

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

Consolidated Financial Statements

December 31, 2023

(With Independent Auditors' Report)

(Free Translation from the Original Spanish-Language Version)



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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and its Subsidiaries (the Bank), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statements of profit or loss, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements comprising significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples and its Subsidiaries as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with accounting practices established by the Superintendence of Banks of the Dominican Republic, as described in note 2 to the accompanying consolidated financial statements.

Basis for opinion

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

Emphasis of matter

We draw attention to notes 1 and 39 to the consolidated financial statements. As at December 31, 2023 and for the year then ended, for its condition of being the Bank of the Dominican Republic State, a significant proportion of assets and liabilities, as well as financial income and expenses, correspond to balances held and transactions performed with entities of the government sector. Our opinion is not modified in respect of this matter.

(Continues)

Key audit matters

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

Estimation and accounting of allowance for the portfolio of major and medium-sized private commercial debtors and additional allowance

See notes 2.9.2, 2.9.3, 6, 15 and 37 to the accompanying consolidated financial statements.

The key audit matter

The estimation of allowance for the portfolio of major and medium-sized private commercial debtors and additional allowance is a key audit matter, due to the nature of the calculations, judgments and analysis of management, the allowance requirements that must be complied with the Bank's direction in accordance with the parameters established by the Monetary and Financial Authority and the importance of this estimate in relation to the credit portfolio and the results of the period.

The net loans portfolio represents approximately 43% of the Bank's total assets. The allowance for the portfolio of major and medium-sized private commercial debtors and the additional allowance are determined following the criteria established by the Monetary and Financial Authority, mainly in the Asset Evaluation Regulations, as well as resolutions, circulars, methodology established by the Bank for the determination of the additional allowance and other related explanatory documents.

How the matter was addressed in the audit

Our most relevant audit procedures in relation to the estimation of allowance for the portfolio of major and medium-sized private commercial debtors and additional allowance, and their corresponding accounting, included the following:

- ◆ Obtaining an understanding and testing relevant controls that the Bank maintains regarding the design, implementation and operational efficiency for the approval and disbursement of loans.
- ◆ Obtaining an understanding and testing relevant controls related to the determination, accounting and disclosure of the allowance for the loan portfolio.
- ◆ Obtaining the reconciliation of the general ledger to the sub-ledger of the loan portfolio for testing mathematical accuracy of the reconciliation.
- ◆ Selecting a representative sample of the portfolio of major and medium-sized private commercial debtors to recalculate the required allowance based on parameters established by current regulations. This recalculation includes the evaluation of payment capacity, the payment behavior and the admissibility of collateral provided.

(Continues)

The key audit matter***How the matter was addressed in the audit***

- ◆ Comparing the results obtained with the allowance reported in the loans portfolio´ self-assessment carried out by the Bank, sent to the Superintendence of Banks of the Dominican Republic, and recognized in the consolidated financial statements. We clarified and/or proposed to adjust difference, if any.
- ◆ Recalculating the aging assigned by the Bank's system and reported to the Superintendence of Banks of the Dominican Republic.
- ◆ Recalculating the allowance of the loan portfolio based on its payment behavior, as stipulated in the Asset Evaluation Regulations, as well as in resolutions, circulars, and other related explanatory documents.
- ◆ Analyzing the methodology used by the Bank for the constitution of additional allowance, endorsed by the authorization levels of the competent internal body and notified to the applicable regulatory body.
- ◆ Using sampling techniques, selected several credits written-off and we observed these write-offs have been carried out following the Bank's policy and the Asset Evaluation Regulations.
- ◆ Verifying, if applicable, that the Bank obtained proper authorization from the Monetary and Financial Authority to specific measures and provisions for the recognition of allowances and classification of some loans provided to specific sectors of the Dominican Republic economy.

(Continues)

Technical reserves

See notes 2.31, 2.33 and 20 to the accompanying consolidated financial statements.

The key audit matter

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

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

How the matter was addressed in the audit

Our most relevant audit procedures in relation to the estimation of mathematical and specific reserves, included the following:

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

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Other matter

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

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

The Bank's management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting standards of the Superintendence of Banks of the Dominican Republic, as described in note 2, which is an integral basis of accounting different from the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- ◆ We evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Registration in SB No. A-006-0101



CPA Luis De León
Partner in charge of the audit
Registration in the ICPARD No. 14938

March 30, 2024

Santo Domingo,
Dominican Republic

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

Consolidated Statement of Financial Position

(Free Translation from the Original Spanish-Language Version)

Amounts in thousands of Dominican pesos (DOP)

	<u>At December 31,</u>	
	<u>2023</u>	<u>2022</u> (reclassified, note 41)
ASSETS		
Cash and cash equivalents (notes 3, 25, 29, 37, 39 and 41)	<u>257,209,403</u>	<u>204,161,880</u>
Investments (notes 5, 15, 25, 29, 37, 39, 40 and 41)		
Available for sale	312,181,094	365,874,630
Held-to-maturity	19,914,966	19,402,577
Allowance for investments	<u>(265,093)</u>	<u>(260,357)</u>
Subtotal	<u>331,830,967</u>	<u>385,016,850</u>
Loans portfolio (notes 6, 7 15, 25, 29, 37, 39 and 40)		
Current	495,515,996	411,389,664
Restructured	11,650,005	7,360,318
Overdue (31 to 90 days)	246,435	225,164
Past due (more than 90 days)	2,383,804	1,963,844
In legal collection	29,592	10,655
Interests receivable	4,319,742	3,684,665
Allowance for loans	<u>(17,853,719)</u>	<u>(23,344,110)</u>
Subtotal	<u>496,291,855</u>	<u>401,290,200</u>
Debtors by acceptances (notes 7 and 37)	<u>184,906</u>	<u>51,540</u>
Trust rights (notes 8 and 37)	<u>230,000</u>	<u>-</u>
Accounts receivable (notes 9, 37 and 39)	<u>8,816,760</u>	<u>7,488,672</u>
Assets received in lieu of foreclosure of loans, net (notes 10, 15 and 40)	<u>138,043</u>	<u>432,569</u>
Equity-accounted investees (notes 11, 15, 35, 37 and 40)		
Associates	1,898,219	1,687,795
Allowance	<u>(22,583)</u>	<u>(26,747)</u>
Subtotal	<u>1,875,636</u>	<u>1,661,048</u>
Property, furniture and equipment, net (notes 12, 25, 34, and 40)	<u>15,717,806</u>	<u>13,827,503</u>
Properties under development intended for sale and lease (note 13)	<u>5,927,901</u>	<u>5,286,087</u>
Other assets (notes 14, 36 and 37)		
Deferred charges	28,501,066	16,259,052
Intangibles	663,169	1,087,667
Other assets	<u>991,018</u>	<u>632,192</u>
Subtotal	<u>30,155,253</u>	<u>17,978,911</u>
TOTAL ASSETS	<u>1,148,378,530</u>	<u>1,037,195,260</u>

(Continues)

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

Consolidated Statement of Financial Position

(Free Translation from the Original Spanish-Language Version)

Amounts in thousands of Dominican pesos (DOP)

	At December 31,	
	2023	2022
LIABILITIES AND EQUITY		
LIABILITIES		
Customers' deposits (notes 16, 29, 37 and 39)		
Checking	161,595,419	219,496,063
Savings	364,375,243	320,700,051
Time deposits	278,820,534	217,379,211
Interests payable	781,161	531,999
Subtotal	805,572,357	758,107,324
Deposits from domestic and foreign financial entities (notes 17, 29 and 37)		
Domestic financial institutions	57,604,998	43,439,143
Interests payable	269,723	164,248
Subtotal	57,874,721	43,603,391
Borrowed funds (notes 18, 25, 29, 37 and 39)		
Central Bank	51,274,682	27,831,399
Domestic financial entities	935,122	800,000
Foreign financial entities	73,540,851	58,558,815
Others	6,151,426	1,806,048
Interests payable	2,685,634	1,350,770
Subtotal	134,587,715	90,347,032
Outstanding acceptances (notes 7 and 37)	184,906	51,540
Creditors for insurance and bonds (note 22)	2,875,264	2,462,329
Insurance premium deposits	751,775	492,556
Other liabilities (notes 15, 19, 24, 33, 36, 37 and 40)	28,990,508	24,970,807
Technical reserves (notes 20 and 37)		
Mathematical and technical life insurance reserves	320,635	360,424
Outstanding loss reserves	9,247,009	7,177,538
Subtotal	9,567,644	7,537,962
Subordinated debts (notes 23, 25, 37 and 39)		
Subordinated obligations	20,374,113	37,648,320
TOTAL LIABILITIES	1,060,779,003	965,221,261
NET EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (notes 12, 24, 25 and 40)		
Share capital	39,000,000	39,000,000
Other equity reserves	37,819,093	23,119,085
Revaluation surplus	643,474	646,078
Retained earnings	55,700	55,700
Net income for the year	9,800,006	8,810,332
	87,318,273	71,631,195
Non-controlling interest	281,254	342,804
TOTAL EQUITY	87,599,527	71,973,999
TOTAL LIABILITIES AND EQUITY	1,148,378,530	1,037,195,260
Contingent accounts (notes 25 and 26)	1,894,655,378	1,260,302,602
Memorandum accounts (note 28)	2,108,760,864	2,130,274,449

These 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 Statement of Profit or Loss

(Free Translation from the Original Spanish-Language Version)

Amounts in thousands of Dominican pesos (DOP)

