	Edenorte Dominicana, S. A. (corresponds to US\$115,731)	6,745,912	7.00 %	2020 until 2024
Corporate bonds	Empresa Generadora de Electricidad Haina, S. A. (corresponds to US\$446)	33,475	7.96 %	2025 until 2027
Bonds	Consorcio Energético CEPM (corresponds to US\$677)	39,469	5.15 %	2025
Corporate bonds	Asociación Popular de Ahorros y Préstamos	200,000	10.00 %	2026
Corporate bonds	Dominican Power Partners, (corresponds to US\$353)	20,548	5.95 %	2023 until 2027
Corporate bonds	Asociación La Nacional de Ahorros y Préstamos	13,957	10.75 %	2024
Corporate bonds	United Capital Puesto de Bolsa	10,015	9.00 %	2020
Corporate bonds	Acero Estrella, S. R. L.	46,852	12.00 %	2030
Time deposits	Asociación Popular de Ahorros y Préstamos	42,442	7.74 %	2020
Time deposits	Asociación Peravia de Ahorros y Préstamos	74,020	6.41 %	2020 and 2021

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
September 30, 2020				
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	91,500	6.12 %	2020
Time deposits	Asociación La Nacional de Ahorros y Préstamos	7,163	8.68 %	2021
Time deposits	Asociación Maguana de Ahorros y Préstamos	28,036	6.64 %	2020
Time deposits	Asociación Romana de Ahorros y Préstamos	25,479	6.27 %	2020
Time deposits	Asociación Bonao de Ahorros y Préstamos	27,500	7.75 %	2020
Time deposits	Banco Múltiple Caribe, S. A.	64,702	8.50 %	2020
Time deposits	Banco Múltiple Promérica de la República Dominicana, S. A.	36,719	7.68 %	2020 and 2021
Time deposits	Banco Popular Dominicano, S. A.	678,264	5.77 %	2020
Time deposits	Motor Crédito, S. A. Banco de Ahorro y Crédito	21,063	7.78 %	2020
Time deposits	Banco Múltiple BHD León, S. A.	419,652	5.38 %	2020
Time deposits	Citibank, N. A.	25,905	6.80 %	2020
Time deposits	Banco Nacional de las Exportaciones	11,938	8.00 %	2020
Time deposits	Banco Múltiple Vimenca, S. A.	125,060	7.57 %	2020
Overnight	The Bank Nova Scotia	10,532	4.03 %	2020
Quote of participation	Fondo de Inversión Abierto Universal Liquidez	12,861	5.29 %	
Quote of participation	Fondo Abierto de Inversión Flexible Financiamiento	72,856	7.15 %	
Quote of participation	Fondo de Inversión abierto Liquidez Excel (corresponds to US\$4)	26,913	2.36 %	
Quote of participation	Fondo Inmobiliario Excel (corresponds to US\$518)	30,185	5.63 %	
Quote of participation	Fondo Mutuo Renta Fija-BHD Funds Term 30 Days Dollars (corresponds to US\$4,126)	240,495	2.31 %	
Quote of participation	Fondo Mutuo Renta Fija-BHD Term 30 Days	804	7.34 %	
Quote of participation	Fondo Mutuo Reservas Caoba (corresponds to US\$1,186)	69,161	2.92 %	
Quote of participation	Fondo Mutuo Matrimonial Medim-term Reservas El Bohío	87,473	3.14 %	
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	256,839	3.19 %	
Quote of participation	Fondo Mutuo Largo Plazo Larimar Reservas	10,000		

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Notes to the Consolidated Financial Statements (continued)

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6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
September 30, 2020				
Quote of participation	Fondo Cerrado de Desarrollo de Sociedades Advanced	63,565	16.26 %	
Restricted securities				
Reports	Parallax Valores	51,527	7.85 %	2020
Reports	Alpha Investments	74,179	7.46 %	2020
Reports	Excel Puesto de Bolsa	246,322	7.90 %	2020
Reports	Tivalsa Puesto de Bolsa	202,760	9.10 %	2020
Profitability guarantee	Profitability guarantee of La Administradora de Fondos de Pensiones, Invested in different Institutions	1,686,595		
Mortgage notes (b)	Banco Múltiple BHD León, S. A.	<u>201</u>	4.40 %	2020
		185,056,290		
	Interests receivable, (includes US\$4,538)	<u>2,453,655</u>		
		187,509,945		
	Allowance for investment, (includes US\$22)	<u>(175,235)</u>		
		<u>187,334,710</u>		
December 31, 2019				
Other investments in debt instruments:				
Time deposits (c)	Central Bank of the Dominican Republic	55,264,973	8.34 %	2020 until 2025
Bonds Law No. 05-06, 366-09, 131-11, 294-11, 361-11, 175-12, 58-13, 143-13, 151-14, 152-14, 548-14, 331-15, 693-16, 248-17, 64-18 y 493-19 (a)	Dominican Republic State (includes US\$74,040)	28,129,436	11.09 %	2020 until 2048
Trust values (a)	Fideicomiso para la Operación, Mantenimiento y Expansión de La Red Vial principal de la República Dominicana	3,568,710	10.45 %	2026 until 2028
Trust	Fideicomiso de Administración y Fuente de Pago del Sector Eléctrico	410,841	17.30 %	

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6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
December 31, 2019				
Agreement with the Dominican Republic Electric Sector debt (a)	Edesur Dominicana, S. A. (corresponds to US\$159,553)	8,440,695	8.00 %	2020 until 2024
	Empresa Distribuidora de Electricidad del Este, S. A. (corresponds to US\$265,746)	14,058,542	7.00 %	2020 until 2024
	Edenorte Dominicana, S. A. (corresponds to US\$195,178)	10,325,351	8.00 %	2020 until 2024
Corporate bonds	Empresa Generadora de Electricidad Haina, S. A. (corresponds to US\$322)	27,060	10.16 %	2020 until 2027
Bonds	Consorcio Energético CEPM (corresponds to US\$632)	33,437	5.49 %	2025 until 2027
Corporate bonds	Asociación Popular de Ahorros y Préstamos	200,000	10.01 %	2026
Corporate bonds	Dominican Power Partners, (corresponds to US\$350)	18,515	6.06 %	2027
Corporate bonds	Asociación La Nacional de Ahorros y Préstamos	14,021	10.75 %	2024
Corporate bonds	United Capital Puesto de Bolsa	10,005	9.00 %	2020
Time deposits	Asociación Popular de Ahorros y Préstamos	40,080	7.65 %	2020
Time deposits	Asociación Peravia de Ahorros y Préstamos	74,020	7.50 %	2020
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	103,500	7.22 %	2020
Time deposits	Asociación La Nacional de Ahorros y Préstamos	4,739	8.00 %	2020
Time deposits	Asociación Maguana de Ahorros y Préstamos	28,036	7.86 %	2020
Time deposits	Asociación Romana de Ahorros y Préstamos	36,079	6.80 %	2020
Time deposits	Asociación Bona de Ahorros y Préstamos	27,500	7.25 %	2020
Time deposits	Banco Múltiple Caribe, S. A.	43,600	8.64 %	2020
Time deposits	Banco Múltiple Promérica de la República Dominicana, S. A.	33,660	8.31 %	2020
Time deposits	Banco Popular Dominicano, S. A.	650,637	8.25 %	2020
Time deposits	Motor Crédito, S. A. Banco de Ahorro y Crédito	12,152	8.62 %	2020
Time deposits	Banco Múltiple BHD Leon, S. A.	318,540	8.39 %	2020
Time deposits	Banco Múltiple Santa Cruz, S. A.	81,492	8.44 %	2020
Time deposits	The Bank Nova Scotia	61,235	5.05 %	2020
Time deposits	Citibank, N. A.	135,877	8.35 %	2020
Time deposits	Banco Nacional de las Exportaciones	11,251	8.00 %	2020

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

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in RD\$</u>	<u>Interest rate</u>	<u>Maturity</u>
December 31, 2019				
Time deposits	Banco Múltiple Vimenca, S. A.	65,593	9.42 %	2020
Quote of participation	Fondo de Inversión Abierto Universal Liquidez	12,374	6.03 %	
Quote of participation	Fondo Abierto de Inversión Flexible Financial Deposit	69,210	7.59 %	
Quote of participation	Fondo de Inversión abierto Liquidez Excel	27,303	6.84%	
Quote of participation	Fondo Inmobiliario Excel (corresponds to US\$514)	27,198	6.25%	
Quote of participation	Fondo Mutuo Renta Fija-BHD Funds Term 30 Days Dollars (corresponds to US\$501)	26,487	2.45 %	
Quote of participation	Fondo Mutuo Renta Fija-BHD Term 30 Days	761	7.44 %	
Quote of participation	Fondo Mutuo Reservas Caoba (corresponds to US\$946)	50,041	3.15 %	
Quote of participation	Fondo Mutuo Matrimonial Medim-term Reservas El Bohío	41,001	5.72 %	
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	26,089	5.34 %	
Quote of participation	Fondo Mutuo Largo Plazo Larimar Reservas	10,000		
Quote of participation	Fondo Cerrado de Desarrollo de Sociedades Advanced	56,874	11.13 %	
Restricted securities				
Time deposits	Central Bank of the Dominican Republic	10,790	9.57 %	2025
Reports	Alpha Inversiones (includes US\$1,056)	465,214	7.03 %	2020
Reports	Parallax Valores	156,703	8.65 %	2020
Reports	Primma Valores	201,326	7.68 %	2020
Profitability guarantee	Profitability guarantee of La Administradora de Fondos de Pensiones, Invested in different Institutions	1,510,723		
Mortgage notes (b)	Banco Múltiple BHD León, S. A.	<u>201</u>	7.00 %	2020
		124,921,872		
	Interests receivable, (includes US\$2,479)	<u>2,104,841</u>		
		127,026,713		
	Allowance for investment, (includes US\$11)	<u>(176,954)</u>		
		<u>126,849,759</u>		

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

6 Investments (continued)

- (a) For purposes of calculating the solvency ratio, the Bank received the no objection from the Superintendence of Banks to grant regulatory treatment to these investments, similar to the current facilities awarded to the Central Government, i.e., classify as risk category "A", 0 % provision requirement and 0 % weighted.
- (b) Investments affected by lawsuits against the Bank.
- (c) Includes amounts withheld of RD\$7,406,308 for Forward Foreign Exchange Contract.

7 Loans portfolios

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

	2020			2019		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
<u>Commercial loans</u>						
Advances on checking accounts		76,378	76,378	3	138,134	138,137
Loans (includes US\$945,195 in 2020 and US\$1,606,920 in 2019)	51,669,612	146,844,482	198,514,094	67,439,466	151,457,927	218,897,393
Invoice discounting (include US\$2,486 in 2020 and US\$3,331 in 2019)	-	297,772	297,772	-	493,035	493,035
Financial leases	1,448,944	29	1,448,973	1,474,913	428	1,475,341
Advance on export notes (corresponds to US\$14 in 2020 and US\$15 in 2019)	-	809	809	-	797	797
Other loans	-	423	423	-	885	885
	<u>53,118,556</u>	<u>147,219,893</u>	<u>200,338,449</u>	<u>68,914,382</u>	<u>152,091,206</u>	<u>221,005,588</u>
<u>Consumer loans</u>						
Credit cards (includes US\$19,221 in 2020 and US\$25,037 in 2019)	-	9,149,036	9,149,036	-	9,680,999	9,680,999
Consumer loans (includes US\$3,770 and US\$2,264 in 2020 and 2019)	-	<u>73,801,629</u>	<u>73,801,629</u>	-	<u>66,696,523</u>	<u>66,696,523</u>
	-	<u>82,950,665</u>	<u>82,950,665</u>	-	<u>76,377,522</u>	<u>76,377,522</u>
<u>Mortgage loans</u>						
Residential purchases (includes US\$1,216 and US\$1,456 in 2020 and 2019)	-	45,623,948	45,623,948	-	45,103,854	45,103,854
Construction, improvements, repairs, expansion and others	-	720,733	720,733	-	792,246	792,246
	-	<u>46,344,681</u>	<u>46,344,681</u>	-	<u>45,896,100</u>	<u>45,896,100</u>
	<u>53,118,556</u>	<u>276,515,239</u>	<u>329,633,795</u>	<u>68,914,382</u>	<u>274,364,828</u>	<u>343,279,210</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

	2020			2019		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Interests receivable (includes US\$15,181 and US\$8,071 in 2020 and 2019)	593,008	5,610,113	6,203,121	380,787	3,176,325	3,557,112
Allowance for loan losses and interests receivable (includes US\$42,964 and US\$33,295 in 2020 and 2019)	-	(15,814,258)	(15,814,258)	-	(9,815,562)	(9,815,562)
	<u>53,711,564</u>	<u>266,311,094</u>	<u>320,022,658</u>	<u>69,295,169</u>	<u>267,725,591</u>	<u>337,020,760</u>