	Years ended December 31,	
	<u>2023</u>	<u>2022</u>
Financial income (notes 3, 4, 5, 29 and 39)		
Interest on cash and cash equivalents	6,176,709	2,791,331
Interest on interbank funds	5,937	24,972
Interest on loans	60,515,967	44,191,578
Interest on investments	24,818,427	22,270,571
Gains on sale of investments	6,230,151	5,318,443
Insurance premiums, net of returns and cancellations	<u>20,178,747</u>	<u>14,238,122</u>
Subtotal	<u>117,925,938</u>	<u>88,835,017</u>
Financial expenses (notes 16, 17, 18, 23, 29 and 39)		
Interest on deposits from customers	(27,852,630)	(14,837,676)
Interest on borrowed funds	(7,969,144)	(5,070,638)
Loss on sale of investments	(4,664)	(81)
Insurance claims and related contractual obligations	(14,187,898)	(9,715,221)
Expenses related to technical adjustment to reserves	(807,773)	(399,357)
Expenses related to acquisition, conservation and collection of insurance premiums	<u>(2,172,176)</u>	<u>(1,634,229)</u>
Subtotal	<u>(52,994,285)</u>	<u>(31,657,202)</u>
Net result of financial assets measured at fair value		
Derivatives	<u>-</u>	<u>(1,469,466)</u>
Gross financial margin	<u>64,931,653</u>	<u>55,708,349</u>
Allowance for loans (note 15)	(550,251)	(2,179,891)
Allowance for investments (note 15)	<u>-</u>	<u>(3,500)</u>
Subtotal	<u>(550,251)</u>	<u>(2,183,391)</u>
Net financial margin	<u>64,381,402</u>	<u>53,524,958</u>
Foreign exchange gain (loss) (note 30)	<u>(554,031)</u>	<u>(604,379)</u>
Other operating income (notes 31 and 39)		
Commissions for services	18,917,011	14,048,476
Foreign exchange commissions	7,031,540	6,645,048
Miscellaneous income	<u>5,388,600</u>	<u>4,294,484</u>
Subtotal	<u>31,337,151</u>	<u>24,988,008</u>
Other operating expenses (notes 31 and 39)		
Commissions for services	(2,736,378)	(2,608,945)
Foreign exchange commissions	(183,972)	(131,212)
Miscellaneous expenses	<u>(5,054,420)</u>	<u>(4,378,717)</u>
Subtotal	<u>(7,974,770)</u>	<u>(7,118,874)</u>
Gross operating profit	<u>87,189,752</u>	<u>70,789,713</u>
Operating expenses (notes 12, 14, 15, 26, 32, 33 and 39)		
Salaries and personnel compensation	(31,685,911)	(27,912,683)
Professional fees	(6,301,700)	(4,726,495)
Depreciation and amortization	(2,385,029)	(2,146,505)
Other provisions	(353,872)	(188,439)
Other expenses	<u>(19,632,127)</u>	<u>(14,313,909)</u>
Subtotal	<u>(60,358,639)</u>	<u>(49,288,031)</u>
Net operating profit	<u>26,831,113</u>	<u>21,501,682</u>

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

Consolidated Statement of Profit or Loss

(Free Translation from the Original Spanish-Language Version)

Amounts in thousands of Dominican pesos (DOP)

	Years ended December 31,	
	<u>2023</u>	<u>2022</u>
Other income (expenses) (note 34)		
Other income	3,778,974	4,354,595
Other expenses	<u>(3,340,477)</u>	<u>(2,533,034)</u>
Subtotal	<u>438,497</u>	<u>1,821,561</u>
Profit before income tax	27,269,610	23,323,243
Income tax (note 36)	<u>(2,729,598)</u>	<u>(1,255,748)</u>
Net income for the period	<u>24,540,012</u>	<u>22,067,495</u>
ATTRIBUTABLE TO:		
Owners of the Bank		
(Parent Company)	24,500,014	22,025,829
Non-controlling interests	39,998	41,666

These 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 (DOP)

	Years ended December 31,	
	<u>2023</u>	<u>2022</u> (reclassified, <u>note 41</u>)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest collected from loans	58,940,140	43,795,715
Other financial income collected	43,269,934	33,895,752
Other operating income collected	30,907,293	23,724,118
Insurance premium collected	20,437,966	14,319,414
Increase in insurance and bonds	(537,332)	(1,214,249)
Interest paid on deposits from customers	(20,664,848)	(10,875,271)
Interest and commissions paid on borrowed funds	(7,124,442)	(4,151,198)
Loss on derivatives and contracts for sale in cash	-	(1,388,508)
General and administrative expenses paid	(57,602,701)	(46,931,245)
Other operating expenses paid	(7,964,233)	(7,089,293)
Income taxes paid	(11,976,944)	(1,844,576)
Insurance claims and contractual obligation	(14,187,898)	(9,715,221)
Miscellaneous collections (payments) from operating activities	<u>(1,075,633)</u>	<u>1,101,755</u>
Net cash provided by operating activities	<u>32,421,302</u>	<u>33,627,193</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in investments	47,351,331	(57,166,204)
Loans granted	(280,241,639)	(217,532,660)
Loans collected	185,410,593	162,211,762
Interbank funds granted	(635,000)	(11,100,000)
Interbank funds collected	635,000	11,100,000
Acquisition of minority interest	(44,364)	(173)
Acquisition of property for sale and lease considered as an investment	(205,540)	(58,875)
Acquisition of property, furniture and equipment	(4,290,291)	(3,511,023)
Proceeds from sale of property, furniture and equipment	84,769	117,004
Proceeds from sale of assets received in lieu of foreclosure of loans	<u>769,060</u>	<u>575,811</u>
Net cash used in investing activities	<u>(51,166,081)</u>	<u>(115,364,358)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits received	10,312,042,509	10,760,760,831
Repayment of deposits	(10,257,493,928)	(10,689,422,016)
Proceeds from borrowed funds	86,190,398	146,733,023
Repayment of borrowed funds	(43,284,579)	(130,248,444)
Proceeds from issue of subordinated obligations	-	10,000,000
Repayment of subordinated obligations	(16,794,582)	-
Dividends paid and other payments to shareholders	<u>(8,867,516)</u>	<u>(8,083,067)</u>
Net cash provided by financing activities	<u>71,792,302</u>	<u>89,740,327</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	53,047,523	8,003,162
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>204,161,880</u>	<u>196,158,718</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>257,209,403</u>	<u>204,161,880</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 (DOP)

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u> (reclassified, note 41)
Reconciliation between the net profit for the period and net cash provided by operating activities		
Net income for the period	<u>24,540,012</u>	<u>22,067,495</u>
Adjustments to reconcile net profit for the period to net cash provided by operating activities:		
Allowance for risky assets and contingencies	904,123	2,371,830
Increase in mathematical and technical reserves	807,773	399,357
Depreciation and amortization	2,402,066	2,168,347
Assets discharged and recognized in expenses	113,408	130,225
Deferred income tax	258,142	89,004
Gain on sale of property, furniture and equipment	(1,197)	(12,664)
Gain on sale of assets received in lieu of foreclosure of loans	(162,846)	(187,649)
Income from recovery of credits written off with assets received	(166,325)	(324,638)
Impairment of property, furniture and equipment	296,938	1,135,284
Share profit arising from investment in other entities	(653,982)	(433,684)
Impairment of assets received in lieu of foreclosure of loans	-	656
Amortization of investment premiums and discounts, net	5,338,950	4,838,253
Amortization of loan discounts	(26,707)	(189,598)
Foreign exchange rate fluctuations, net	124,173	(659,511)
Amortization of debt issuance cost and discount on subordinated obligations	10,537	48,457
Reinvested interest from deposits	6,833,145	3,042,899
Expenses for uncollectibility of accounts receivable	699,448	390,212
Net change in assets and liabilities:		
Interests receivable	(844,696)	(1,554,002)
Debtors by acceptances	(133,366)	3,449
Accounts receivable	(2,027,536)	(2,310,019)
Properties under development intended for sale and lease	(446,792)	153,129
Deferred charges	(12,242,014)	(3,403,150)
Intangibles	(88,742)	(30,930)
Other assets	(333,099)	(123,647)
Derivatives and sales contracts cash	-	80,958
Interests payable	1,689,501	1,820,070
Outstanding acceptances	133,366	(3,449)
Creditors of insurance and bonds	412,935	(683,196)
Insurance premium deposits	259,219	43,432
Other liabilities	3,502,959	3,658,339
Technical reserves	<u>1,221,909</u>	<u>1,101,934</u>
Total adjustments	<u>7,881,290</u>	<u>11,559,698</u>
Net cash provided by operating activities	<u>32,421,302</u>	<u>33,627,193</u>

These 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

Years ended December 31, 2023 and 2022

(Free Translation from the Original Spanish-Language Version)

Amounts in thousands of Dominican pesos (DOP)

	Paid-in capital	Other equity reserves	Revaluation surplus	Retained earning from	Net income for the year	Total	Non- controlling interest	Total equity
Balances at January 1st, 2022	10,000,000	38,903,588	666,545	229,127	6,522,728	56,321,988	301,592	56,623,580
Transfer to retained earnings	-	-	-	6,522,728	(6,522,728)	-	-	-
Dividends paid in cash to non-controlling interest	-	-	-	-	-	-	(281)	(281)
Decrease in minority ownership	-	-	-	-	-	-	(173)	(173)
Dividends declared (note 24):								
Cash paid to the Dominican Republic Government	-	-	-	(6,696,155)	-	(6,696,155)	-	(6,696,155)
Reinvestment of dividends, Law No. 1-22	29,000,000	(29,000,000)	-	-	-	-	-	-
Impairment on revaluated assets (note 24)	-	-	(20,467)	-	-	(20,467)	-	(20,467)
Net income for the year	-	-	-	-	22,025,829	22,025,829	41,666	22,067,495
Transfer to other reserves (note 24)	-	13,215,497	-	-	(13,215,497)	-	-	-
Balances at December 31, 2022	39,000,000	23,119,085	646,078	55,700	8,810,332	71,631,195	342,804	71,973,999
Transfer to retained earnings	-	-	-	8,810,332	(8,810,332)	-	-	-
Dividends paid in cash to non-controlling interest	-	-	-	-	-	-	(57,184)	(57,184)
Decrease in minority ownership	-	-	-	-	-	-	(44,364)	(44,364)
Dividends declared (note 24) - cash paid to the Dominican Republic Government	-	-	-	(8,810,332)	-	(8,810,332)	-	(8,810,332)
Reinvestment of dividends, Law No. 1-22	-	-	-	-	-	-	-	-
Impairment on revaluated assets (notes 12 and 24)	-	-	(2,604)	-	-	(2,604)	-	(2,604)
Net income for the year	-	-	-	-	24,500,014	24,500,014	39,998	24,540,012
Transfer to other reserves (note 24)	-	14,700,008	-	-	(14,700,008)	-	-	-
Balances at December 31, 2023	39,000,000	37,819,093	643,474	55,700	9,800,006	87,318,273	281,254	87,599,527

These 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

December 31, 2023 and 2022

Amounts in thousands of Dominican pesos (DOP)

1 Entity

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

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

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

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

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

**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 (DOP)

1 Entity (continued)

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).

As of December 31, 2023 and 2022, a detail of the Bank's offices, automatic teller machines (ATMs) and post offices is as follows:

<u>Location</u>	<u>2023</u>			<u>2022</u>		
	<u>Offices (*)</u>	<u>ATMs</u>	<u>Post offices</u>	<u>Offices (*)</u>	<u>ATMs</u>	<u>Post offices</u>
Metropolitan area	118	377	6	116	364	8
Provinces	<u>198</u>	<u>485</u>	<u>-</u>	<u>192</u>	<u>442</u>	<u>-</u>
	<u>316</u>	<u>862</u>	<u>6</u>	<u>308</u>	<u>806</u>	<u>8</u>

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

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

As of December 31, 2023 and 2022, the network of subagents was 1,056 (385 in the metropolitan area and 671 in the interior of the country) and 966 (358 in the metropolitan area and 608 in the interior of the country) businesses authorized, respectively.

As of December 31, 2023, the Bank maintains three (3) representative offices located in Madrid, Spain and Miami and New York, United States.

The consolidated financial statements were approved for issuance by the Board of Directors on March 28, 2024.

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 Supervised Entities, regulations, circulars, resolutions, instructions, and specific provisions issued by this agency and the Monetary Board of the Dominican Republic, as well as those provided in the Monetary and Financial Law. These practices differ in some aspects of form and content from the International Financial Reporting Standards (IFRS) applicable to banks and financial institutions. Consequently, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with IFRS.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.1 Accounting basis of the consolidated financial statements (continued)

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for lands and buildings that existed as of December 31, 2004, that were revaluated to present it at fair value (note 12) and prepared on a going concern basis.

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

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

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 the allowance for risky assets, depreciation, amortization, impairment of long-term assets, income tax, technical reserves for insurance contingencies and pension and retirement obligations. Actual results may differ from those estimates.

2.3 Consolidation

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

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

<u>Subsidiaries</u>	<u>Percentage of ownership (%)</u>
<i>Directly subsidiaries:</i>	
Tenedora Reservas, S. A. and Subsidiaries	97.74
<i>Indirectly subsidiaries:</i>	
Administradora de Riesgo de Salud Reservas, Inc.	100.00
Administradora de Fondos de de Pensiones Reservas, S. A.	96.27
Seguros Reservas, S. A.	96.83
Inmobiliaria Reservas, S. A.	87.97
Operadora de Zonas Francas Villa Esperanza, S.A.	87.96
Inversiones & Reservas, S. A.	97.70
Reservas Asistencia, S.A.S.	96.88
Fiduciaria Reservas, S. A.	97.70
Seguridad y Protección Institucional, S. A. (SEPROI)	97.74
Inversiones Finanprimas SB, S.A.S.	96.28
Sociedad Administradora de Fondos de Inversión Reservas, S. A.	97.73
Advanced Auto Technology, S.A.S.	96.83
Fideicomiso de Administración Factoring Gubernamental Reservas	97.74
Reservas Holdings, Ltd.	
Seguros Reservas International Holdings, Ltd. (previously Reservas Holdings, Ltd.)	96.83
Fideicomiso Inmobiliario de Viviendas de Bajo Costo Brisas del Hato	87.97
Fideicomiso para el Desarrollo Económico y Social de la Zona de Punta Bergantín, Puerto Plata	97.74
Seguros Reservas International Ltd.	96.83
Banreservas Representative Offices, Inc.	<u>100.00</u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

Except for Seguros Reservas International Holdings, Ltd., and Seguros Reservas International Ltd. located in the Cayman Islands and Banreservas Representative Offices, Inc. located in the United States, all of the aforementioned entities are located in the Dominican Republic and incorporated in accordance with the laws of this country. There are differences among some of the accounting policies of the subsidiaries, which prepare their financial statements in accordance with the accounting practices issued by the Superintendence of Insurance, Pensions, Health and Labor Risk and Securities of the Dominican Republic.

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

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

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

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

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

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

**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 (DOP)

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 Reservas, per its Spanish acronyms) - 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 No. 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 No. 87-01. The AFP is regulated by the Superintendence of Pensions of the Dominican Republic.

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

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

The subsidiaries of Inmobiliaria Reservas, S. A. are Operadora de Zonas Francas Villa Esperanza, S. A., which own a free zone park and it is engaged on leasing the property under the free zone regime as certified by the National Council of Export Free Zones and the Fideicomiso Inmobiliario de Viviendas de Bajo Costo Brisas del Hato, established in accordance with the laws of the Dominican Republic for the construction and repair of residential buildings (including construction, renovation and repair of single-family and multi-family homes).

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

This subsidiary was incorporated under the laws of the Dominican Republic.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

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

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

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

Incorporated under the laws of the Dominican Republic, its main objective is to manage all types of business in accordance with Law No. 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, per its Spanish acronyms)*

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) *Reservas Asistencia, S.A.S.*

Incorporated under the laws of the Dominican Republic, its main purpose is to offer all types of road assistance services within the national territory, especially to vehicle drivers and their companions due to accidents and any other eventuality that occurs during the trip, both to the person and the property.

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

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

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

Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

- (i) *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.

- (j) *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.

- (k) *Fideicomiso de Administración Factoring Gubernamental Reservas*

Incorporated according to the laws of the Dominican Republic, its main purpose is to perform invoices factoring from entities classified as micro, small and medium-sized companies (MIPYMEs).

- (l) *Seguros Reservas International Holdings, Ltd. (previously Reservas Holdings, Ltd.)*

Incorporated under the laws of the Cayman Islands, its main purpose is to be a captive insurer and coinsurer.

- (m) *Fideicomiso para el Desarrollo Económico y Social de la Zona de Punta Bergantín, Puerto Plata*

Incorporated in accordance with the laws of the Dominican Republic and it is engaged on real estate operations.

- (n) *Seguros Reservas International, Ltd.*

Incorporated under the laws of the Cayman Islands and it is engaged on insurance and reinsurance operations.

- (o) *Banreservas Representative Offices, Inc.*

Incorporated under the laws of the United States. Its main objective is to help the Parent Company with compliance on operational and administrative requirements of the representative offices located in that country.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in vaults, deposits in the Central Bank of the Dominican Republic (Central Bank) and in domestic and international financial institutions, investments easily convertible to cash with a maturity of less than three (3) months from the acquisition date, the interests receivable from cash and cash equivalents and other collectible bills.

2.5 Transactions with repurchase or resale agreement (repurchase agreements)

Securities that are purchased under resale agreements and securities that are sold under repurchase agreements are generally treated as secured financial transactions. Therefore, the securities received or transferred are not derecognized in the consolidated statements of financial position if control of the contractual rights embodied in those securities are not transferred.

In purchases with a resale agreement, the cash paid, and the accrued interest are recognized as asset in the balance sheet as a guaranteed credit. In sales under repurchase agreements, cash received and accrued interest are recognized under liabilities as borrowed funds.

2.6 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 statement of financial position, because of the relatively short-term period of time between the origination of the instruments and their subsequent realization. This category includes cash and cash equivalents, bank acceptances, customer's liability acceptances, interests receivable, customers deposits, rights in trust, accounts receivable, deposits from domestic financial entities, borrowed funds, interests payable and other liabilities.

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.

**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 (DOP)

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

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.

Long-term financial liabilities

Includes customers' deposits, deposits from domestic financial institutions, long-term borrowed funds, and subordinated debt. It was not possible to estimate their fair value because there is no active market for these financial instruments in the Dominican Republic.

2.7 Investments

It comprises investments which, by virtue of their legal form and legal transfer regime, can be traded on a financial or stock market, securities issued by financial intermediaries not traded on a secondary market, and shareholdings in other companies which do not give significant influence to the Bank.

The Instructions for the Classification, Valuation, and Measurement of Investments in Debt Instruments establishes the classification of investments into three categories: to be negotiated, available-for-sale, and held to maturity, which are indicated below:

- *To be negotiated*: These are those investments that the Bank acquires with the intention of obtaining profits derived from fluctuations in their prices and are part of a portfolio of debt instruments identified and managed jointly, which are listed on a stock exchange or other organized market. These securities cannot remain in this category for more than 180 days from their acquisition date, during which they must be sold. Investments in trading securities are originally recognized at their fair value net of the premium or discount with which they were acquired.

Changes in fair value must be recognized in the statement of profit or loss as a gain or loss on financial assets at fair value.

- *Available-for-sale*: These are those securities held by the Bank to obtain an adequate return due to their temporary excess liquidity, or those investments that the Bank is willing to sell at any time and that are listed on an active or organized market.

**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 (DOP)

2 Summary of significant accounting policies (continued)

2.7 Investments (continued)

- Available-for-sale (continued):

Investments available for sale are originally recognized at their fair value and the premium or discount with which they have been acquired is amortized during the term of the instrument, using the effective interest rate. Its value is updated daily to the closing market value of that day.