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

	2020			2019		
	Public sector	Private sector	Total	Public sector	Private sector	Total
<u>Commercial loans</u>						
Current (i) (includes US\$943,901 and US\$1,591,938 in 2020 and 2019)	53,118,556	131,762,393	184,880,949	68,914,379	141,447,730	210,362,109
Restructured (ii) (includes US\$100 and US\$15,872 in 2020 and 2019)	-	2,047,564	2,047,564	-	2,603,235	2,603,235
Past due:						
31 to 90 days (iii) (includes US\$70 and US\$64 in 2020 and 2019)	-	74,571	74,571	-	93,050	93,050
More than 90 days (iv) (includes US\$2,641 and US\$2,338 in 2020 and 2019)	-	1,590,869	1,590,869	3	1,716,853	1,716,856
Legal collections (v), (includes US\$16 and US\$54 in 2020 and 2019)	-	571,397	571,397	-	614,834	614,834
	<u>53,118,556</u>	<u>136,046,794</u>	<u>189,165,350</u>	<u>68,914,382</u>	<u>146,475,702</u>	<u>215,390,084</u>
<u>Microcredits</u>						
Current (i)	-	-	-	-	724,198	724,198
31 to 90 days (iii)	-	12	12	-	-	-
	<u>-</u>	<u>12</u>	<u>12</u>	<u>-</u>	<u>724,198</u>	<u>724,198</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

	2020			2019		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
<u>Microenterprises loans</u>						
Current (i) (includes US\$856 in 2020)	-	11,022,279	11,022,279	-	4,730,209	4,730,209
Restructured (ii) (includes US\$21 in 2020)	-	48,555	48,555	-	20,329	20,329
Past due:						
31 to 90 days (iii) (includes US\$5 in 2020)		12,968	12,968	-	9,978	9,978
More than 90 days (iv) (includes US\$85 in 2020)	-	61,538	61,538	-	115,011	115,011
Legal collections (v)	-	<u>27,747</u>	<u>27,747</u>	-	<u>15,779</u>	<u>15,779</u>
	-	<u>11,173,087</u>	<u>11,173,087</u>	-	<u>4,891,306</u>	<u>4,891,306</u>
<u>Consumer loans</u>						
Current (i) (includes US\$22,412 and US\$26,260 in 2020 and 2019)	-	81,135,963	81,135,963	-	74,412,158	74,412,158
Restructured (ii)	-	179,071	179,071	-	155,594	155,594
Past due:						
31 to 90 days (iii) (includes US\$1 in 2019)	-	76,543	76,543	-	247,614	247,614
More than 90 days (iv) (includes US\$579 and US\$1,040 in 2020 and 2019)	-	1,132,823	1,132,823	-	1,306,300	1,306,300
Legal collections (v)	-	<u>426,265</u>	<u>426,265</u>	-	<u>255,856</u>	<u>255,856</u>
	-	<u>82,950,665</u>	<u>82,950,665</u>	-	<u>76,377,522</u>	<u>76,377,522</u>
<u>Mortgage loans</u>						
Current (i) (vi) (includes US\$1,216 and US\$1,386 in 2020 and 2019)	-	45,669,121	45,669,121	-	45,101,002	45,101,002
Restructured (ii)	-	164,429	164,429	-	89,550	89,550
Past due:						
31 to 90 days (iii)	-	2,940	2,940	-	10,032	10,032
More than 90 days (iv)	-	217,482	217,482	-	420,247	420,247
Legal collections (v) (includes US\$70 in 2019)	-	<u>290,709</u>	<u>290,709</u>	-	<u>275,269</u>	<u>275,269</u>
	-	<u>46,344,681</u>	<u>46,344,681</u>	-	<u>45,896,100</u>	<u>45,896,100</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

	2020			2019		
	Public sector	Private sector	Total	Public sector	Private sector	Total
<u>Interests receivable</u>						
Current (i) (includes US\$14,934 and US\$5,437 in 2020 and 2019)	593,008	4,643,954	5,236,962	380,787	2,271,992	2,652,779
Restructured (ii) (includes US\$1 and US\$2,389 in 2020 and 2019)	-	565,442	565,442	-	465,736	465,736
Past due:						
From 31 to 90 days (iii) (includes US\$29 and US\$36 in 2019)	-	123,421	123,421	-	146,507	146,507
More than 90 days (iv) (includes US\$217 and US\$202 in 2020 and 2019)	-	195,148	195,148	-	217,350	217,350
Legal collections (v) (includes US\$7 in 2019)	-	82,148	82,148	-	74,740	74,740
	<u>593,008</u>	<u>5,610,113</u>	<u>6,203,121</u>	<u>380,787</u>	<u>3,176,325</u>	<u>3,557,112</u>
Allowance for loans and interests receivable (includes US\$42,964 and US\$33,295 in 2020 and 2019)	-	(15,814,258)	(15,814,258)	-	(9,815,562)	(9,815,562)
	<u>53,711,564</u>	<u>266,311,094</u>	<u>320,022,658</u>	<u>69,295,169</u>	<u>267,725,591</u>	<u>337,020,760</u>

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

- (v) Corresponds to principal and interests receivable of loans that are in legal collection process.
- (vi) As of September 30, 2020 and December 31, 2019, includes RD\$737,712 and RD\$741,142 of loans granted with resources released from legal reserve, with a 0 % allowance requirement.

c) *By type of collateral:*

	2020			2019		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Multi-use collateral (i)	1,394,173	92,276,089	93,670,262	1,404,730	91,561,684	92,966,414
Specific use collateral (ii)	-	26,939,583	26,939,583	-	19,345,375	19,345,375
Without collateral (iii)	<u>51,274,383</u>	<u>157,299,567</u>	<u>209,023,950</u>	<u>67,509,652</u>	<u>163,457,769</u>	<u>230,967,421</u>
	<u>53,118,556</u>	<u>276,515,239</u>	<u>329,633,795</u>	<u>68,914,382</u>	<u>274,364,828</u>	<u>343,279,210</u>
Interests receivable	593,008	5,610,113	6,203,121	380,787	3,176,325	3,557,112
Allowance for loan losses and interests receivable	-	(15,814,258)	(15,814,258)	-	(9,815,562)	(9,815,562)
	<u>53,711,564</u>	<u>266,311,094</u>	<u>320,022,658</u>	<u>69,295,169</u>	<u>267,725,591</u>	<u>337,020,760</u>

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

<u>Type of collateral</u>	<u>Percentage of admittance (%)</u>
Debt securities issued or guaranteed by the Dominican State (Central Bank, Ministry of Finance) (a)	100
Debt securities issued by the financial Intermediary entities (a)	95
Time deposits in domestic or foreign currency owned by the financial intermediary (a)	100
Time deposits in domestic or foreign currency of other financial intermediaries (a)	95
Sureties or guarantees, irrevocable letters of credit and letters of credit stand-by	95
Mutual guarantee certificates	80
Investment fund participation fees (b)	-
Plots or land	80

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

<u>Type of collateral</u>	<u>Percentage of admittance (%)</u>
Plots or exclusive land for agricultural purposes	80
Residential buildings, property and apartments	80
Buildings and commercial space	80
Operating hotels (c)	80
Hotel projects under construction (c)	70
Industrial warehouses (c)	80
Aircraft	80
Motor vehicles with an aging of less than five years	50
Renewable energy equipment (c)	80
Multi-use machinery and equipment	70
Warrants of inventory	90
Trust accounts for payment sources	<u>50</u>

- (a) For cash deposits and financial instruments whose denomination of currency (local or foreign) is different than the currency of the credit that is being guaranteed, the percentage of eligibility must be reduced by 10 %.
- (b) The percentage of admissibility of the shares in investment funds, as well as their classification in multi-purpose or polyvalent or non-multipurpose, are established according to the assets that make up the equity.
- (c) The percentage of admissibility of fiduciary guarantees, as well as its classification on multi-use or specific use collateral are set according to the trust property.
- (ii) Specific-use collaterals are real guarantees that, due to their nature, are considered of unique use, and therefore present characteristics that are difficult to realize due to their specialized origin. These collaterals will apply according to the following percentages:

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

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

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

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

d) By source of funds:

	2020			2019		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Own funds	53,118,556	273,727,057	326,845,613	68,914,382	273,966,391	342,880,773
other international organizations	-	398,437	398,437	-	-	-
Other domestic institutions	-	2,389,745	2,389,745	-	398,437	398,437
	<u>53,118,556</u>	<u>276,515,239</u>	<u>329,633,795</u>	<u>68,914,382</u>	<u>274,364,828</u>	<u>343,279,210</u>
Interests receivable	593,008	5,610,113	6,203,121	380,787	3,176,325	3,557,112
Allowance for loan losses and interests receivable	-	(15,814,258)	(15,814,258)	-	(9,815,562)	(9,815,562)
	<u>53,711,564</u>	<u>266,311,094</u>	<u>320,022,658</u>	<u>69,295,169</u>	<u>267,725,591</u>	<u>337,020,760</u>

e) By term:

	2020			2019		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Short-term (up to one year)	34,197,960	91,359,941	125,557,901	48,318,765	99,307,315	147,626,080
Medium-term (more than one year and up to three years)	9,994,950	140,868,599	150,863,549	11,420,919	131,356,863	142,777,782
Long-term (more than three years)	8,925,646	44,286,699	53,212,345	9,174,698	43,700,650	52,875,348
	<u>53,118,556</u>	<u>276,515,239</u>	<u>329,633,795</u>	<u>68,914,382</u>	<u>274,364,828</u>	<u>343,279,210</u>
Interests receivable	593,008	5,610,113	6,203,121	380,787	3,176,325	3,557,112
Allowance for loan losses and interests receivable	-	(15,814,258)	(15,814,258)	-	(9,815,562)	(9,815,562)
	<u>53,711,564</u>	<u>266,311,094</u>	<u>320,022,658</u>	<u>69,295,169</u>	<u>267,725,591</u>	<u>337,020,760</u>

f) By economic sector:

	2020			2019		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Government	49,853,395	-	49,853,395	64,248,198	-	64,248,198
Financial sector	3,265,161	6,417,614	9,682,775	4,666,184	7,035,358	11,701,542
Agriculture, livestock and forestry	-	5,460,484	5,460,484	-	5,138,837	5,138,837
Fishing	-	5,920	5,920	-	5,920	5,920
Mining and quarries	-	415,547	415,547	-	415,547	415,547
Manufacturing industry	-	25,471,527	25,471,527	-	24,974,977	24,974,977
Electricity, gas and water	-	8,978,561	8,978,561	-	7,925,115	7,925,115
Construction	-	12,869,767	12,869,767	-	30,580,820	30,580,820
Wholesale and retail business	-	38,023,106	38,023,106	-	39,128,249	39,128,249
Hotels and restaurants	-	17,355,982	17,355,982	-	16,467,951	16,467,951

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

7 Loans portfolios (continued)

f) By economic sector (continued)

	2020			2019		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Transportation, warehousing and communication	-	3,983,339	3,983,339	-	4,098,029	4,098,029
Real estate, and leasing activities	-	10,218,013	10,218,013	-	8,891,896	8,891,896
Education	-	405,081	405,081	-	283,049	283,049
Health and social services	-	131,113	131,113	-	131,113	131,113
Other social and personal services activities	-	134,953,974	134,953,974	-	119,564,950	119,564,950
Private household with local services	-	11,825,211	11,825,211	-	9,723,017	9,723,017
	<u>53,118,556</u>	<u>276,515,239</u>	<u>329,633,795</u>	<u>68,914,382</u>	<u>274,364,828</u>	<u>343,279,210</u>
Interests receivable	593,008	5,610,113	6,203,121	380,787	3,176,325	3,557,112
Allowance for loan losses and interests receivable	-	(15,814,258)	(15,814,258)	-	(9,815,562)	(9,815,562)
	<u>53,711,564</u>	<u>266,311,094</u>	<u>320,022,658</u>	<u>69,295,169</u>	<u>267,725,591</u>	<u>337,020,760</u>

As of September 30, 2020 and December 31, 2019, loans to the private sector include RD\$3,073,276 and RD\$35,200,000 respectively, which correspond to credit line operations with contractors and suppliers who are carrying or have carried out works to the Dominican Republic State with the guarantee of the government. According to the second and seventh resolutions of the Monetary Board dated December 20, 2018 and December 19, 2019, respectively, the last one modified according to the fourth resolution of the Monetary Board dated January 16, 2020, this organism granted a no objection so that the loans to contractors and suppliers of the Dominican State be classified in risk category "A", allowance of 0 %, as well as their recognition as current loans from the private sector.

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 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. The Bank signed a contract termination agreement with the mentioned financial institution, returning the portfolio it was managing.

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

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8 Debtors by acceptances

A summary of debtors by acceptances, is as follows:

<u>Correspondent Bank</u>	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Maturity date</u>	<u>Amount</u>	<u>Maturity date</u>
Societe Generale (corresponds to US\$5,473 in 2020 and US\$8,146 in 2019)	319,021	2020	430,927	2020
Banco Santander Brazil (corresponds to US\$708 in 2019)	-	-	37,471	2020
Mizuho Bank, LTD (corresponds to US\$652 in 2019)	-	-	34,518	2020
Rabobank Netherland (corresponds to US\$6,004 in 2020 and US\$11,827 in 2019)	349,973	2020	625,670	2020
Sumitomo Mitsui Banking Corporation (corresponds US\$1,201 in 2019)	-	-	63,510	2020
Commerzbank (corresponds to US\$1,087 in 2020)	<u>63,348</u>	2021	<u>-</u>	2021
	<u>732,342</u>		<u>1,192,096</u>	

9 Accounts receivable

A summary of accounts receivable is as follows:

	<u>2020</u>	<u>2019</u>
Commissions receivable (includes US\$345 in 2020 and US\$329 in 2019)	<u>244,383</u>	<u>181,393</u>
Right for future contract with foreign currency (corresponds to US\$67 in 2020 and US\$825 in 2019)	3,901	43,642
Other receivables:		
Accounts receivable from employees	7,708	7,927
Recoverable expenses	69	-
Security deposits	67,784	57,784
Credit card claims	108,631	70,488
Accounts receivable for real estate and leasing operations (includes US\$46 in 2020 and US\$42 in 2019)	4,027	4,231
Management funds	126,904	127,631

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

9 Accounts receivable (continued)

	<u>2020</u>	<u>2019</u>
Discounted notes receivable	63,973	36,077
Documents receivable from instruments with a re-sale agreement	-	5,000
Accounts receivable - other (includes US\$2,208 in 2020 and US\$377 in 2019)	<u>1,040,688</u>	<u>471,793</u>
	<u>1,423,685</u>	<u>824,573</u>
Interests receivable	<u>223</u>	<u>387</u>
Insurance premiums receivable:		
General insurances (includes US\$13,366 and US\$25,148 in 2020 and 2019)	2,238,513	2,330,828
Life insurance (includes US\$193 and US\$695 in 2020 and 2019)	<u>155,311</u>	<u>173,662</u>
	<u>2,393,824</u>	<u>2,504,490</u>
Receivables from insurance and guarantees	<u>7,923</u>	<u>6,929</u>
	<u>4,070,038</u>	<u>3,517,772</u>

10 Assets received in lieu of foreclosure of loans

A summary of assets received in lieu of foreclosure of loans as of September 30, 2020 and December 31, 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Furniture and equipment (a)	813,881	1,068,202
Real estate	<u>9,491,764</u>	<u>8,626,460</u>
	10,305,645	9,694,662
Allowance for losses on assets received in lieu of foreclosure of loans	<u>(9,185,926)</u>	<u>(8,601,099)</u>
	<u>1,119,719</u>	<u>1,093,563</u>

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

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

(a) Includes the award of machinery effected in 2018, for approximately RD\$697,254, through an investment settlement agreement maintained by the Bank in the Agricultural Bank of the Dominican Republic. This was done because the investment was made so that the Agricultural Bank of the Dominican Republic could grant a loan to a private debtor of the national rice sector, with collateral of the awarded machinery.

Following is a description of assets received in lieu of foreclosure of loans (by aging) as of September 30, 2020 and December 31, 2019:

	<u>Amount</u>	<u>Provision</u>
September 30, 2020		
Up to 40 months:		
Furniture and equipment	578,655	(693,316)
Real estate	1,929,356	(694,976)
More than 40 months:		
Furniture and equipment	235,226	(235,226)
Real estate	<u>7,562,408</u>	<u>(7,562,408)</u>
Total	<u>10,305,645</u>	<u>(9,185,926)</u>
December 31, 2019		
Up to 40 months:		
Furniture and equipment	583,068	(310,895)
Real estate	2,589,739	(1,768,349)
More than 40 months:		
Furniture and equipment	485,134	(485,134)
Real estate	<u>6,036,721</u>	<u>(6,036,721)</u>
Total	<u>9,694,662</u>	<u>(8,601,099)</u>

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

Amounts in Thousands of Dominican pesos (RD\$)

11 Investments in shares

A summary of investments in shares as of **September 30, 2020** and **December 31, 2019** and, is as follows:

<u>Amount of investment</u>	<u>Percentage of shares</u>	<u>Type of shares</u>	<u>Face value</u>	<u>Market value</u>	<u>Number of outstanding shares</u>
September 30, 2020					
<u>Investments in associates:</u>					
819,773	24.53 %	Common	100	(a)	2,097,100
350,750	30.00 %	Common	1,000	(a)	169,298
<u>104,652</u>	49.00 %	Common	100	(a)	339,618
<u>1,275,175</u>					
<u>Investments in other entities:</u>					
50,042 (a)	-	Common	311	779	128,776
15,605 (b)	10 %	Common	100	(a)	156,048
<u>101,625 (b)</u>					
<u>167,272</u>					
1,442,447					
<u>(49,783) (c)</u>					
Total					<u>1,392,664</u>
December 31, 2019					
<u>Investments in associates:</u>					
764,397	24.53 %	Common	100	(a)	2,097,100
357,516	30.00 %	Common	1,000	(a)	169,298
<u>88,730</u>	49.00 %	Common	100	(a)	339,618
<u>1,210,643</u>					
<u>Investments in other entities:</u>					
48,040 (a)	-	Common	311	1,131	128,776
15,605 (b)	10 %	Common	100	(a)	156,048
<u>117,789 (b)</u>					
<u>181,434</u>					
1,392,077					
<u>(36,764) (c)</u>					
Total					<u>1,355,313</u>

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

11 Investments in shares (continued)

- (a) In the Dominican Republic there is no active market where the Bank can obtain the market value of these local investments; however, for investments in shares of companies that are listed in an active market, which book value as of September 30, 2020 and December 31, 2019 amounted to RD\$50,042 and RD\$48,040, respectively, the market value was RD\$100,317 and RD\$145,646, respectively.
- (b) Corresponds to minor investments in several entities.
- (c) Represents an allowance for investments in shares.

As of September 30, 2020 and December 31, 2019, investments in shares include US\$818 and US\$875 net of allowance, respectively.

A movement of the investment, dividends received and equity shares in net profit of the associates as of September 30, 2020 and December 31, 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Investment balances at January 1 st	1,210,643	1,153,802
Equity on earnings recognized	143,660	189,382
Dividends received in cash	<u>(79,128)</u>	<u>(132,541)</u>
Investment balances at September 30, 2020 and December 31, 2019	<u><u>1,275,175</u></u>	<u><u>1,210,643</u></u>

12 Property, furniture and equipment

As of September 30, 2020 and December 31, 2019, a summary of property, furniture and equipment is as follows:

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Furniture and equipment</u>	<u>Leasehold improvements</u>	<u>Construction and acquisitions in process (a)</u>	<u>Total</u>
September 30, 2020						
Balance at						
January 1 st , 2020	2,013,836	7,823,302	6,821,995	779,332	1,332,196	18,770,661
Acquisitions	-	73,790	39,354	-	690,837	803,981
Disposals	(9)	(26,660)	(578,148)	-	-	(604,817)
Transfers (b)	<u>-</u>	<u>181,103</u>	<u>666,105</u>	<u>95,263</u>	<u>(942,471)</u>	<u>-</u>
Balance at September 30, 2020	<u><u>2,013,827</u></u>	<u><u>8,051,535</u></u>	<u><u>6,949,306</u></u>	<u><u>874,595</u></u>	<u><u>1,080,562</u></u>	<u><u>18,969,825</u></u>

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

Amounts in Thousands of Dominican pesos (RD\$)

12 Property, furniture and equipment (continued)

	Land and improvements	Buildings	Furniture and equipment	Leasehold improvements	Construction and acquisitions in process (a)	Total
September 30, 2020						
Accumulated depreciation at January 1 st , 2020	-	(2,014,709)	(3,048,189)	(333,341)	-	(5,396,239)
Depreciation expenses (c)	-	(171,768)	(828,740)	(116,328)	-	(1,116,836)
Disposals	-	-	577,469	126,017	-	703,486
Balance at September 30, 2020	-	(2,186,477)	(3,299,460)	(323,652)	-	(5,809,589)
Property, furniture and equipment at September 30, 2020	<u>2,013,827</u>	<u>5,865,058</u>	<u>3,649,846</u>	<u>550,943</u>	<u>1,080,562</u>	<u>13,160,236</u>
December 31, 2019						
Balance at January 1 st , 2019	1,491,786	6,120,824	6,296,082	360,302	3,038,894	17,307,888
Acquisitions	376,370	227,805	69,889	-	557,346	1,231,410
IFRS 16 implementation adjustment (d)	-	109,745	-	-	-	109,745
Disposals	(172,160)	(79,988)	(532,734)	-	-	(784,882)
Reclassification	-	-	12,310	-	-	12,310
Transfers (b)	317,840	1,444,916	976,448	419,030	(2,264,044)	894,190
Balance at December 31, 2019	<u>2,013,836</u>	<u>7,823,302</u>	<u>6,821,995</u>	<u>779,332</u>	<u>1,332,196</u>	<u>18,770,661</u>
Accumulated depreciation at January 1 st , 2019	-	(1,807,038)	(2,509,610)	(218,823)	-	(4,535,471)
Depreciation expenses (c)	-	(215,954)	(1,062,547)	(114,518)	-	(1,393,019)
Reclassification	-	-	(718)	-	-	(718)
Disposals	-	8,283	524,686	-	-	532,969
Balance at December 31, 2019	-	(2,014,709)	(3,048,189)	(333,341)	-	(5,396,239)
Property, furniture and equipment at December 31, 2019	<u>2,013,836</u>	<u>5,808,593</u>	<u>3,773,806</u>	<u>445,991</u>	<u>1,332,196</u>	<u>13,374,422</u>

(a) As of September 30, 2020 and December 31, 2019, it basically corresponds to remodeling and construction of offices.

(b) As of December 31, 2019, includes the transfer of buildings and land that were included in other assets held under finance leases.

(c) Expenses for this concept for the nine month periods ended September 30, 2020 and 2019, includes RD\$5,511 and RD\$15,481, respectively, correspond to depreciation of assets in use by officers and employees which are presented as part of salaries and compensation to personnel in the accompanying consolidated statements of profit or loss.

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

Amounts in Thousands of Dominican pesos (RD\$)

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

(e) As of December 31, 2019, correspond to the application of IFRS 16 of the subsidiaries Seguros Reservas, S. A., Fiduciaria Reservas, S. A. and Administradora de Riesgos de Salud Reservas, Inc.

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 balance sheets.

13 Other assets

A summary of other assets is as follows:

	<u>2020</u>	<u>2019</u>
Deferred charges:		
Commissions to insurance agents on unearned premiums	304,045	296,297
Interests and commissions prepaid	5,368	-
Prepaid insurances	977,040	281,101
Non-deferred proportional ceded reinsurance premium (a)	97,579	186,689
Prepaid income tax	1,986,877	1,322,285
Other prepaid payments (includes US\$53 and US\$25 in 2020 and 2019)	1,580,907	818,723
Other deferred charges	98,414	158,408
	<u>5,050,230</u>	<u>3,063,503</u>
Intangibles:		
Software	3,019,869	3,009,232
Others	13,835	2,200
	<u>3,033,704</u>	<u>3,011,432</u>
Accumulated amortization	<u>(935,301)</u>	<u>(572,216)</u>
	<u>2,098,403</u>	<u>2,439,216</u>
Other assets:		
Stationery and office supply	174,913	180,951
Libraries and artwork	30,226	30,226
Other miscellaneous assets	352,017	187,586
Items pending for allocation (b), (includes US\$406 in 2020 and US\$66 in 2019)	74,206	9,283
Others (includes US\$1 and US\$5 in 2020 and 2019)	131,665	117,909
	<u>763,027</u>	<u>525,955</u>
	<u>7,911,660</u>	<u>6,028,674</u>

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

Amounts in Thousands of Dominican pesos (RD\$)

13 Other assets (continued)

- (a) Corresponds to insurance premiums pending to be amortized from reinsurance contracts for excess of losses.
- (b) The Bank recognizes under this caption the debit balances of the items that due to operational reasons cannot be immediately recognized in the final accounts.