Changes in market value must be recognized in equity as an unrealized gain or loss.

By Circular SB: No. 10/22, it was postponed until January 1st, 2024, the use of fair value measurement for investment portfolios classified as to be negotiated and available-for-sale, therefore, as of December 31, 2023 and 2022, the investments classified in those categories are recognized at amortized cost. Subsequently, through Circular SB No. CSB-REG-202300016, dated December 5, 2023, the Superintendence of Banks issued to maintain indefinitely the accounting treatment set forth in Circular SB: No. 10/22 for such investment.

- 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.

In accordance with the provisions of the Superintendence of Banks, shareholding in other companies that do not give significant influence on the Bank must be included as part of available-for-sale investments in the consolidated financial statements. Initial recognition and subsequent measurement for these instruments are similar as described in note 2.8. The allowance recognition accounting policy is described in note 2.7.1.

The type of security or financial instrument and its amount is presented in note 5.

2.7.1 Allowance for investments

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

**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 (DOP)

2 Summary of significant accounting policies (continued)**2.7 Investments (continued)****2.7.1 Allowance for investments (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 allowance.

Excess provisions for investments can be reversed when the investment is canceled or the issuer's risk classification improves, provided certain conditions are met, and the Superintendence of Banks must be notified; or they can be transferred to other allowances for risky assets in which the Bank presents provision needs.

2.8 Equity-accounted investees and allowance

Investments in subsidiaries and associates are valued under the equity method, under this method, the investment is initially recognized at cost and the carrying amount will increase or decrease, to recognize the investor's participation in the profit or loss of the period of the investee, after of the acquisition date. The participation of the investor in the profit or loss of the period of the investee will be recognized in the profit or loss of the period the investor. Allowances for investments in shares are determined following the same criteria as for major commercial debtor's loan (see note 2.9.2). The characteristics of equity-accounted investees are presented in note 11.

Possible losses that could arise from shareholdings in other companies without significant influence caused by the insolvency or significant impairment of the credit risk of the issuers, are recognized directly in the consolidated statement of profit or loss of the period.

2.9 Loan portfolio and allowance for loans**2.9.1 Loans**

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

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

The Bank suspends the accrual of interest on loans when past due for more than 90 days and 60 days for credit cards (see note 2.9.3).

**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 (DOP)

2 Summary of significant accounting policies (continued)**2.9 Loan portfolio and allowance for loans (continued)****2.9.2 Allowance for loans portfolio**

The determination of allowance to cover bad debts risk on the loan portfolio is based on the criteria established in the REA issued by the Monetary Board and other circulars and rulings issued by the Superintendence of Banks.

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

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

The major commercial debtors are classified quarterly considering a categorized analysis of each debtor based on their payment capacity, as established in the Asset Evaluation Regulation (REA, per its Spanish acronyms), 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 DOP40,000, both at the individual and consolidated levels in the system.

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

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.9 Loan portfolio and allowance for loans (continued)

2.9.2 Allowance for loans portfolio (continued)

Medium-sized commercial debtors are those whose total credit operations owed to the financial system are equal to or greater than DOP25,000 and less than DOP40,000 both individually and consolidated in the financial system.

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

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

The Bank assigns the risk classification to the restructured loans, considering the one that was in force at the time of restructuring the debt or the one that arises from the days past due on the loan at the time of restructuring, or the worst of both, in accordance with the REA.

The risk classification of the restructured credit will be the classification assigned to all the debtor's credits within the same type of portfolio. An initial classification of no less than "B" is assigned, which may be modified to a lower risk category, depending on the evolution of your payments up to classification "A" to the extent that the conditions agreed in the contract are met.

In addition to the payment capacity, for the largest commercial debtors, their payment behavior and country risk are evaluated to improve their risk classification. Additionally, the Bank applies a carryover mechanism for the portfolio overdue with more than 90 days, through which the total capital is considered as overdue when one of the installments of the total credit has fallen into this condition.

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.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)**2.9 Loan portfolio and allowance for loans (continued)****2.9.2 Allowance for loans portfolio (continued)**

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.

The Bank has recognized the REA's minimum required allowances and additional allowances based on internal policies and methodology which consider the credit risk of debtors. Additional allowance was recognized in compliance with the regulations of the Superintendence of Banks in the REA on Circular SB: CSBREG-202300005 dated August 10, 2023 and other related explanatory documents.

Banks may consider additional allowances as secondary capital, subject to authorization by the Superintendence of Banks, which has a cap of 1 % of risk-weighted assets and contingents.

According to the Circular No. 6/21 dated March 31, 2021, financial entities applying the new special regulatory treatment will not be able to use the additional allowance for the computation of secondary capital.

By Circular SB: CSB-REG-202300005 dated August 10, 2023, the Bank may maintain allowances in excess as part of the generic and specific allowance accounts established in the Accounting Manual for Supervised Entities if this excess is associated with the risk of the loan portfolio and is supported by a risk methodology designed by the Bank and duly notified to the Superintendence of Banks. Such circular also establishes that additional allowance defined as part of Bank's internal policies may be maintained. Anticyclical allowance, additional allowance for computation of secondary capital and other additional allowances, may not be considered as portfolio hedges and shall not be deducted in the computation of the solvency index. Anticyclical allowance may not be used to compensate allowance deficits. Additional allowance for secondary capital computation may not be used to cover additional risks or allowance deficits.

Relaxation measures

The Monetary Board, in its Second Resolution of March 18, 2021, established a special regulatory treatment for financial intermediation entities to constitute on a monthly basis, gradually, in a maximum period of 33 (thirty-three) months, starting on April 30, 2021 and until December 31, 2023, at a rate of at least 1/33 (one thirty-third) monthly, the allowances not constituted by previous regulatory provisions, corresponding to loans and interest receivable; as well as those new allowances that must be established during the term of the gradual process, due to the granting of new credits, the impairment of pre-existing loans or the loss of value of admissible guarantees.

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

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)**2.9 Loan portfolio and allowance for loans (continued)****2.9.2 Allowance for loans portfolio (continued)**Relaxation measures (continued)

The anti-cyclical allowances constituted by the entities during the gradual period, due to the identification of potential risks in their loans due to variations in the economic cycle, will be used exclusively to absorb losses for the specific debtor loans that generated these allowances or others, which can require coverage in the event of shortages of allowances.

The Superintendence of Banks, through Circular No. 006/21, dated March 31, 2021, established the operating guidelines for this gradual regulatory treatment.

During the year 2021, the Bank chose this gradual treatment; however, it has not used this treatment because it maintains an excess of the minimum required allowances, in accordance with the REA, during this period.

Collateral

The collaterals that support credit operations are classified according to the REA, based on their multiple uses and facilities. Each type of collateral is considered as a secondary element for the calculation of the coverage of the provisions, based on an established admissible amount.

The admissible collaterals will be accepted based on the percentages of discount established in this regulation and on their market value.

These are classified in:

Multi-use collateral (multipurpose collateral)

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

Specific use collateral (non-multipurpose collateral)

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

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

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)**2.9 Loan portfolio and allowance for loans (continued)****2.9.2 Allowance for loans portfolio (continued)*****Specific use collateral (non-multipurpose collateral) (continued)***

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

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

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

Other considerations

As of December 31, 2023 and 2022, 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: development of road network sector and other infrastructure as of December 31, 2023.

2.9.3 Allowance for interests receivable

The allowance for current interests receivable, commercial and microenterprises is determined using specific percentages according to classification provided and considering the collateral for the related loan portfolio.

The allowance for interests receivable from consumer and mortgage loans is based on specific percentages of each type based on the aging of balances established in the REA. These allowances also consider other circulars and related documents issued by the Superintendence of Banks.

Interests receivable for loans with 90 days past due, are provided for at 100 %. Such accounts are then maintained on a non-accrual basis, recognized as memorandum accounts and its interest are recognized as income only when collected.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.10 Derivatives

Banks shall measure all its derivatives at fair value on the date of its initial recognition and on a subsequent basis. The Bank determines the derivatives' fair value in accordance with the Superintendence of Banks' guidelines within the "Instructions on the Use of Fair Value of Financial Instruments in Financial Intermediation Entities" and, in the event of situations not contemplated in the aforementioned instructions, following the principles of the International Financial Reporting Standards IFRS 13 *Fair Value Measurement*.

Positive fair value is recognized as an asset and negative fair value as a liability. The face value of the contract must be recognized in contingent accounts at the same time.

Changes in derivatives' fair value that occur from the date of the transaction to the time of the measurement shall be recognized daily in the value of the derivative in the consolidated statement of financial position and in profit or loss accounts for the reporting period, using the accounting accounts as defined in the Accounting Manual for Supervised Entities.

2.11 Trusts rights

Investment value generated for the Bank as a trustee when an asset or pool of assets is transferred for the constitution of a trustee, after the non-objection of the Superintendence of Banks to deliver the assets in trust. The transfer of one or more assets by the trustor is made at book value. The delivery does not generate the realization of profits and these only have an impact on profit or loss accounts when the asset or assets subject to the trust are actually disposed of to third parties.

2.12 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.

2.13 Valuation of properties, furniture and equipment and depreciation method used

2.13.1 Basis of recognition

Properties, 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.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.13 Properties, furniture and equipment and depreciation method used (continued)

2.13.1 Basis of recognition (continued)

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. Maintenance costs and repairs that do not improve or increase the useful life of the asset are recognized as expenses as incurred. The cost of renovations and improvements is capitalized. When the assets are retired, their costs and the corresponding accumulated depreciation are eliminated from the corresponding accounts and any gain or loss is included in the profit or loss of the period.

2.13.2 Depreciation

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

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

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

2.14 Assets received in lieu of foreclosure of loans

2.14.1 Basis of recognition

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.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)**2.14 Assets received in lieu of foreclosure of loans (continued)****2.14.1 Basis of recognition (continued)**

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

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

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

2.14.2 Allowance assets received in lieu of foreclosure of loans

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.

The allowance excess for assets received in lieu of foreclosure of loans can be reversed when the sale of assets received in credit recovery occurs, or they can be transferred to other risky asset allowances in which the Bank presents provision needs.

2.15 Deferred charges

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

2.16 Intangible assets and amortization method used

Intangible assets correspond to disbursements not recognized as expenses in the period in which they are incurred, but their recognition is distributed in future periods because the benefits that will be received from them extend beyond the period in which they were made. This category includes computer programs for which prior authorization from the Superintendence of Banks is required for recording items in the accounts that make up intangible assets.

Intangible assets are recognized at cost, net of their accumulated amortization, using the straight-line method over an estimated useful life of five years.

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

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.17 Assets and liabilities in foreign currency

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

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

2.18 Employee benefit cost

2.18.1 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.

2.18.2 Defined benefits plan

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

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

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

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

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)**2.18 Employee benefit cost (continued)****2.18.3 Defined contribution plan (continued)**

The Bank makes contributions to the mandatory pension plan, according to the Social Security Law No. 87-01, previously dated May 9, 2001, which created the Social Security System of the Dominican Republic. This system operates under an individual capitalization scheme and requires that individual contributions made by the employer and employee must be managed by the 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.

2.18.4 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.

2.19 Customers' deposits

It comprises the obligations arising from the collection of public resources, as well as from financial institutions in the country and abroad carried out by the Bank through the different deposit arrangements. It also includes deposits that are restricted, those that are inactive and abandoned, as well as charges for these obligations that are outstanding.

2.20 Subordinated debts

The Bank has subordinated debts relating to financing obtained in US dollars (USD) by issuing debt securities denominated "Subordinated Debt Notes," issued in the United States of America, and subordinated debt bonds in Dominican pesos (DOP), 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 effective interest method over the term of the debt. Financial expenses resulting from interest, commissions, exchange differences and other financial charges arising from the aforementioned obligations are recognized and charged to profit or loss in the period in which they are incurred.

2.21 Provisions

Except as indicated in note 2.24, the Bank recognizes a liability 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.

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

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.22 Revenue recognition and expenditures

2.22.1 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. 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.

Earned returns on investments are recognized based on the balance of the instrument. The premium or discounts in the acquisition of these instruments are amortized over the life of the instrument and recognized as part of the investment gain or loss, as applicable.

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 from disposal of investments in debt instruments

Income from disposal of investments, 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.

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. Revenues from services associated with credit cards are recognized when they are charged to cardholders.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.22 Revenue recognition and expenditures (continued)

2.22.1 Banks' revenue recognition and expenditures (continued)

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.

2.22.2 Revenue recognition of insurance companies

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

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

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

2.22.3 Revenues from the Administrator of Pension Funds

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

The monthly administrative commission received from Fund T-1 (Contributory) and Fund T-4 (Distribution) is recognized when dispersion of resources in the accounts of the Administrator is made based on 0.5 % of contributory salary.

The commission revenue for managed balance corresponds to 1.20 % of the net equity of the Pension Funds up to 0.75 % in the next 10 years.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.22 Revenue recognition and expenditures (continued)

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

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

2.22.5 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 statement of financial position until such conditions are met.

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

2.22.6 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.

2.23 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.

At inception of a contract, the subsidiaries that prepare their statements according to IFRS, Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc., Inversiones & Reservas, S. A. and Sociedad Administradora de Fondos de Inversión Reservas, S. A. (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.

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

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.23 Leases (continued)

To assess whether a contract conveys the right to control the use of an identified asset, the subsidiaries use the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the subsidiaries allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The subsidiaries 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 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. Generally, their incremental interest rate as a discount rate.

The subsidiaries determine their incremental interest rate by obtaining interest rates from various external financing sources and make certain adjustments to reflect the terms of the lease and type of the leased asset.

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

- ◆ Variable lease payments, which are dependent on an index or rate, initially measured using the index or rate as the commencement date.
- ◆ The amount expected to be paid under a residual value guarantee.
- ◆ The exercise price under a purchase option that the subsidiaries are reasonably certain to exercise.
- ◆ The lease payments in an optional renewal period, if they are reasonably certain to exercise an extension option.
- ◆ The penalties for early termination of a lease, unless they are reasonably certain not to terminate early.

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

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.23 Leases (continued)

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 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 statement of financial position.

Short-term leases and leases of low-value assets

The subsidiaries Fiduciaria Reservas, S. A., Administradora de Riesgos de Salud Reservas, Inc., Inversiones & Reservas, S. A. and Sociedad Administradora de Fondos de Inversión Reservas, S. A. have elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases.

They recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The assets held in leases by the subsidiaries were classified as operating leases and were not recognized in the consolidated statement of financial position.

Payments made under operating leases were recognized in the consolidated statements of profit or loss 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.

2.24 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 (DOP)

2 Summary of significant accounting policies (continued)

2.24 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 26 to the consolidated financial statements.

2.25 Income tax

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

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

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

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

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

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

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

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.26 Segment reporting

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

2.27 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.

2.28 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.

2.29 Contingencies

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

2.30 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 24).

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

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)**2.30 Distribution of dividends (continued)**

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

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

2.31 Revaluation surplus

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

2.32 Mathematical and technical reserves - life insurance and collective insurance

Mathematical reserves in individual life insurance consist of the equivalent of the difference between the present value of the Bank's obligations towards the insured, and the present value of the obligations of the insured persons towards the Bank. Its calculation is made on the basis of net premiums for individual life insurance and on the basis of survival probabilities for pension plans in accordance with the interest rate and mortality tables used by the Bank.

Mathematical reserves are calculated based on net premiums; however, modified reserves may be calculated, prior approval of the calculation elements by the Superintendence of Insurance.

The technical reserves for group and personal accident insurance are calculated according to the minimum percentages established in Article 141 of Law No. 146-02 on Insurance and Bonds of the Dominican Republic, which are: group life insurance, personal accident, and health, provided that the premium is charged at 5 % in monthly installments, and when the premium is charged at 40 % in installments that are not monthly.

Commissions on unearned premiums and unearned commissions on ceded reinsurance premiums are determined based on fixed percentages established by the Superintendence of Insurance, which are presented as follows:

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

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

	<u>Law No. 146-02</u>
Personal insurance with monthly billing	5 %
Transportation and freight insurance	15 %
Bank guarantees	40 %
For other insurances	<u>40 %</u>

2.33 Specific reserves

The amounts claimed (determined by an adjuster or internally) that are pending settlement or payment at the closing date of the fiscal year are recognized as specific reserves, as well as a provision for incurred claims reported after the closing of the fiscal year.

2.34 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.

2.35 Incurred but not reported claims (IBNR)

The reserves of claims incurred, but not reported, are constituted at the end of each month by the percentages established by SISALRIL on the amount of claims incurred in the month. The claims incurred in the month will be determined by the sum of the claims paid, plus claims settled and pending payment, plus claims pending validation and settlement corresponding to the month of the current year, minus the claims settled and pending payment and the claims pending validation and settlement corresponding to the same month of the previous year.

2.36 Significant differences with IFRS

2.36.1 Differences between banking regulations and IFRS

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

- i) The allowance for the loan portfolio corresponds to the amount determined based on a risk assessment carried out by the Bank and the levels of allowances required for the classification assigned to each loan.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

2.36.1 Differences between banking regulations and IFRS (continued)

The evaluation for the major commercial debtors through the payment capacity, includes the documentation of the credit files considering the financial information of the borrower's financial statements, as well as the opinion of the auditor, quality of the administrative management and corporate structure, economic environment, evaluation of financial reasons, payment record and collateral levels; for medium commercial debtors, it includes a simplified assessment based on operating losses and adjusted equity, payment record and collateral levels and for other debtors (consumption, mortgages and minor debtors based on days of delay).

The collaterals are only considered for the determination of the allowance according to the guidelines established in the REA. In addition, the allowances include additional and/or anti-cyclical allowances determined according to an internal methodology, and other Bank's policies.

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

- ii) Banking regulations require financial institutions to establish an allowance for assets received in lieu of foreclosure of loans, according to the following criteria: moveable goods are reserved over a two year period, on a straight-line basis, starting six months following the foreclosure; real estate is reserved over a three year period, on a straight-line basis counted as of the first anniversary of its recognition on the Bank's accounting books and debt securities follow the same basis of allowance for investments. Both criteria counting from 120 days after the date of the foreclosure of the property or of the payment contract duly legalized. IFRS require that these assets are reserved only in the event of impairment.
- iii) Interests receivable past due for less than 90 days, are reserved according to the classification granted to the corresponding principal. Past due interests' receivable with more than 90 days are fully reserved. Subsequently, accrued interests are not recognized in the consolidated financial statements and are recognized in memorandum accounts. In accordance with IFRS, the same criteria apply as for the allowance for credit portfolio, considering that the receivables continue to be accrued based on their book value, net of impairment.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

2.36.1 Differences between banking regulations and IFRS (continued)

- iv) Financial entities translate all foreign currency balances at the official exchange rate as established by the Central Bank of the Dominican Republic at the reporting date. IFRS require that all foreign currency balances be translated at the exchange rate at which the Bank had access at the reporting date.
- v) The Superintendence of Banks requires that allowance held on loans portfolio at the time of executing their collateral, be transferred to assets received in lieu of foreclosure of loan settlements. IFRS only require reserves when the fair value of the asset is lower than its carrying value or when impairment exists.
- vi) According to banking practices, other operating income, such as credit card renewal fees, letters of credit and acceptances outstanding are recognized immediately. In accordance with IFRS, income must be recognized when an entity transfers control of a good or service over time and, therefore, satisfies a performance obligation. The income is recognized by the price of the transaction that is assigned to that performance obligation.
- 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 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. In accordance with the Accounting Manual for Supervised Entities, financial intermediation entities have a period of six (6) months to submit the request for authorization to the Superintendence of Banks for the deferral of computer programs, counted from their putting into operation. If the entity does not make the request within the established term, it must expense all the disbursements made. 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.