A movement of accumulated amortization of computer software during the years ended September 30, 2020 and December 31, 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Balances at the beginning	572,216	143,611
Cost of the year	363,118	480,873
Derecognition	<u>(33)</u>	<u>(52,268)</u>
Balances at the end	<u>935,301</u>	<u>572,216</u>

14 Summary of allowances for risky assets

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

	<u>Loan portfolio</u>	<u>Investments</u>	<u>Interests receivable</u>	<u>Other assets (a)</u>	<u>Contingent operations (b)</u>	<u>Total RD\$</u>
September 30, 2020						
Balance at January 1 st , 2020	9,125,155	213,488	690,637	8,601,099	311,864	18,942,243
Constitution of allowances	6,289,708	29,999	934,993	453,798	57,001	7,765,499
Write-offs against allowances	(871,190)	-	(372,447)	-	-	(1,243,637)
Transfers of allowances	(101,201)	(19,090)	(62,888)	131,029	52,150	-
Effect of change in exchange rates and others	<u>174,573</u>	<u>163</u>	<u>7,376</u>	<u>-</u>	<u>20,153</u>	<u>202,265</u>
Balance at September 30, 2020	14,617,045	224,560	1,197,671	9,185,926	441,168	25,666,370
Minimum allowances required at September 30, 2020 (c)	<u>12,397,087</u>	<u>210,686</u>	<u>949,500</u>	<u>9,018,389</u>	<u>290,638</u>	<u>22,866,300</u>
Excess (deficit) in the minimum allowance required at September 30, 2020 (d)	<u>2,219,958</u>	<u>13,874</u>	<u>248,171</u>	<u>167,537</u>	<u>150,530</u>	<u>2,800,070</u>
December 31, 2019						
Balance at January 1 st , 2019	7,872,040	344,261	698,022	7,554,613	297,307	16,766,243
Constitution of allowances	3,504,381	18,930	962,694	827,913	52,500	5,366,418
Write-offs against allowances	(2,714,056)	-	(578,974)	-	-	(3,293,030)
Transfers of allowances	372,137	(150,041)	(394,269)	218,573	(46,400)	-
Effect of change in exchange rates and others	<u>90,653</u>	<u>338</u>	<u>3,164</u>	<u>-</u>	<u>8,457</u>	<u>102,612</u>

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Notes to the Consolidated Financial Statements (continued)

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14 Balance at December 31, 2019 9,125,155 213,488 690,637 8,601,099 311,864 18,942,243
Summary of allowances for risky assets (continued)

December 31, 2019	<u>Loan portfolio</u>	<u>Investments</u>	<u>Interests receivable</u>	<u>Other assets (a)</u>	<u>Contingent operations (b)</u>	<u>Total RD\$</u>
Minimum allowances required at December 31, 2019 (c)	<u>8,928,059</u>	<u>173,065</u>	<u>676,882</u>	<u>8,590,341</u>	<u>280,469</u>	<u>18,648,816</u>
Excess (deficit) in the minimum allowance required at December 31, 2019 (d)	<u>197,096</u>	<u>40,423</u>	<u>13,755</u>	<u>10,758</u>	<u>31,395</u>	<u>293,427</u>

- (a) Corresponds to the allowance for assets received in lieu of foreclosure of loans.
- (b) This allowance is included as part of other liabilities (see note 19) and the constitution expense is included as part of operating expenses in the consolidated statement of profit or loss.
- (c) Represents the amounts of allowance determined by a self-assessment as of September 30, 2020 and December 31, 2019 and plus other adjustments made.
- (d) As of September 30, 2020 and December 31, 2019 in the case that the required provisions are lower than the recognized provisions, the Superintendence of Banks allow the release of provisions without prior authorization from the regulatory authorities, except allowances for interests receivable over 90 days.

As of September 30, 2020 and December 31, 2019, loans granted by some significant companies in the Dominican electricity sector, as well as debt recognition agreements signed with these companies (the mentioned recorded as investments in debt instruments), were classified with risk "A" and an allowance requirement of 0 %, as established in communication ADM/1028/15 issued by the Superintendence of Banks on September 10, 2015, and the second resolution of the Monetary Board, dated March 14, 2019, respectively.

As of September 30, 2020 and December 31, 2019, loans granted to the road development and low-cost housing construction sectors in the Dominican Republic for approximately RD\$26,000,000, of both years, were granted a no-objection rating of "A" risk and a 0 % allowance requirement, according to the second resolution of the Monetary Board dated December 20, 2018, extended through the seventh resolution of the Monetary Board dated December 19, 2019, modified according to the fourth resolution of the Monetary Board dated January 16, 2020. As of December 31, 2019 and 2018, through the above resolutions, a no-objection was granted so that the facilities granted, through the contractors and suppliers of the Dominican State program, would be classified in risk category "A", with 0 % allowance requirement and reported as current loans from the private sector for RD\$3,073,276 and RD\$35,200,000, respectively.

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

14 Summary of allowances for risky assets (continued)

As of December 31, 2019, some loans to the Dominican agricultural sector for an approximate amount of RD\$2,667,000, were classified with risk "A" and an allowance requirement of 0 %, as established in the third resolution of the Monetary Board dated December 8, 2016.

As of December 31, 2019, debt securities issued to the road development sector of the Dominican Republic were classified with risk "A" and an allowance requirement of 0 %, as established in the third resolution of the Monetary Board dated July 19, 2018.

15 Customers' deposits

Customers' deposits are summarized as follows:

a) By type

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total RD\$</u>
September 30, 2020					
Checking	88,497,762	0.63	-	-	88,497,762
Savings	127,856,327	0.52	85,647,904	0.32	213,504,231
Time	2,341	2.71	48,171,142	1.16	48,173,483
Interests payable	<u>117,055</u>	<u>-</u>	<u>86,559</u>	<u>-</u>	<u>203,614</u>
	<u>216,473,485</u>	<u>0.56</u>	<u>133,905,605</u>	<u>0.62</u>	<u>350,379,090</u>
December 31, 2019					
Checking	94,823,829	0.67	-	-	94,823,829
Savings	102,460,242	0.53	70,693,069	0.31	173,153,311
Time	2,334	3.73	43,452,537	1.75	43,454,871
Interests payable	<u>-</u>	<u>-</u>	<u>34,134</u>	<u>-</u>	<u>34,134</u>
	<u>197,286,405</u>	<u>0.60</u>	<u>114,179,740</u>	<u>0.86</u>	<u>311,466,145</u>

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

Amounts in Thousands of Dominican pesos (RD\$)

15 Customers' deposits (continued)

b) By sector

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total RD\$</u>
September 30, 2020					
Non-financial public sector	43,837,294	0.63	11,318,143	0.36	55,155,437
Non-financial private sector	172,428,549	0.55	122,160,429	0.65	294,588,978
Non-resident	90,587	0.62	340,474	0.32	431,061
Interests payable	<u>117,055</u>	<u>-</u>	<u>86,559</u>	<u>-</u>	<u>203,614</u>
	<u>216,473,485</u>	<u>0.56</u>	<u>133,905,605</u>	<u>0.62</u>	<u>350,379,090</u>
December 31, 2019					
Non-financial public sector	54,689,240	0.67	19,119,756	1.51	73,808,996
Non-financial private sector	142,541,509	0.57	94,935,640	1.93	237,477,149
Non-resident	55,656	0.66	90,210	0.44	145,866
Interests payable	<u>-</u>	<u>-</u>	<u>34,134</u>	<u>-</u>	<u>34,134</u>
	<u>197,286,405</u>	<u>0.60</u>	<u>114,179,740</u>	<u>0.86</u>	<u>311,466,145</u>

c) By maturity date

September 30, 2020					
0 to 15 days	216,354,198	0.56	90,619,603	0.35	306,973,801
16 to 30 days	22	0.75	209,707	1.42	209,729
31 to 60 days	161	1.08	4,645,360	0.53	4,645,521
61 to 90 days	112	0.39	1,934,709	1.88	1,934,821
91 to 180 days	861	0.53	7,957,734	0.96	7,958,595
181 to 360 days	127	0.86	12,795,514	1.30	12,795,641
More than 1 year	949	5.78	15,656,419	1.45	15,657,368
Interests payable	<u>117,055</u>	<u>-</u>	<u>86,559</u>	<u>-</u>	<u>203,614</u>
	<u>216,473,485</u>	<u>0.56</u>	<u>133,905,605</u>	<u>0.62</u>	<u>350,379,090</u>

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

Amounts in Thousands of Dominican pesos (RD\$)

15 Customers' deposits (continued)

c) By maturity date (continued)

	<u>Local currency</u>	Annual weighted average rate (%)	<u>Foreign currency</u>	Annual weighted average rate (%)	<u>Total RD\$</u>
December 31, 2019					
0 to 15 days	197,284,126	0.60	71,477,703	0.33	268,761,829
16 to 30 days	5	2.25	184,783	1.59	184,788
31 to 60 days	232	2.40	4,537,053	1.70	4,537,285
61 to 90 days	121	2.12	2,120,969	1.71	2,121,090
91 to 180 days	749	2.19	9,692,722	1.60	9,693,471
181 to 360 days	263	2.53	13,320,463	1.89	13,320,726
More than 1 year	909	6.01	12,811,913	1.73	12,812,822
Interests payable	-	-	34,134	-	34,134
	<u>197,286,405</u>	<u>0.60</u>	<u>114,179,740</u>	<u>0.86</u>	<u>311,466,145</u>

As of September 30, 2020 and December 31, 2019, customers' deposits include restricted amounts for the following concepts:

	<u>Inactive accounts</u>	<u>Foreclosed funds</u>	<u>Deceased customers</u>	<u>Security deposits</u>	<u>Total RD\$</u>
September 30, 2020					
Customers' deposits:					
Checking	117,949	1,227,080	66,619	-	1,411,648
Savings	2,085,221	2,247,985	2,022,671	-	6,355,877
Time	-	760,890	408,992	3,032,580	4,202,462
	<u>2,203,170</u>	<u>4,235,955</u>	<u>2,498,282</u>	<u>3,032,580</u>	<u>11,969,987</u>
December 31, 2019					
Customers' deposits:					
Checking	93,962	724,465	54,696	-	873,123
Savings	854,990	769,584	1,578,081	-	3,202,655
Time	-	422,799	134,138	3,537,877	4,094,814
	<u>948,952</u>	<u>1,916,848</u>	<u>1,766,915</u>	<u>3,537,877</u>	<u>8,170,592</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

15 Customers' deposits (continued)

As of September 30, 2020 and December 31, 2019 customer' deposits include amounts of inactive accounts, as follows:

	<u>From 3 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
September 30, 2020			
Customer deposits:			
Checking	103,691	14,258	117,949
Savings	<u>2,066,731</u>	<u>18,490</u>	<u>2,085,221</u>
	<u>2,170,422</u>	<u>32,748</u>	<u>2,203,170</u>
December 31, 2019			
Customer deposits:			
Checking	90,711	3,251	93,962
Savings	<u>789,982</u>	<u>65,008</u>	<u>854,990</u>
	<u>880,693</u>	<u>68,259</u>	<u>948,952</u>

16 Deposits from domestic and foreign financial institutions

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

a) By type and currency

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total RD\$</u>
September 30, 2020					
Checking	11,330,226	0.63	-	-	11,330,226
Savings	538,786	0.52	2,118,036	0.32	2,656,822
Time	109	1.28	11,060,698	0.75	11,060,807
Interests payable	<u>730</u>	<u>-</u>	<u>1,911</u>	<u>-</u>	<u>2,641</u>
	<u>11,869,851</u>	<u>0.62</u>	<u>13,180,645</u>	<u>0.68</u>	<u>25,050,496</u>
December 31, 2019					
Checking	7,778,143	0.67	-	-	7,778,143
Savings	439,408	0.53	706,100	0.31	1,145,508
Time	<u>107</u>	<u>2.14</u>	<u>4,378,864</u>	<u>0.56</u>	<u>4,378,971</u>
	<u>8,217,658</u>	<u>0.66</u>	<u>5,084,964</u>	<u>2.25</u>	<u>13,302,622</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

16 Deposits from domestic and foreign financial institutions (continued)

b) By maturity date

September 30, 2020

0 to 15 days	11,869,012	0.62	7,381,896	0.40	19,250,908
31 to 60 days	75	1.51	2,553,474	0.23	2,553,549
61 to 90 days	32	0.40	656,195	0.47	656,227
91 to 180 days	-	-	771,838	1.86	771,838
181 to one year	-	-	1,379,640	1.75	1,379,640
More than a year	2	5.63	435,691	2.94	435,693
Interests payable	<u>730</u>	<u>-</u>	<u>1,911</u>	<u>-</u>	<u>2,641</u>
	<u>11,869,851</u>	<u>0.62</u>	<u>13,180,645</u>	<u>0.68</u>	<u>25,050,496</u>

December 31, 2019

0 to 15 days	8,217,551	0.66	712,968	0.34	8,930,519
16 to 30 days	-	-	10,580	2.25	10,580
31 to 60 days	73	2.00	1,371,995	1.47	1,372,068
61 to 90 days	-	-	345,761	2.72	345,761
91 to 180 days	32	2.20	1,806,694	3.12	1,806,726
181 to 360 days	-	-	564,717	2.94	564,717
More than a year	<u>2</u>	<u>5.63</u>	<u>272,249</u>	<u>3.46</u>	<u>272,251</u>
	<u>8,217,658</u>	<u>0.66</u>	<u>5,084,964</u>	<u>2.25</u>	<u>13,302,622</u>

As of September 30, 2020 and December 31, 2019, 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\$446,671 and RD\$214,702, respectively.