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

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2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

2.36.1 Differences between banking regulations and IFRS (continued)

- ix) The Superintendence of Banks considers three categories of investments in securities: to be negotiated; available for sale and held to maturity. By means of Circular SB: No. 010/22 it was postponed until the 1st. January 2024, the use of fair value in the investment portfolio, therefore the investments are recorded at their amortized cost. Subsequently, by Circular SB No. CSB-REG-202300016, dated December 5, 2023, it was decided to maintain indefinitely the accounting treatment set forth in Circular SB: No. 10/22 for the recognition of investments. IFRS establish three categories for the classification and recognition of investments: amortized cost, fair value through other comprehensive income (equity) and fair value through profit or loss. This classification depends on the business model determined by the management on its financial assets and the characteristics of contractual cash flows.
- x) The investment portfolio is quantified according to the risk categories determined by the Superintendence of Banks that requires specific provisions, following the instructions in the Assets Evaluation Regulations (REA, per its Spanish acronyms). IFRS require that impairment for investments recognized at amortized cost be determined following the same considerations indicated for loan portfolio as described in i) above.
- xi) The Superintendence of Banks requires that cash flows from the loan portfolio be classified as investment activities, as well as dividends received from other companies, and cash flows from customer deposits as financing activities. IFRS require that cash flows from these transactions be recognized as part of operating activities, except for dividends received for which it only allows but does not require it.
- xii) For the recognition of the surplus due to revaluations of fixed assets, prior authorization from the Superintendence of Banks is required. The IFRS establish that these updates must be made whenever there are significant changes in the value of these assets. On the other hand, the Accounting Manual for Supervised Entities establishes that the revaluation surplus included in equity may be transferred directly to retained earnings, when the asset is derecognized and when the net realizable value is less than the carrying value and does not allow the alternative option of IFRS.
- xiii) 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.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

2.36.1 Differences between banking regulations and IFRS (continued)

- xiv) The Accounting Manual for Supervised Entities requires for derivative instruments:
 - i) sensitivity analysis for each type of market risk to which it is exposed at year-end, indicating how the results or equity would have been affected by possible changes in the relevant risk variable; ii) methods and assumptions used for the sensitivity analysis; and iii) changes made to the method used in the previous year, if any, and the reasons for the change. IFRS require it for all financial instruments and not only for derivative instruments.
- xv) 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.
- xvi) 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.
- xvii) The Superintendence of Banks authorized the inclusion in the consolidated financial statements, the financial statements of subsidiaries that were prepared following different accounting practices to those set in the Accounting Manual for Financial Institutions, without being adjusted with the accounting practices followed by the Bank. Under IFRS, entities included in the consolidation should follow the same accounting policies.
- xviii) Current banking regulations require financial intermediaries to recognize as expenses, payments arising from operating leases to the extent that they are accrued. 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.

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2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

2.36.1 Differences between banking regulations and IFRS (continued)

- b) Subsequent to initial recognition, the asset is depreciated on a straight-line basis over the term of the lease and the liability changes to reflect lease payments and interest generated.
- c) In the statement of profit or loss, the expenses originated by the lease contract comprise the amortization expense of the underlying asset and the interest expense generated by the financial liability incurred.
- xix) IFRS requires the Bank to capitalize borrowing costs that are directly attributable to the construction of a qualifying asset, as part of the cost of that asset. Current rules of the Superintendence of Banks do not allow this practice.
- xx) IFRS require that, when an entity applies an accounting policy retroactively or performs a retroactive restatement of items in its financial statements, or when it reclassifies items in its financial statements, it will present at least three statements of financial position: to the January 1st and December 31 of the comparative year, and December 31 of the current year. The Superintendence of Banks does not require the comparative presentation of a third year.
- 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, such as those related to the defined benefit plan and the Rights in trust, among others.

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

- i) In accordance with the accounting practices established by the Superintendence of Insurance, insurance contracts are accounted for as follows:

Short-term insurance contracts are recognized as revenue when billed; as a result, unearned premium reserves are computed based on specific percentages according to the line of business and not according to a uniform distribution for the time consumed. Article 141 of the No. 146-02 states minimum percentages, as follows:

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2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

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

- ◆ 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.
- Reinstallation and settlement effects of reinsurance contracts are in accordance with the final settlement date of the contract with the reinsurer, without considering the period in which this effect was generated.
 - Reserves arising from insurance contracts are established on the basis of specific percentages in the case of reserves for current risks and catastrophic risks and on the value claimed or determined by the adjusters in the case of specific reserves.
 - Incremental costs incurred in the process of acquiring and issuing insurance contracts are recognized as expenses at the time they are generated, except for commissions to intermediaries, which are amortized in proportion to the level of recognition of the premium that originated them, following the percentages established by the Superintendence of Insurance.
 - The service components that are part of the insurance contract are recognized as income together with the premium income underwritten and are not separated.

IFRS set out the following accounting rules for the measurement and recognition of insurance contracts:

- The Bank must assess whether a set or series of contracts should be treated as a single contract and whether the embedded derivatives, investment components and goods and services components should be separated and accounted for in a different manner.
- Insurance contracts and investment contracts with discretionary participation features are aggregated into groups for measurement purposes. The groups of contracts are identified by first identifying the portfolios of contracts, each of which comprises contracts that are subject to similar risks and managed as a whole.

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Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

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

- The level of aggregation requirements in IFRS limits the offsetting of gains on groups of profitable contracts, which are generally deferred as a contractual service margin (CSM), with losses on groups of onerous contracts, which are recognized immediately.
- Under IFRS, the measurement of a group of contracts includes all future cash flows within the limits of each of the Bank's contracts.
- For insurance contracts, cash flows are within contract limits if they arise from substantial rights and obligations that exist during the reporting period in which the Bank can obligate the policyholder to pay premiums or has a substantial obligation to provide services (including insurance coverage and investment services).
- IFRS introduces a measurement model based on estimates of the present value of future cash flows expected to arise as the Bank fulfills contracts, an explicit risk adjustment for non-financial risk and an CMS.
- Contracts are subject to different requirements depending on whether they are classified as direct participation contracts or contracts without direct participation features. Direct participation contracts are service contracts substantially related to investments on which the Bank promises a return on investment based on underlying elements. These are contracts for which, at the outset:
 - ◆ The contractual terms specify that the policyholder participates in a portion of a clearly identified set of underlying elements.
 - ◆ The Bank expects to pay the policyholder an amount equal to a substantial portion of the fair value yields of the underlying items.
 - ◆ The Bank expects that a substantial proportion of any change in the amounts payable to the policyholder will vary with the change in the fair value of the underlying items.

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Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

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

- On initial recognition, an entity shall measure a group of insurance contracts at the total of:
 - ◆ Cash flows from compliance, comprising:
 - (a) Estimates of future cash flows.
 - (b) An adjustment to reflect the time value of money and financial risks related to future cash flows, to the extent that financial risks have not been included in the estimates of future cash flows.
 - (c) An adjustment of risk to non-financial risk.
 - ◆ The contractual service margin, which is a component of insurance contract assets or liabilities, represents the non-cumulative (accrued) gain that the entity will recognize as it provides insurance contract services in the future.
- The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of:
 - ◆ The liability for the remaining coverage, comprising:
 - (a) Cash flows from compliance relating to future services assigned to the group at that date.
 - (b) The Bank's contractual service margin on that date.
 - ◆ The liability for claims incurred, comprising cash flows from compliance relating to future services assigned to the group at that date.
- An entity shall recognize income and expense for the following changes in the carrying amount of the remaining hedge liability:
 - ◆ Income from ordinary insurance activities for the reduction in the liability for the remaining coverage due to the service rendered in the period.
 - ◆ Insurance service expenses for losses in onerous contract groups, and reversals of these losses.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

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

- ◆ Financial expenses and income from insurance due to the effect of the time value of money and the effect of financial risk.
- An entity shall recognize income and expense for the following changes in the carrying amount of the liability for claims incurred:
 - ◆ Insurance service expenses for the increase in liabilities due to claims and expenses incurred in the period, excluding investment components.
 - ◆ Insurance service expenses for subsequent changes in cash flows from claims-related compliance and expenses incurred.
 - ◆ Financial expenses and income from insurance due to the effect of the time value of money and the effect of financial risk.

Premium allocation approach

The premium allocation approach is a simplified measurement model, optional in IFRS, which is available for insurance and reinsurance contracts that meet the following criteria:

- The entity reasonably expects that this simplification will produce a measurement of the remaining hedge liability for the Bank that is not significantly different from that which would be produced by applying the requirements of the general approach.
- The period of coverage of each contract at the Bank, including insurance contract services, arising from all premiums within the contract limits determined at the date of application, is one year or less.

Premium allocation approach - measurement

Using the premium allocation approach, an entity measures the liability for the remaining hedge as follows:

- At initial recognition, the carrying amount of the liability is:
 - ◆ Premiums, if any, received on initial recognition.

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2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

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

Allocation approach to the measurement premium (continued)

- ◆ Less any cash flows from the acquisition of the insurance at that date, unless the entity elects to recognize the payments as an expense.
- ◆ Plus or minus any amount arising from derecognition on the date of:
 - (a) Any asset for cash flows arising from the acquisition of insurance.
 - (b) Any other asset or liability previously recognized for the cash flows related to the contract.
- At the end of each reporting period, the subsequent carrying amount of the liability is the carrying amount at beginning of reporting period:
 - ◆ Plus premiums received during the period.
 - ◆ Less cash flows from the acquisition of insurance.
 - ◆ Plus any amounts related to the amortization of cash flows from the acquisition of the insurance recognized as an expense in the reporting period.
 - ◆ Plus any adjustment to a funding component.
 - ◆ Less the amount recognized as insurance revenue from ordinary activities for services provided in that period.
 - ◆ Less any investment component paid or transferred to the liability for claims incurred.

Reinsurance contracts

In accordance with IFRS, an entity shall recognize a group of reinsurance contracts held when it occurs:

- The beginning of coverage period of the group of reinsurance contracts.

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Notes to the Consolidated Financial Statements (continued)

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2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

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

Reinsurance contracts (continued):

- The date on which the entity recognizes a pecuniary group of underlying insurance contracts, if the entity entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

For reinsurance contracts maintained, the measurement requirements of the underlying insurance contracts apply. For such contracts, an entity shall use consistent assumptions to measure the present value estimates of future cash flows for the group of reinsurance contracts held and the estimates of the present value of future cash flows for the group (or groups) of underlying insurance contracts. In addition, the entity shall include, in the present value estimates of future cash flows for the group of reinsurance contracts held, the effect of any default risk by the issuer of the reinsurance contract, including the effects of collateral and litigation losses.

- ii) In accordance with the accounting practices of the Superintendencia of Insurance, investments are recognized at amortized cost or at fair value and are classified in two groups: a) reserve investments and b) guarantee funds and other investments. A detail of nature of the investments allowed in each group, which must be invested up to the limits allowed by Law No. 146-02 and its amendments, and Resolution No. 5-2018, is as follows:

Investments of reserves:

- ◆ Securities issued or guaranteed by the State.
- ◆ Actions and obligations of national companies engaged in the promotion of health, social security, industrial and national tourism development centers.
- ◆ Real estate located in the country.
- ◆ Loans on individual life insurance policies.
- ◆ Time deposits in banks located in the country.
- ◆ Easily liquid financial instruments.
- ◆ Investments in negotiable instruments and securities of companies placed through the Dominican Republic Stock Exchange.
- ◆ Investments in foreign currency.

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

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)**2.36 Significant differences with IFRS (continued)****2.36.2 Differences between the accounting practices issued and allowed by the Superintendence of Insurance and the Superintendence of Health and Labor Risk (SISALRIL, per its Spanish acronyms) and the Superintendence of Pensions of the Dominican Republic (SIPEN, per its Spanish acronyms) and IFRS (continued)***Investments of reserves (continued):*

- ◆ Investment funds opened and closed and operated by investment fund management companies authorized by the regulatory body.
- ◆ Shares of publicly offered trusts authorized by the regulatory body.
- ◆ Transactions of purchases of securities with repurchase agreements (repurchase agreements or repos) traded through stock exchanges authorized by the Superintendence of Securities Market of the Dominican Republic.

Guarantee funds and other investments:

- ◆ Guarantee funds.
- ◆ Real estate awarded.
- ◆ Direct or indirect investments in insurance and reinsurance companies.
- ◆ Investments in affiliated or subsidiary holding companies.
- ◆ Other free investments.

Pursuant to the provisions of the Law No. 146-02, the total mathematical reserves and reserves for current risks - personal and general insurance and bonds, catastrophic, specific and provident, must be invested in any of these lines, and the amounts of investments in excess of the investments allowed in some lines must be classified as other investments.

IFRS establishes three categories of debt instruments: amortized cost, fair value through other comprehensive income (equity) and fair value through profit or loss. This classification depends on the business model for the management of financial assets and on the characteristics of contractual cash flows. IFRS do not allow for the classification as investments of real estate located in the country, loans in individual life insurance policies, guarantee funds and purchased real estate.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

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

- iii) 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.
- iv) The Superintendence of Insurance and the Superintendence of Health and Labor Risk and the Superintendence of Pensions require that short-term investments, highly liquid investments and investments easily convertible to cash to be classified as investments. However, IFRS require such investments to be classified as cash equivalents.
- v) The Superintendence of Insurance and the Superintendence of Health and Labor Risk allow that significant revenues and expenses that affect the consolidated financial statements of previous years, be recognized in retained earnings without restating the previous reported amounts of the consolidated financial statements. IFRS require these transactions to be recognized retroactively, correcting previously reported financial statements, including the presentation of the statements of financial position for the most recent three years.
- vi) It is not required to prepare a statement of changes in stockholders' equity, showing the composition and changes in the accounts that compose it. A comprehensive statement of performance showing the nature and amount of items for other comprehensive income is not required. IFRS require the presentation of a statement of changes in equity and the statement of comprehensive income as part of the basic financial statements.
- vii) IFRS require that, if the Bank maintains other comprehensive income, a statement of profit or loss and other comprehensive income, or a statement of comprehensive income showing the nature and amount of items corresponding to other comprehensive income during the reporting period, be presented. Similarly, IFRS require, as part of the basic financial statements, a statement of changes in equity. The Superintendence of Insurance does not include these requirements in its financial statement preparation models.

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

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

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

- viii) IFRS require the following disclosures that enable users of financial statements to assess: (a) the importance of financial instruments in relation to their financial position and performance; and (b) the nature and extent of the risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks. The accounting practices of the Superintendencia of Insurance do not require these disclosures.
- ix) The effects of reinstatement and settlement of reinsurance contracts are adjusted to the final settlement date of the contract with the reinsurer, without considering the period in which said effect was generated. IFRS require that variations in insurance contracts be estimated and recorded as they occur.
- x) Premiums receivable that the Bank considers uncollectible, according to the parameters indicated in Law No. 146-02 of Insurance and Bonds of the Dominican Republic, are reversed from the income recognized in the year, affecting all other related accounts such as reinsurance and issuance costs. According to this law, for the policies to be valid, the premiums must be received, in full, by the insurer and the general or local agents within the first 10 days of validity, except for a payment agreement signed between the parties, except for contracts of bail. In order for the parties to formalize the payment agreement, the insured must pay at least 25 % of the total premium (the premium is allowed to remain in force even after this term, provided that the entity demonstrates its collectability). The terms that may be agreed upon by the parties may not exceed 120 days from the start of the policy's term (exceeding this term is permitted provided that the entity demonstrates its collectability). Additionally, the Superintendencia of Insurance does not allow the creation of reserves for uncollectible accounts. Under IFRS, a financial asset is considered impaired if there is objective evidence indicating that one or more events had a negative effect on the estimated future cash flows of the asset.

An impairment loss in relation to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. An impairment loss is reversed if such a reversal can objectively relate to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in income.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

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

- x i) IFRS require to perform a liability adequacy test arising from insurance operations. 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 they establish the creation of reserves on the basis of specific percentages in the case of reserves for current risks and for catastrophic risks and on the value claimed or determined by the adjusters in the case of specific reserves.
- x ii) 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.
- x iii) IFRS require that, if an entity maintains derivate financial instruments, to separate embedded derivative from the host contract and accounted for as a derivative if economic characteristic and risks of the embedded derivative are not closely related to the economic characteristic and risks of the host contract. Accounting practices established by the Superintendence of Insurance and the SISALRIL and the Superintendence of Pensions do not provide for guidance on accounting of derivatives financial instruments.
- x iv) SIPEN requires that the administrators recognize their balances in foreign currency at the average cash purchase rate of commercial banks, published by the Central Bank of the Dominican Republic. IFRS require that the balances in foreign currency be converted to the last access rate that the Bank.
- x v) SIPEN requires the Administrator to disclose its investments in securities by sector and by type of instrument. IFRS require additional disclosures that allow users of the consolidated financial statements to evaluate a) the importance of financial instruments in relation to the consolidated financial position and consolidated statements of the Bank and b) the nature and extent of the risks resulting from the financial instruments to which the Bank is exposed during the year and the reporting date and how the Bank handles those risks.
- x vi) There are differences between the presentation and certain disclosures in the financial statements under IFRS to those required by the Superintendence of Insurance, the SISALRIL and SIPEN.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

2 Summary of significant accounting policies (continued)

2.36 Significant differences with IFRS (continued)

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

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

2.37 Change in accounting policy and reclassification

By Circular No. CSB-REG-202300011, dated November 15, 2023, the Superintendence of Banks modified the Accounting Manual for Supervised Entities to adjust the criteria to be applied by entities to determine which assets meet the definition of "cash equivalents" under International Financial Reporting Standards (IFRS) as follows:

"Investments that are easily convertible into cash and with a maturity of less than three (3) months from the acquisition date, shall be considered cash equivalents".

The comparative amounts in the accompanying consolidated statement of financial position and cash flows as of and for the year ended December 31, 2022 have been reclassified to be consistent with the presentation in the consolidated financial statements as of December 31, 2023. See details of reclassifications in note 41.1.

3 Cash and cash equivalents

Available funds are summarized as follows:

	<u>2023</u>	<u>2022</u> <u>(reclassified,</u> <u>note 41)</u>
Cash on hand (a)	15,361,969	13,685,444
Central Bank of the Dominican Republic (b)	195,343,728	149,815,932
Local banks (c)	3,397,213	651,995
Foreign banks (d)	39,833,758	34,660,374
Cash equivalents (e)	3,201,011	5,325,475
Interests receivable (f)	71,724	22,660
	<u>257,209,403</u>	<u>204,161,880</u>

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Notes to the Consolidated Financial Statements (continued)

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3 Cash and cash equivalents (continued)

- (a) Includes USD46,259 and EUR7,707 in 2023 and USD53,726 and EUR6,182 in 2022.
- (b) Includes USD1,624,525 and EUR2,750 in 2023 and USD1,337,216 in 2022.
- (c) Includes USD13,131 in 2023 and USD6,073 in 2022.
- (d) Includes USD593,737 and EUR95,113 in 2023 and USD559,937 and EUR59,198 in 2022.
- (e) Includes USD1,843 in 2023 and USD701 in 2022. Corresponds to those investments easily convertible to cash with a maturity of less than three (3) month from the acquisition date, interests receivable from such investments and other collectible bills.
- (f) Includes to USD542 in 2023 and USD269 in 2022.