As of September 30, 2020 and December 31, 2019, the estatus of the inactive and/or dormant accounts of the deposits in domestic financial institutions with three to ten year term is RD\$1,021 and RD\$1,085, respectively.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

17 Borrowed funds

A summary of borrowed funds is as follows:

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Balance</u>
September 30, 2020					
Central Bank of the Dominican Republic	Loan	Secured	5.05 %	2020 until 2027	<u>40,943</u>
Financial institutions of the country: Asociación Popular Ahorros Préstamos	Line of credit	Unsecured	8.75 %	2021	200,000
Banco Popular Dominicano, S. A (corresponds to US\$125)	Line of Credit	Unsecured	3.00 %	2021	<u>7,308</u>
					<u>207,308</u>
Foreign financial institutions: Citibank, N. A. (corresponds to US\$80,000)	Line of credit	Unsecured	4.51 %	2020	4,663,168
Bac Florida Bank (corresponds to US\$20,000)	Financing less than 1 year	Unsecured	2.82 %	2021	1,165,792
Banco de Crédito e Inversiones, S. A. (corresponds to US\$20,000)	Loan	Unsecured	2.57 %	2021	1,165,792
Bank of America (corresponds to US\$10,000)	Loan	Unsecured	3.84 %	2021	582,896
Banco Itaú (BID) (corresponde a US\$50,000)	Loan	Unsecured	0.70 %	2020	2,914,480
CaixaBank (BID) Taiwán (corresponde a US\$50,000)	Loan	Unsecured	0.75 %	2020	2,914,480
Banco Santander (corresponde a US\$21,000)	Loan	Unsecured	2.93 %	2020	1,224,082
Wells Fargo Bank (corresponds to US\$27,000)	Loan	Unsecured	2.40 %	2020	1,573,819
Banco Latinoamericano de Desarrollo (corresponde a US\$100,000)	Loan	Unsecured	2.43 %	2021	5,828,960
Eximbank, Republic of China - Taiwán (corresponds to US\$43)	Loan	Unsecured	1.02 %	2021	2,487

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

17 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Balance</u>
September 30, 2020					
Agencia Francesa de Desarrollo (corresponds to US\$25,000)	Loan	Unsecured	3.74 %	2032	1,457,240
					<u>23,493,196</u>
Interests payable (includes US\$3,573)					<u>332,229</u>
					<u>24,073,676</u>
December 31, 2019					
Central Bank of the Dominican Republic	Loan	Secured	5.05 %	2020 until 2027	<u>60,101</u>
Foreign financial institutions: Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to US\$200,000)	Line of credit	Unsecured	3.41 %	2020	10,580,440
Citibank, N. A. (corresponds to US\$185,000)	Line of credit	Unsecured	3.19 %	2020	9,786,907
Eximbank, Republic of China - Taiwán (corresponds to US\$122)	Loan	Unsecured	2.78 %	2020	6,452
Sumitomo Mithsui Banking Corp. (corresponds to US\$73,700)	Loan	Unsecured	3.10 %	2020	3,898,892
Wells Fargo Bank (corresponds to US\$90,000)	Loan	Unsecured	3.12 %	2020	4,761,198
Bac Florida Bank (corresponds to US\$20,000)	Financing less than 1 year	Unsecured	3.13 %	2020	1,058,044
Bank of America (corresponds to US\$40,000)	Loan	Unsecured	3.30 %	2020	2,116,088
U. S. Century Bank (corresponds to US\$10,000)	Loan	Unsecured	2.88 %	2020	529,022
Banco Centroamericano de Integración Económica (corresponds to US\$80,000)	Loan	Unsecured	4.27 %	2020	4,232,176

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

17 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Rate</u>	<u>Maturity</u>	<u>Balance</u>
December 31, 2019					
Banco de Crédito e Inversiones, S. A. (corresponds to US\$20,000)	Loan	Unsecured	2.96 %	2020	1,058,044
Agencia Francesa de Desarrollo (corresponds to US\$25,000)	Loan	Unsecured	3.74 %	2032	<u>1,322,555</u>
					<u>39,349,818</u>
Other:					
Various (includes US\$176)	Sale of investments with re-purchase agreement	Secured	4.82 %	2020	<u>1,316,637</u>
Interests payable (includes US\$6,911)					<u>377,056</u>
					<u>41,103,612</u>

18 Outstanding securities

A summary of outstanding securities, is as follows:

a) By type

	<u>Local currency RD\$</u>	<u>Annual weighted average rate (%)</u>
September 30, 2020		
Time certificates	128,241,851	5.09
Interests payable	<u>275,574</u>	<u>-</u>
	<u>128,517,425</u>	<u>5.09</u>
December 31, 2019		
Time certificates	118,272,460	6.18
Interests payable	<u>311,149</u>	<u>-</u>
	<u>118,583,609</u>	<u>6.18</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

18 Outstanding securities (continued)

	Local currency <u>RD\$</u>	Annual weighted average rate (%)
b) By sector		
September 30, 2020		
Non-financial public sector	21,774,291	4.76
Non-financial private sector	89,621,838	5.24
Financial sector	16,845,722	4.71
Interests payable	<u>275,574</u>	<u>-</u>
	<u>128,517,425</u>	<u>5.09</u>
December 31, 2019		
Non-financial public sector	22,249,365	6.99
Non-financial private sector	88,538,553	5.83
Financial sector	7,484,542	7.78
Interests payable	<u>311,149</u>	<u>-</u>
	<u>118,583,609</u>	<u>6.18</u>
c) By maturity date		
September 30, 2020		
0 to 15 days	9,987,534	3.40
16 to 30 days	1,152,635	6.36
31 to 60 days	9,495,584	3.32
61 to 90 days	9,536,858	2.86
91 to 180 days	24,211,661	5.52
181 to 360 days	29,750,892	5.40
More than a year	44,106,687	5.85
Interests payable	<u>275,574</u>	<u>-</u>
	<u>128,517,425</u>	<u>5.09</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

18 Outstanding securities (continued)

c) By maturity date (continued)

	Local currency <u>RD\$</u>	Annual weighted average rate (%)
December 31, 2019		
0 to 15 days	4,477,803	6.68
16 to 30 days	1,179,161	6.34
31 to 60 days	12,352,360	5.36
61 to 90 days	7,318,052	6.08
91 to 180 days	24,683,379	6.25
181 to 360 days	33,827,591	6.20
More than a year	34,434,114	6.35
Interests payable	<u>311,149</u>	<u>-</u>
	<u>118,583,609</u>	<u>6.18</u>

As of September 30, 2020 and December 31, 2019, outstanding securities include restricted amounts, as follows:

	<u>Deceased clients</u>	<u>Received in collateral</u>	<u>Total</u>
September 30, 2020			
Outstanding securities - time certificates	<u>813,427</u>	<u>10,531,553</u>	<u>11,344,980</u>
December 31, 2019			
Outstanding securities - time certificates	<u>506,845</u>	<u>11,706,088</u>	<u>12,212,933</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

19 Other liabilities

A summary of other liabilities is as follows:

	<u>2020</u>	<u>2019</u>
Demand obligations (includes US\$3,411 in 2020 and US\$1,660 in 2019) (a)	2,588,759	1,335,347
Term obligations (includes US\$1,732 in 2020 and US\$1,750 in 2019) (b)	236,383	228,193
Unclaimed third party balances (includes US\$6,075 in 2020 and US\$1,417 in 2019)	460,184	123,354
Sundry creditors:		
Commissions payable	179,117	151,309
Accounts payable to suppliers (includes US\$5 in 2020 and US\$1 in 2019)	406,510	97,365
Withheld tax payable	191,382	190,245
Retained payable insurance premium (includes US\$6 in 2020 and US\$5 in 2019)	450,703	10,744
Other sundry creditors (includes US\$394 in 2020 and US\$1,706 in 2019) (c)	1,394,473	1,733,367
Reserves for contingent operations (includes US\$4,210 in 2020 and US\$3,043 in 2019) (d)	441,168	311,864
Other provisions:		
Income tax	837,852	328,805
Deferred income tax	242,978	177,927
Provision for litigation (note 27)	60,079	65,243
Bonus and other employee's benefits	4,440,324	3,853,782
Systemic risk prevention program	214,667	191,946
Contingency fund	142,679	122,708
Credit card and electronic transactions	399,463	142,246
Extraordinary contributions to pension plans	145,804	20,194
Other reserves (includes US\$90 in 2020 and US\$124 in 2019)	1,335,413	400,189
Items pending for allocation (includes US\$1,790 in 2020 and US\$1,495 in 2019) (e)	196,442	97,752
Administration fund of the public sector	235,636	141,556
Commissions to agents on premiums pending collection (includes US\$1,043 in 2020 and US\$1,264 in 2019)	204,077	167,953
Tax on outstanding premium	265,001	299,057
Withholding tax to reinsurers	5,006	11,939
Payments received in advance (includes US\$95 in 2020 and 2019)	127,541	111,354
Others	1,844,824	1,312,821
	<u>17,046,465</u>	<u>11,627,260</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

19 Other liabilities (continued)

- (a) Corresponds to financial obligations assumed by the Bank, which are payable on demand and certified checks, among others.
- (b) In this category, the Bank recognizes special cash deposits in United States dollars received from the Dominican Republic Government.
- (c) As of September 30, 2020 and December 31, 2019, includes RD\$233,866 and RD\$489,287, respectively, which relates to liabilities for the financing of vehicles granted by the Bank whose original license plates have not been delivered to the Bank by the concessionary entities.
- (d) Corresponds to reserves to cover contingent operations as required by the Superintendence of Banks (see note 14).
- (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.

20 Subordinated debts

A summary of the subordinated debts, is as follows:

<u>Type</u>	<u>Amount in RD\$</u>	<u>Effective interest rate</u>	<u>Type of currency</u>	<u>Term</u>
September 30, 2020				
Subordinated debts (corresponds to US\$300,000 nominal value (a))	17,486,880	7.12 %	Dollar	10 years
Subordinated debts nominal value (b)	9,999,000	9.06 %	Peso	10 years
Debt issuance costs (c)	(75,520)	-	-	-
Discount on the issuance of debt (corresponds to (US\$790) (d))	(46,040)	-	-	-
	27,364,320			
Interests payable (corresponds to US\$3,500)	406,693			
	<u><u>27,771,013</u></u>			

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

Amounts in Thousands of Dominican pesos (RD\$)

20 Subordinated debts (continued)

<u>Type</u>	<u>Amount in RD\$</u>	<u>Effective interest rate</u>	<u>Type of currency</u>	<u>Term</u>
December 31, 2019				
Subordinated debts (corresponds to US\$300,000 nominal value (a))	15,870,660	7.12 %	Dollar	10 years
Subordinated debts nominal value (b)	9,999,000	9.06 %	Peso	10 years
Debt issuance costs (c)	(94,724)	-	-	-
Discount on the issuance of debt (corresponds to (US\$1,016) (d))	<u>(53,737)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	25,721,199			
Interests payable (corresponds to US\$8,750)	<u>470,341</u>			
	<u>26,191,540</u>			

- 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 annual interest rate of 7 % and has an original maturity of 10 years until February 1st, 2023. This debt issuance was carried out in the United States of America to qualified institutional buyers as defined in Rule 144A under the *U.S. Securities Act of 1933* and other countries outside the United States of America according to *Regulation S*.

Additionally, the bonds have the following characteristics:

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

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

Amounts in Thousands of Dominican pesos (RD\$)

20 Subordinated debts (continued)

- b) Corresponds to bonds issued in the market of the Dominican Republic by the Bank on December 29, 2014, for a nominal value of RD\$10,000,000. The amount placed corresponds to two issuances offered simultaneously for RD\$5,000,000 each, with a maturity of 10 years until December 29, 2024, and a floating interest rate equivalent to the weighted interest average rate (TIPPP, for its Spanish acronyms) of multiple banks, published by the Central Bank of the Dominican Republic plus a fixed margin of 2.75 %. The effective rate at the time of placement was 9.66 %, reviewable every six months. These bonds have no collateral and in the case of dissolution or liquidation of the Bank, the payment of the bonds is subject to all the Bank's obligations.

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

21 Technical reserves

The subsidiaries Seguros Reservas, S. A. and Administradora de Riesgos de Salud Reservas, Inc. maintain ongoing specific mathematical risk reserves to meet commitments arising from the current insurance policies, which amounted to RD\$5,589,948 and RD\$4,935,015 as of September 30, 2020 and December 31, 2019, respectively.

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

	<u>Mathematical reserves</u>	<u>Specific reserves and ongoing risk</u>	<u>Total</u>
September 30, 2020			
Balance at January 1 st , 2020	270,142	4,664,873	4,935,015
Plus: reserve increase	214,196	3,941,575	4,155,771
Less: reserve decrease	<u>(233,964)</u>	<u>(3,266,874)</u>	<u>(3,500,838)</u>
Balance at September 30, 2020	<u>250,374</u>	<u>5,339,574</u>	<u>5,589,948</u>

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

Amounts in Thousands of Dominican pesos (RD\$)

21 Technical reserves (continued)

December 31, 2019

Balance at January 1 st , 2019	149,769	4,033,553	4,183,322
Plus: reserve increase	306,414	5,004,276	5,310,690
Less: reserve decrease	<u>(186,041)</u>	<u>(4,372,956)</u>	<u>(4,558,997)</u>
Balance at December 31, 2019	<u><u>270,142</u></u>	<u><u>4,664,873</u></u>	<u><u>4,935,015</u></u>

As of September 30, 2020 and December 31, 2019, technical reserves include US\$16,263 and US\$6,297, respectively.

22 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. Income tax expense for the nine month periods ended as of September 30, 2020 and 2019, is composed of the following:

	<u>2020</u>	<u>2019</u>
Current income tax	748,847	820,280
Deferred income tax	65,745	73,484
Previous year income tax	46,310	-
Tax withheld on payment of dividends	<u>7,913</u>	<u>11,848</u>
	<u><u>868,815</u></u>	<u><u>905,612</u></u>

23 Responsibilities

In addition to the obligation balances of insured risks retained, as of September 30, 2020 and December 31, 2019 for RD\$918,041,210 and RD\$905,636,422, respectively, the subsidiaries Seguros Reservas, S. A. and Administradora de Riesgo de Salud Reservas, Inc. recognize memorandum accounts for salvages warehouse amounting to RD\$29,195 and RD\$18,528 in September 30, 2020 and December 31, 2019.

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

Amounts in Thousands of Dominican pesos (RD\$)

23 Responsibilities (continued)

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

	<u>2020</u>	<u>2019</u>
Responsibilities for insurance businesses and bonds taken directly	918,041,210	905,636,422
Surrendered and retracted insurance responsibilities	<u>(514,271,065)</u>	<u>(614,054,527)</u>
	<u>403,770,145</u>	<u>291,581,895</u>

24 Reinsurance

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

The reinsurers that support the insurance business as of September 30, 2020 and December 31, 2019, are the following:

<u>September 30, 2020</u>			<u>December 31, 2019</u>		
<u>Reinsurer</u>	<u>Class of contract</u>	<u>Participation (%)</u>	<u>Reinsurer</u>	<u>Class of contract</u>	<u>Participation (%)</u>
Suiza	Surplus	12.5	Suiza	Surplus	12.5
	Quota share	65 until 100		Quota share	65 until 100
Trans. RE Mallen	Surplus	25	Trans. RE Mallen	Surplus	32
Hannover RE	Surplus	3	Hannover XL	Surplus	3
	Quota share	5 until 70		Quota share	5 until 70
Thompson Health	Surplus	2 until 60	Thompson Health	Surplus	2 until 25
	Quota share	5.00		Quota share	5.00
Everest-BMS	Surplus	15	Everest-BMS	Surplus	25
	Quota share	25 until 40		Quota share	25 until 40
General Re,	Surplus	10 until 25	General Re,	Surplus	10 until 35
Axis	Quota share	3.00	Axis	Quota share	3.00
Navigators-BMS	Surplus	1.5	Navigators-BMS	Surplus	1.5
	Quota share	8.00		Quota share	8.00
Arch Re	Surplus	15	Arch Re	Surplus	25
Siruis-BMS	Surplus	2 until 5	Siruis-BMS	Surplus	2 until 5

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

25 Equity

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

	Common shares			
	Authorized		Issued	
	Quantity	Amount in RD\$	Quantity	Amount in RD\$
Balance at September 30, 2020	<u>10,000</u>	<u>10,000,000</u>	<u>10,000</u>	<u>10,000,000</u>
Balance at December 31, 2019	<u>10,000</u>	<u>10,000,000</u>	<u>10,000</u>	<u>10,000,000</u>

As of September 30, 2020 and December 31, 2019, the capital contributions of the Bank have been originated as follow:

- a) RD\$50,000 corresponding to the initial capital in accordance with the Law No. 6133 of December 17, 1962, which amended article 4 of the Organic Law of the Bank.
- b) RD\$200,000 by delivering state-certified vouchers issued by the National Treasury in 1998.
- c) RD\$1,750,000 by issuing certified bonds on behalf of the Bank in accordance with Law No. 99-01 of April 5, 2001, which amended article 4 of Organic Law of the Bank, the Dominican Republic Government.
- d) RD\$1,500,000 by issuing bonds on behalf of the Bank in accordance with Law No. 121-05 of April 7, 2005, the Dominican Republic Government.
- e) RD\$2,000,000 by reinvesting dividends charged to earnings of 2013 in accordance with Law No. 543-14 of December 5, 2014.
- f) RD\$2,800,000, by reinvesting dividends charged to earnings of 2014, in accordance with the Law No. 543-14 of December 5, 2014.
- g) RD\$1,700,000 through the reinvestment of dividends charged to earnings of 2014, pursuant to Law No. 543-14 of December 5, 2014.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

25 Equity (continued)

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 Power.
- 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.

By the twenty-eighth resolution of the Ordinary Session dated June 23, 2020, the Board of Directors approved the distribution of dividends, taking into account the guidelines for the distribution of dividends to shareholders set forth in Resolution No.7-2002, issued by the Superintendence of Banks on March 8, 2002, and in accordance with the provisions of Law No. 99-01 on the distribution of dividends from the Bank. The total amount of dividends to be distributed was RD\$9,249,344, as detailed below:

- i) RD\$3,237,271 transferred to equity reserve. This transfer was done effectively as of December 31, 2019.
- ii) RD\$4,624,672 dividends in cash to be paid to the Dominican Republic State.
- iii) RD\$1,387,401 to offset debts of the Dominican Republic State with the Bank.

According to the application instructions of Resolution No. 12-2001 dated December 5, 2001, issued by the Superintendence of Banks, the dividend limit to be paid in cash by the Bank amounts to RD\$4,624,672. As of September 30, 2020, RD\$4,624,672 were paid in cash, while RD\$1,686,609 were used to compensate the State's debts and its dependencies with the Bank.

By the second resolution of the Ordinary Session dated July 2, 2019, the Board of Directors approved the distribution of dividends, taking into account the guidelines for the distribution of dividends to shareholders set forth in Resolution No.7-2002, issued by the Superintendence of Banks on March 8, 2002, and in accordance with the provisions of Law No. 99-01 on the distribution of dividends from the Bank. The total amount of dividends to be distributed was RD\$6,854,772, as detailed below:

- i) RD\$2,504,761 transferidos a reserva patrimonial. Esta transferencia fue realizada con efectividad al 31 de diciembre de 2018.
- ii) RD\$3,500,000 dividendos en efectivo para ser entregados al Estado Dominicano.

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

Amounts in Thousands of Dominican pesos (RD\$)

25 Equity (continued)

- iii) RD\$75,000 para amortizar los vales del Tesoro Nacional, Ley 99-01.
- iv) RD\$750 para compensar intereses de los vales del Tesoro Nacional, Ley núm. 99-01.
- v) RD\$774,261 para compensación de deudas del Estado Dominicano.

According to the application instructions of Resolution No. 12-2001 dated December 5, 2001, issued by the Superintendence of Banks, the dividend limit to be paid in cash by the Bank amounts to RD\$5,278,933. During 2019, RD\$3,500,000 were paid in cash, while RD\$850,011 were used to compensate the State's debts and its dependencies with the Bank, the redemption of National Treasury vouchers and the interest of National Treasury vouchers; on the basis of what is established by Law No. 99-01 dated April 5, 2001.

Other equity reserves

In accordance with the Bank's organic law, the Bank must segregate 35 % of its annual net profit to equity reserves. As of December 31, 2019, the Bank segregated equity reserves for the amount of RD\$3,237,271.

Through Circular SB/0682 dated December 31, 2010, the Superintendence of Banks issued its non-objection for the application within the fiscal year of the segregation of 35 % of total net profit as other equity reserves, provided the Bank is in compliance with the guidelines for distribution of profits as set forth by the supervisory body.

Revaluation surplus

The Bank revalued its land and buildings required for the development of its operations to its estimated fair market value determined by independent appraisers, as allowed by the Prudential Rules of Capital Adequacy. The effect of the revaluation was RD\$915,737. The Bank, in accordance with the rules established, considered this amount as tier 2 capital, prior authorization of the Superintendence of Banks. As of December 31, 2019, the amortized amount corresponding to these revalued assets, amounted to RD\$11,140.

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

Amounts in Thousands of Dominican pesos (RD\$)

26 Information segments

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

<u>Segment</u>	<u>Company</u>	<u>Jurisdiction</u>	<u>Functional currency</u>	<u>Equity shares</u>	<u>Percentage of voting rights direct and indirect</u>
September 30, 2020					
Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD\$	10,000,000	100 %
Related services	Tenedora Reservas, S. A. and Subsidiaries	Dominican Republic	RD\$	<u>1,551,434</u>	97.74 %
				11,551,434	
	Elimination adjustments in consolidation			<u>(1,551,434)</u>	
				<u>10,000,000</u>	
December 31, 2019					
Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	RD\$	10,000,000	100 %
Related services	Tenedora Reservas, S. A. and Subsidiaries	Dominican Republic	RD\$	<u>1,551,434</u>	97.74 %
				11,551,434	
	Elimination adjustments in consolidation			<u>(1,551,434)</u>	
				<u>10,000,000</u>	

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

26 Information segments (continued)

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

<u>Company</u>	<u>At September 30, 2020</u>		<u>Nine month period ended at September 30, 2020</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>	<u>Net income</u>
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	637,451,607	595,659,677	56,301,086	48,348,353	7,952,733
Tenedora Reservas, S. A. and Subsidiaries	25,855,831	11,571,456	10,655,598	8,669,582	1,986,016
Administradora de Riesgos de Salud Reservas, Inc.	<u>943,266</u>	<u>201,044</u>	<u>799,278</u>	<u>600,130</u>	<u>199,148</u>
	664,250,704	607,432,177	67,755,962	57,618,065	10,137,897
Elimination adjustments in consolidation	<u>(16,190,163)</u>	<u>(1,555,438)</u>	<u>(3,449,922)</u>	<u>1,325,839)</u>	<u>(2,124,083)</u>
	<u>648,060,541</u>	<u>605,876,739</u>	<u>64,306,040</u>	<u>56,292,226</u>	<u>8,013,814</u>

<u>Company</u>	<u>At December 31, 2019</u>		<u>Nine month period September 30, 2019</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>	<u>Net income</u>
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	560,014,922	519,928,706	47,009,145	40,131,269	6,877,876
Tenedora Reservas, S. A. and Subsidiaries	22,664,453	10,372,252	10,683,881	8,569,005	2,114,876
Administradora de Riesgos de Salud Reservas, Inc.	<u>702,430</u>	<u>159,354</u>	<u>713,664</u>	<u>681,680</u>	<u>31,984</u>
	583,381,805	530,460,312	58,406,690	49,381,954	9,024,736
Elimination adjustments in consolidation	<u>(12,888,085)</u>	<u>(383,599)</u>	<u>(3,163,324)</u>	<u>(1,082,156)</u>	<u>(2,081,168)</u>
	<u>570,493,720</u>	<u>530,076,713</u>	<u>55,243,366</u>	<u>48,299,798</u>	<u>6,943,568</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

27 Commitments and contingencies

(a) Contingent operations

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

	September 30, <u>2020</u>	December, 31 <u>2019</u>
Collaterals granted:		
Endorsements	2,462,600	2,966,267
Other collaterals granted	20,258	52,266
Non-negotiable letters of credit issued	306,925	1,455,377
Credit lines of automatic use	<u>36,215,363</u>	<u>32,873,764</u>
	<u>39,005,146</u>	<u>37,347,674</u>

As of September 30, 2020 and December 31, 2019, the Bank has reserves to cover possible losses from these operations for the amounts of RD\$441,168 and RD\$311,864, respectively, which are included in other liabilities in the consolidated balance sheets at those dates.

As of September 30, 2020 and December 31, 2019, the Insurance subsidiary and the Administradora de Riesgos de Salud Reservas, Inc. had contingent liabilities for retained risk, estimated as follows:

	<u>2020</u>	<u>2019</u>
General risks	745,544,780	759,370,112
Individual life insurance	15,080,602	17,957,322
Collective life insurance	<u>157,415,828</u>	<u>128,308,988</u>
	<u>918,041,210</u>	<u>905,636,422</u>

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

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

The Bank has leasing contracts for the premises where some of its administrative offices, branches, business centers and ATM are located. For the nine month periods ended September 30, 2020 and 2019, expenses for this concept amounted to RD\$673,615 and RD\$688,626 respectively, which are recognized in other operating expenses in the accompanying consolidated statements of profit or loss.

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

Amounts in Thousands of Dominican pesos (RD\$)

27 Commitments and contingencies (continued)**(c) Superintendence of Bank fees**

The Monetary Board of the Dominican Republic requires that financial entities make contributions in order to cover inspection services provided by the Superintendence of Banks of the Dominican Republic. The expense for this concept for the nine month periods ended September 30, 2020 and 2019 was approximately RD\$770,817 and RD\$683,055 respectively, and has been recognized in other operating expenses in the accompanying consolidated statements of profit or loss.

(d) Contingent fund

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

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

Expenses for this concept for the nine month periods ended September 30, 2020 and 2019, were RD\$367,274 and RD\$290,088, respectively, and are recognized in other operating expenses in the accompanying consolidated statements of profit or loss.

(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 nine month periods ended September 30, 2020 and 2019, were approximately RD\$632,823 and RD\$534,199, respectively, and are recognized as part of other operating expenses in the accompanying consolidated statements of profit or loss.

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

Amounts in Thousands of Dominican pesos (RD\$)

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

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

(g) Lawsuits

As of September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019, the amount reserved to meet these claims increased to RD\$69,551 and RD\$65,243, respectively, and is recognized in other liabilities in the accompanying consolidated balance sheet.

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

(h) Insurance claims

The subsidiary Seguros Reservas, S. A. has received insurance claims for catastrophes that arose in the normal course of business, which have occurred as of December 31, 2019. 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.

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

Amounts in Thousands of Dominican pesos (RD\$)

27 Commitments and contingencies (continued)

(i) Guaranteed minimum return

As of September 30, 2020 and December 31, 2019, 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 *Administradora* would have a payment commitment with the fund.

28 Memorandum accounts

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

	<u>2020</u>	<u>2019</u>
Funds under management by the Bank:		
PROMIPYME Resources (i)	4,670,621	4,132,482
PROMIPYME - PROCREA (i)	11	28
PROMICENTRAL (i)	83,340	84,532
PROMIPYME - Fonper funds (i)	29,427	33,558
PROMIPYME - PRESAAC loans (i)	435	461
MI PRIMER PROGRESO loans (i)	9,890	10,076
MI PRODEMICO loans (i)	112,697	194,253
Solidarity Bank (i)	<u>162,997</u>	<u>2,336,080</u>
	<u>5,069,418</u>	<u>6,791,470</u>
Funds managed by the subsidiary - Pension Fund Management:		
Mandatory individual capitalization pension plan (Pension Fund T-1)	109,138,264	97,772,684
Pension fund of officers and employees of Banco de Reservas of the Dominican Republic (Pension Fund T-4)	16,814,288	15,479,764
Social solidary fund (Pension Fund T-5)	<u>43,915,876</u>	<u>39,141,631</u>
	<u>169,868,428</u>	<u>152,394,079</u>
	<u>174,937,846</u>	<u>159,185,549</u>

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

Amounts in Thousands of Dominican pesos (RD\$)

28 Memorandum accounts (continued)

- i) As of September 30, 2020 and December 31, 2019, corresponds to funds managed from the Dominican Government loans through PROMIPYME funds and Banca Solidaria. For the management of these funds, the Bank earns a percentage ranging from 2% to 4.50 % of the collected value.

29 Financial income and expenses

A summary of financial income and expenses is as follows:

	Nine month periods ended at September 30,	
	<u>2020</u>	<u>2019</u>
Financial income:		
Loans portfolio:		
Commercial	15,610,053	14,067,993
Consumers	10,940,474	10,642,118
Mortgage	<u>3,397,256</u>	<u>3,080,773</u>
	<u>29,947,783</u>	<u>27,790,884</u>
Investments:		
Other debt securities	<u>9,094,941</u>	<u>7,881,623</u>
Gain on sale of investments	<u>5,819,511</u>	<u>1,605,908</u>
Insurance premiums net of returns and cancelations	<u>6,189,653</u>	<u>5,826,084</u>
Income for technical adjustment to reserves	<u>3,341</u>	<u>-</u>
Total	<u><u>51,055,229</u></u>	<u><u>43,104,499</u></u>
Financial expenses-on deposits:		
Customer deposits	(1,711,195)	(1,593,346)
Securities	(5,527,955)	(6,264,459)
Subordinated debts	<u>(1,647,889)</u>	<u>(1,647,678)</u>
	<u>(8,887,039)</u>	<u>(9,505,483)</u>

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

Amounts in Thousands of Dominican pesos (RD\$)

29 Financial income and expenses (continued)

	Nine month periods ended at September 30,	
	<u>2020</u>	<u>2019</u>
Investments:		
Amortization of premiums from investments in debt securities	(470,217)	(515,772)
Loss on sale of investments	<u>(23)</u>	<u>(5)</u>
	<u>(470,240)</u>	<u>(515,777)</u>
Financing-borrowed funds	<u>(724,513)</u>	<u>(1,056,348)</u>
Reinsurance:		
Reinsurance costs	(2,047,963)	(1,708,007)
Contratual losses and obligations	<u>(1,939,963)</u>	<u>(2,212,197)</u>
	<u>(3,987,926)</u>	<u>(3,920,204)</u>
Expenses for technical adjustment to reserves	<u>-</u>	<u>(127,632)</u>
Acquisition expense, conservation and premium collection - commission and other acquisition costs of the insurance company	<u>(633,180)</u>	<u>(600,023)</u>
Total	<u>(14,702,898)</u>	<u>(15,725,467)</u>

30 Income (expense) for exchange differences

A summary of the main income and expenses due to exchange differences were recognized during the years ended as of September 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Income due to foreign exchange:		
Loan portfolio	7,682,866	3,409,393
Investments	5,725,263	1,566,747
Available funds	29,844,461	7,721,155
Accounts receivable	7,921	4,719
Non-financial investments	5,437	1,936
Other assets	186,205	74,457
Adjustments for exchange rate differences	<u>4,836,532</u>	<u>1,474,968</u>
Subtotal	<u>48,288,685</u>	<u>14,253,375</u>

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

Amounts in Thousands of Dominican pesos (RD\$)

30 Income (expense) for exchange differences (continued)

	<u>2020</u>	<u>2019</u>
Expenses due to foreign exchange:		
Customer deposits	(16,371,404)	(5,183,179)
Borrowed funds	(3,850,635)	(1,439,404)
Financial obligations	(168,919)	(54,829)
Subordinated debts	(1,922,620)	(667,131)
Creditors and various provisions	(72,784)	(15,186)
Other liabilities	(20,294)	(13,313)
Adjustments for exchange rate differences	<u>(26,722,444)</u>	<u>(7,240,364)</u>
Subtotal	<u>(49,129,100)</u>	<u>(14,613,406)</u>
	<u>(840,415)</u>	<u>(360,031)</u>

31 Other operating income (expense)

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

	<u>2020</u>	<u>2019</u>
Other operating income:		
Credit cards	<u>1,815,492</u>	<u>1,885,188</u>
Service fees:		
Drafts and wire transfers	201,469	183,561
Certification and sales of bank's checks	22,782	35,325
Collections	60,237	50,594
Other commissions collected	4,892,944	4,741,546
Letters of credit	23,138	40,735
Collaterals granted	<u>49,043</u>	<u>38,313</u>
	<u>5,249,613</u>	<u>5,090,074</u>
Exchange commissions:		
Gains on foreign exchange	1,405,898	1,097,826
Premium for future foreign exchange contracts	<u>1,081,766</u>	<u>5,561</u>
	<u>2,487,664</u>	<u>1,103,387</u>

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

Amounts in Thousands of Dominican pesos (RD\$)

31 Other operating income (expense)

	<u>2020</u>	<u>2019</u>
Income on available funds	84,426	316,000
Other miscellaneous operating expenses:		
Claims for medical services	381,035	288,129
Other services and contingencies	<u>2,001,122</u>	<u>2,419,215</u>
	<u>2,466,583</u>	<u>3,023,344</u>
 Total of other operating income	 <u>12,019,352</u>	 <u>11,101,993</u>
Other operating expenses:		
Services fees:		
Correspondents	(83,609)	(75,924)
Other services	<u>(777,355)</u>	<u>(884,949)</u>
	<u>(860,964)</u>	<u>(960,873)</u>
Miscellaneous expenses:		
Exchange commission	(795,310)	(80,171)
Other operating expenses	(1,288,744)	(1,104,533)
Commissions and sales of property	(10,689)	(9,392)
Claims for medical services	<u>(550,271)</u>	<u>(649,103)</u>
	<u>(2,645,014)</u>	<u>(1,843,199)</u>
 Total of other operating expenses	 <u>(3,505,978)</u>	 <u>(2,804,072)</u>

32 Other income (expenses)

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

	<u>2020</u>	<u>2019</u>
Other income:		
Recovery of written off assets	778,133	662,255
Non-financial investments	143,660	106,374
Gain on sale of property, furniture and equipment	30,202	10,336
Gain on sales of assets received in lieu of foreclosure of loans	3,925	43,277
Leases of property	13,776	16,686
Others	<u>200,973</u>	<u>168,067</u>
	<u>1,170,669</u>	<u>1,006,995</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

32 Other income (expenses) (continued)

	<u>2020</u>	<u>2019</u>
Other expenses:		
Assets received in lieu of foreclosure of loans	(59,957)	(88,700)
Loss on sale of property, furniture and equipment	(1,486)	(1,814)
Loss on sales of assets received in lieu of foreclosure of loans	(252,781)	(12,983)
Other expenses:		
Uncollectibility accounts receivable (a)	(212,008)	(380,579)
Penalty for breach	(335)	(812)
Donations	(83,376)	(112,981)
Losses from thefts, assaults and frauds	(65,632)	(37,449)
Others	<u>(1,274,429)</u>	<u>(1,074,450)</u>
	<u>(1,950,004)</u>	<u>(1,709,768)</u>
Other income, net	<u>(779,335)</u>	<u>(702,773)</u>

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

33 Salaries and compensations to personnel

A summary of the main income and expenses due to exchange differences were recognized during the years ended as of September 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Wages, salaries and benefits to employees	10,005,044	8,073,503
Social security	819,386	763,901
Contributions to the pension plan	1,885,654	1,018,565
Other personnel expenses	<u>4,645,729</u>	<u>3,834,418</u>
	<u>17,355,813</u>	<u>13,690,387</u>

As of September 30, 2020 and 2019, compensations to personnel include approximately RD\$1,893,531 and RD\$1,734,796, respectively, that corresponds to the executive management of the Bank which are defined as directors and above.

As of September 30, 2020 and 2019, the Bank has approximately 12,897 and 12,828 employees, respectively.

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

Amounts in Thousands of Dominican pesos (RD\$)

34 Risk assessment

A summary of assets and liabilities subject to the interest rate risks as of September 30, 2020 December 31, 2019, is as follows:

Interest rate risk

	2020		2019	
	Local currency	Foreign currency	Local currency	Foreign currency
Assets sensitive to interest rate	346,240,549	88,363,800	308,096,167	89,399,923
Liabilities sensitive to interest rate	<u>(389,279,574)</u>	<u>(183,445,470)</u>	<u>(331,977,776)</u>	<u>(175,106,878)</u>
Net position	<u>(43,039,025)</u>	<u>(95,081,670)</u>	<u>(23,881,609)</u>	<u>(85,706,955)</u>
Interest rate exposure	<u>781,131</u>	<u>150,425</u>	<u>1,494,634</u>	<u>360,448</u>

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

A summary of the most significant assets and liabilities according to their maturity date as of September 30, 2020 and December 31, 2019, 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
September 30, 2020						
Assets:						
Available funds	111,466,694	-	-	-	-	111,466,694
Investments	43,809,857	5,543,672	28,671,207	54,621,519	54,863,690	187,509,945
Loans portfolio	36,418,360	25,027,990	78,684,006	102,293,984	93,412,576	335,836,916
Debtors by acceptances	177,895	491,099	63,348	-	-	732,342
Accounts receivable	3,757,871	-	-	-	312,167	4,070,038
Investments in shares	-	-	-	-	1,392,664	1,392,664
Other assets (i)	<u>74,206</u>	<u>521,202</u>	<u>-</u>	<u>-</u>	<u>167,619</u>	<u>763,027</u>
Total assets	<u>195,704,883</u>	<u>31,583,963</u>	<u>107,418,561</u>	<u>156,915,503</u>	<u>150,148,716</u>	<u>641,771,626</u>
Liabilities:						
Customers' deposits	307,469,072	11,162,073	20,650,980	3,676,222	7,420,743	350,379,090
Deposits from domestic and foreign financial institutions	21,925,853	713,886	1,939,831	124,142	346,784	25,050,496
Borrowed funds	9,010,296	2,646,636	21,102,186	15,214,587	1,478,161	49,451,866
Outstanding acceptances	177,895	491,099	63,348	-	-	732,342
Outstanding securities	31,660,651	23,537,878	65,307,652	8,011,244	-	128,517,425
Other liabilities (ii)	5,260,126	29,510	4,455,865	680,073	6,620,891	17,046,465
Subordinated debt	<u>-</u>	<u>202,679</u>	<u>204,014</u>	<u>27,364,320</u>	<u>-</u>	<u>27,771,013</u>
Total liabilities	<u>375,503,893</u>	<u>38,783,761</u>	<u>113,723,876</u>	<u>55,070,588</u>	<u>15,866,579</u>	<u>598,948,697</u>

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Notes to the Consolidated Financial Statements (continued)

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34 Risk assessment (continued)

Liquidity risk

	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, 2019						
Assets:						
Available funds	79,186,931	-	-	-	-	79,186,931
Investments	15,123,125	4,972,989	32,428,562	53,726,504	20,775,533	127,026,713
Loans portfolio	29,729,579	27,141,044	88,394,254	92,350,000	109,221,445	346,836,322
Debtors by acceptances	37,470	405,029	609,358	140,239	-	1,192,096
Accounts receivable	3,278,595	-	-	-	239,177	3,517,772
Investments in shares	-	-	-	-	1,392,077	1,392,077
Other assets (i)	9,284	-	-	-	154,156	163,440
Total assets	<u>127,364,984</u>	<u>32,519,062</u>	<u>121,432,174</u>	<u>146,216,743</u>	<u>131,782,388</u>	<u>559,315,351</u>
Liabilities:						
Customers' deposits	269,043,272	6,658,374	22,951,677	8,840,929	3,971,893	311,466,145
Deposits from domestic and foreign financial institutions	8,941,099	1,717,829	2,371,442	168,366	103,886	13,302,622
Borrowed funds	4,537,003	19,087,475	14,839,942	1,316,637	1,322,555	41,103,612
Outstanding acceptances	37,471	405,029	609,358	140,238	-	1,192,096
Outstanding securities	23,813,189	35,562,886	51,156,516	8,051,018	-	118,583,609
Other liabilities (ii)	3,296,779	-	3,414,041	277,401	4,275,168	11,263,389
Subordinated debt	-	462,894	7,447	25,721,199	-	26,191,540
Total liabilities	<u>309,668,813</u>	<u>63,894,487</u>	<u>95,350,423</u>	<u>44,515,788</u>	<u>9,673,502</u>	<u>523,103,013</u>

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

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

The liquidity ratios of the Bank as of September 30, 2020 and December 31, 2019, is as follows:

	<u>As of September 30, 2020</u>		<u>As of December 31, 2019</u>	
	<u>In local currency</u>	<u>In foreign currency</u>	<u>In local currency</u>	<u>In foreign currency</u>
Liquidity ratio:				
15 days adjusted	230.01 %	613.30 %	126.72 %	129.11 %
30 days adjusted	254.55 %	361.68 %	156.48 %	115.03 %
60 days adjusted	247.64 %	292.47 %	166.19 %	123.86 %
90 days adjusted	<u>278.07 %</u>	<u>271.82 %</u>	<u>171.63 %</u>	<u>89.60 %</u>

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Notes to the Consolidated Financial Statements (continued)

Amounts in Thousands of Dominican pesos (RD\$)

34 Risk assessment (continued)

Liquidity risk (continued)

	As of September 30, 2020		As of December 31, 2019	
	In local currency	In foreign currency	In local currency	In foreign currency
Position:				
15 days adjusted	29,110,352	1,290,550	7,368,577	112,949
30 days adjusted	36,428,157	1,158,197	15,306,748	70,962
60 days adjusted	41,254,414	1,084,187	21,415,314	131,570
90 days adjusted	51,272,862	1,099,138	25,580,292	(82,789)
Global (months)	<u>(21.12)</u>	<u>(44.99)</u>	<u>(0.80)</u>	<u>(54.55)</u>

Liquidity Risk Regulations requires that financial institutions must provide adjusted liquidity ratios in local and foreign currencies at 15 and 30 days no lower than 80 %, and at 60 and 90 days no lower than 70 %. As of September 30, 2020 and December 31, 2019, the liquidity ratios maintained by the Bank are higher than required.

35 Fair value of financial instruments

A summary of the fair value of financial instruments as of September 30, 2020 and December 31, 2019, is as follows:

	September 30, 2020		December 31, 2019	
	Book value	Fair value	Book value	Fair value
Financial assets				
Available funds	111,466,694	111,466,694	79,186,931	79,186,931
Investments, net (a) (b)	187,334,710	N/A	126,849,759	N/A
Loans portfolio, net (b)	320,022,658	N/A	337,020,760	N/A
Investments in shares, net (c)	<u>1,392,664</u>	<u>N/A</u>	<u>1,355,313</u>	<u>N/A</u>
	<u>620,216,726</u>	<u>111,466,694</u>	<u>544,412,763</u>	<u>79,186,931</u>
Liabilities				
Customer deposits	350,379,090	N/A	311,466,145	N/A
Deposits from domestic and foreign financial institutions	25,050,496	N/A	13,302,622	N/A
Borrowed funds (b)	24,073,676	N/A	41,103,612	N/A
Outstanding securities (b)	128,517,425	N/A	118,583,609	N/A
Subordinated debt	<u>27,771,013</u>	<u>27,966,955</u>	<u>26,191,540</u>	<u>26,492,243</u>
	<u>555,791,700</u>	<u>27,966,955</u>	<u>510,647,528</u>	<u>26,492,243</u>

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

Amounts in Thousands of Dominican pesos (RD\$)

35 Fair value of financial instruments (continued)

N/A: Not available.

- (a) According to Circular No. 014/18 dated August 15, 2018, the Bank determined the fair values of these investments; however, their recognition and detailed disclosure was deferred by Circular No. 004/19 dated December 20, 2019 until January 2021.
- (b) 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.
- (c) There is not an active stock market in the Dominican Republic where the fair values of these investments can be obtained.

36 Operations with related parties

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

The most important operations and balances with related parties in accordance with the criteria established by the Regulation on Credit Limits to Related Parties as of September 30, 2020 and December 31, 2019, are as follows:

	<u>Current loans</u>	<u>Past due loans</u>	<u>Total</u>	<u>Collaterals</u>
September 30, 2020				
Related to ownership	53,711,564	-	53,711,564	1,394,173
Related to management	<u>16,014,227</u>	<u>80,553</u>	<u>16,094,780</u>	<u>9,341,983</u>
December 31, 2019				
Related to ownership	69,295,169	-	69,295,169	1,404,730
Related to management	<u>14,755,125</u>	<u>149,489</u>	<u>14,904,614</u>	<u>9,886,537</u>

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

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Notes to the Consolidated Financial Statements (continued)

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36 Operations with related parties (continued)

As of September 30, 2020 and December 31, 2019, there are credits granted to contractors and suppliers of the Dominican State for approximately RD\$3,000,000 and RD\$35,200,000 respectively, which are guaranteed by the Dominican State and are classified as loans provided to the private sector.

As of September 30, 2020 and December 31, 2019, loans related to the management of the Bank includes RD\$16,095,000 and RD\$13,278,000, respectively, which were provided to employees and relatives by consanguinity at an interest rate on more favorable terms than with non-related parties in accordance with the policy for personnel incentives. Similarly, deposits with related parties maintain interest rates at different conditions from those with unrelated parties.

The main balances and transactions with related parties through ownership for the years ended September 30, 2020 and December 31, 2019, include:

	<u>Balance</u>		<u>Effects on Revenues (Expenses)</u>	
	September 30, <u>2020</u>	December 31, <u>2019</u>	Nine month periods ended at September 30, <u>2020</u>	September 30, <u>2019</u>
Available funds	71,974,030	68,204,996	-	-
Other investments in debt securities	102,356,053	106,682,437	5,475,319	6,148,555
Loans portfolio	53,118,556	68,914,382	3,888,878	3,839,379
Interests receivable	2,426,508	2,160,486	-	-
Customers' deposits - checking	45,071,484	54,637,290	79,164	200,504
Customers' deposits - saving	9,779,216	15,821,164	-	-
Outstanding securities	24,313,593	26,212,725	(1,363,343)	(1,768,667)
Other liabilities	<u>473,601</u>	<u>330,703</u>	<u>-</u>	<u>-</u>

Other transactions with identifiable related parties performed during the periods ended September 30, 2020 and December 31, 2019 include:

	<u>Balance</u>		<u>Effects on Revenues (Expenses)</u>	
	September 30, <u>2020</u>	December 31, <u>2019</u>	Nine month periods ended at Septiembre 30, <u>2020</u>	Septiembre 30, <u>2019</u>
Loans portfolio	16,094,780	14,902,727	481,153	404,940
Accounts receivable to officers and employees	6,959	7,349	-	-
Other assets	156,938	264,006	183,143	197,288
deposits	<u>7,317,060</u>	<u>7,032,930</u>	<u>(159,063)</u>	<u>(111,597)</u>

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37 Pension fund

The Bank makes contributions to the following pension plans:

- a) A pension plan with defined benefits and other pension for employees not covered by the Social Security Law No. 87-01 of May 9, 2001, which established the Social Security System of the Dominican Republic. Until June 30, 2014, contributions to this plan were 12.5 % of the monthly salaries 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:

	<u>2019</u>
Present value of obligations	
for past services	(14,856,120)
Net assets of the plan	<u>15,491,398</u>
Net position of the plan	<u>635,278</u>

The expense recognized during the periods of nine month ended at September 30, 2020 and 2019 amounted to RD\$1,316,112 and RD\$898,708, respectively, including extraordinary contributions of RD\$542,969 and RD\$181,745 respectively, with the purpose to cover the deficit until 2019, as authorized by the Superintendence of Banks and is recognized under other operating expenses in the accompanying consolidated statements of profit or loss for those years. As of September 30, 2020 and December 31, 2019, the extraordinary contribution of RD\$145,804 and RD\$20,194, respectively, corresponding to September 30, 2020 and December, 2019 is pending of payment and is presented as other liabilities in the accompanying consolidated balance sheets.

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

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Notes to the Consolidated Financial Statements (continued)

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37 Pension fund (continued)

Actuarial assumptions

As of September 30, 2020 and December 31, 2019, the principal actuarial assumptions and other basic information of the plan used in determining the actuarial liabilities, are as follows:

	<u>2020</u>
Mortality table	SIPEN 2011 (M-F)
Rate of return on assets	9.40 %
Long- term annual discount rate	9.00 %
Annual salary increase scale	6.00 %
Long-term annual inflation rate	<u>4.50 %</u>

A summary of the number and amount of current pensions as of December 31, 2019, is as follows:

	<u>2020</u>
Number of members	1,634
Average retirement age	49
Average monthly salary	<u>103</u>

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

38 Non-monetary transactions

Non-monetary transactions are as follows:

	<u>2020</u>	<u>2019</u>
Write-off of loan portfolio and interests receivable	1,243,637	3,293,030
Assets received in lieu of foreclosure of loans	1,060,797	514,184
Transfer between allowance for risky assets:		
Loan portfolio	(101,201)	372,137
Investments	(19,090)	(150,041)
Interests receivable	(62,888)	(394,269)
Assets received in lieu of foreclosure of loans	131,029	218,573

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38 Non-monetary transactions (continued)

	<u>2020</u>	<u>2019</u>
Contingencies	52,150	(46,400)
Sales of assets received in lieu of foreclosure of loans by new credit facilities	5,226	114,674
Transfer of accounts receivable of Torre Atiemar to assets received in lieu of foreclosure of loans	-	2,441
Equity on earnings in associated companies	143,660	159,321
Software program derecognition	-	52,268
Amortization of National Treasury bonds Law 99-01	-	75,000
Interest on National Treasurer bonds Law 99-01	-	750
Transfers of net profit of the period to other equity reserves	-	3,237,271
Dividends paid by offsetting the debt of the Dominican Republic State's institutions: Equity-retained earnings from previous periods	<u>1,686,609</u>	<u>774,261</u>

39 Other disclosures

Further application of standards

According to Circular Letter No. 004/19 dated December 20, 2019, issued by the Superintendence of Banks, it was approved to postpone until January 1st, 2021, the entry into force of the provisions established in Circular SIB: No. 014/18, which approves the "Instructions for the Use of Fair Value of Financial Instruments in Financial Institutions" and Circular SIB: No. 015/18, which approves the "Instructions for the Valuation and Accounting of Derivatives Operations", both dated August 15, 2018".

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

Resolution No. 13-94 of the Superintendence of Banks of the Dominican Republic and its amendments sets the minimum disclosure requirements that the consolidated financial statements of financial institutions should include. As of September 30, 2020, 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.