The required legal reserve to the Bank (Parent Company) amounts to DOP77,654,300 and USD795,738 for 2023 and DOP74,278,792 and USD692,451 for 2022. For hedging purposes, the Bank maintains cash in the BCRD for DOP78,467,114 and USD1,651,634 for 2023 and DOP74,991,924 and USD1,245,117 for 2022. The loan portfolio in productive sectors that is considered for Bank legal reserve purposes is DOP29,527,702 and USD10,108 for 2023 and DOP12,179,237 and USD10,238 for 2022.

As of December 31, 2023 and 2022, the Bank maintains restricted funds for DOP373,908 and DOP351,374, respectively.

4 Interbank funds

The movements of interbank funds received and granted during the years ended December 31, 2023 and 2022, is as follows:

<u>Entity</u>	<u>Active Interbank funds</u>			<u>Average rate weighted (%)</u>
	<u>Quantity</u>	<u>Amount DOP</u>	<u>No. days</u>	
2023				
Banco Múltiple Lafise, S. A.	13	390,000	7	12.50
Banesco Banco Múltiple, S. A.	<u>1</u>	<u>245,000</u>	3	<u>11.00</u>
	<u>14</u>	<u>635,000</u>		

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

4 Interbank funds (continued)

<u>Entity</u>	<u>Active Interbank funds</u>			<u>Average rate weighted (%)</u>
	<u>Quantity</u>	<u>Amount DOP</u>	<u>No. days</u>	
2022				
Banco Múltiple BHD, S. A.	4	5,000,000	11	5.05
Citibank, N. A.	<u>7</u>	<u>6,100,000</u>	21	<u>6.00</u>
	<u>11</u>	<u>11,100,000</u>		

During 2023 and 2022, the Bank negotiated interbank funds with different financial institutions; however, there are no pending balances in interbank funds.

5 Investments

As of December 31, 2023 and 2022, 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 DOP</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2023				
(a) Available for sale:				
Bonds Law No. 687-16 493-19, 152-14, 331-15 512-19, 548-14, 143-13 57-13, 64-18	Ministry of Finance of the Dominican Republic (includes USD1,481,867)	96,802,534	7.18 %	2024 until 2049
Notes (a)	Central Bank of the Dominican Republic	151,332,641	10.04 %	2024 until 2028
Letters (a)	Central Bank of the Dominican Republic	24,423,780	9.30 %	2024
Investment certificates (a)	Central Bank of the Dominican Republic	32,073,500	10.85 %	2024 until 2025
Trust values	Fideicomiso de oferta pública Larimar (corresponds to USD2,779)	160,673	7.53 %	2036
Corporate bonds	Empresa generadora de electricidad ITABO, S. A. (corresponds to USD2,006)	115,972	5.15 %	2032
Corporate bonds	Asociación Popular de Ahorros y Préstamos	52,181	10.00 %	2026
Corporate bonds	Acero Estrella, S.R.L.	65,030	11.25 %	2030
Corporate bonds	Ingeniería Estrella, S.R.L.	47,417	8.00 %	2031

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Notes to the Consolidated Financial Statements (continued)

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5 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2023				
(a) Available for sale (continued):				
Corporate bonds	Consorcio Minero Dominicano, S. A.	5,306	11.45 %	2029
Corporate bonds	Banco Múltiple Lafise, S. A.	62,496	13.50 %	2029
Corporate bonds	Dominican Power Partners (corresponds a USD6)	337	6.00 %	2029
Corporate bonds	Haina Investment Co. LTD.	31	8.45 %	2033
Quote of participation (c)	Fideicomiso Paraiso Oriental	21,340		
Quote of participation	Fondo Inmobiliario Cerrado JMMB (corresponds to USD112)	6,499	Variable	Undefined
Shares (b)	Banco Latinoamericano de Exportación (corresponds to USD858)	49,645		
Shares	Aseguradora Agropecuaria Dominicana, AGRODOS, S. A.	100		
Shares	Editora Nuevo Diario, S. A.	150		
Shares	Unipago	29,215		
Shares	Bolsa de Valores de la República Dominicana	60,155		
Shares	Centro de Asistencia al Automovilista, S. A.	<u>45,061</u>		
		305,354,063		
	Interests receivable (includes USD17,960)	<u>6,827,031</u>		
		<u>312,181,094</u>		
(b) Held to maturity:				
Bonds Law No. 05-06, 687-16 493-19, 151-14, 248-17, 152-14 243-2, 331-15, 494-06, 512-19, 548-14, 57-13, 64-18, 348-21, 693-16	Ministry of Finance of the Dominican Republic includes USD24,332)	11,452,885	7.95 %	2024 until 2060
Notes (a)	Central Bank of the Dominican Republic	1,838,963	8.98 %	2024 until 2028
Trust values	Fideicomiso de Valores Rica	310,287	30.00 %	2023 until 2025
Valores de fideicomiso	Fideicomiso para la Operación Mantenimiento y Expansión de la Red Vial Principal de la República Dominicana	3,539	3.50 %	2029

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Notes to the Consolidated Financial Statements (continued)

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5 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2023				
(b) Held to maturity (continued):				
Corporate bonds	Parallax Valores	50,082	10.00 %	2027
Corporate bonds	Consortio Energético Punta Cana-Macao, S. A. (corresponds to USD364)	21,038	5.50 %	2027
Corporate bonds	Dominican Power Partners, (corresponds to USD249)	14,398	5.94 %	2027
Corporate bonds	Asociación Popular de Ahorros y Préstamos	200,000	10.00 %	2026
Corporate bonds	Asociación La Nacional de Ahorros y Préstamos	14,230	10.75 %	2024
Corporate bonds	Acero Estrella, S.R.L.	130,096	11.35 %	2030
Time deposits	Asociación Popular de Ahorros y Préstamos	53,688	10.96 %	2024
Time deposits	Asociación Peravia Ahorros y Préstamos	42,400	9.80 %	2024
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	60,000	10.00 %	2024
Time deposits	Asociación La Nacional de Ahorros y Préstamos	52,770	10.00 %	2024
Time deposits	Asociación Maguana de Ahorros y Préstamos	5,000	9.50 %	2024
Time deposits	Asociación Romana de Ahorros y Préstamos	45,479	10.00 %	2024
Time deposits	Asociación Bonao de Ahorros y Préstamos	27,500	9.50 %	2024
Time deposits	Banco Múltiple Internacional, S. A.	61,800	11.83 %	2024
Time deposits	Banco Múltiple Promérica de la República Dominicana	307,790	12.00 %	2024
Time deposits	Banco Atlántico de Ahorro y Crédito, S. A.	81,682	12.05 %	2024
Time deposits	Banco Popular Dominicano, S. A.	51,640	12.00 %	2024
Time deposits	Motor Crédito, S. A., Banco de Ahorro y Crédito	16,916	11.25 %	2024

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

5 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2023				
(b) Held to maturity (continued):				
Time deposits	Banco Nacional de las Exportaciones	14,487	9.00 %	2024
Time deposits	Banco Múltiple Vimenca, S. A.	43,394	10.50 %	2024
Quote of participation	Fondo de Inversión Market Universal Liquidez	76	8.42 %	Undefined
Quote of participation	Fondo Market de inversion - Depósito Financiero Flexible	100	9.14 %	undefined
Quote of participation	Fondo de Inversión Market Liquidez Excel	35,230	9.01 %	undefined
Quote of participation	Fondo de Inversión Market Liquidez Excel Dólares (corresponds to USD10)	562	3.95 %	undefined
Quote of participation	Fondo Inmobiliario Excel (corresponds to USD569)	32,931	7.34 %	undefined
Quote of participation	Fondo Mutuo Renta Fija - BHD Fondos Plazo 30 Días Dólares (corresponds to a USD3,527)	203,942	3.59 %	Undefined
Quote of participation	Fondo Mutuo Renta Fija - BHD Plazo 30 Días	634	10.41%	Undefined
Quote of participation	Fondo Mutuo Renta Fija - BHD Liquidez	352,915	11.07 %	Undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Reservas I	160,909	7.70 %	Undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Reservas II	862	Variable	Undefined
Quote of participation	Fondo Mutuo Largo Plazo Reservas Caoba (corresponds to USD8,458)	489,073	5.02 %	Undefined
Quote of participation	Fondo Mutuo Matrimonial Mediano Plazo Reservas El Bohío	171,601	3.88 %	Undefined
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	217,466	10.21%	Undefined
Quote of participation	Fondo Cerrado de Desarrollo de Sociedades Advanced	77,952	7.62 %	Undefined

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

Amounts in thousands of Dominican pesos (DOP)

5 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2023				
(b) Held to maturity: (continued)				
Quote of participation	Fondo Mutuo Open de Dinero	50,634	7.46 %	Undefined
Quote of participation	Fondo Inmobiliario Pionner	71,066	11.24 %	Undefined
Quote of participation	Fondo Inmobiliario Advanced I (corresponds to USD1,243)	71,913	2.74 %	Undefined
Reportos	Primma Valores Puesto de Bolsa	105,137	11.90 %	Undefined
Reportos	Excel Puesto de Bolsa	52,257	11.75 %	Undefined
Cédulas hipotecarias	Banco Múltiple BHD, S. A.	201	9.10 %	2024
Profitability guarantee	Profitability guarantee of La Administradora de Fondos de Pensiones, Invested in different Institutions	<u>2,561,595</u>		
		19,557,120		
	Interests receivable, (includes USD325)	<u>357,846</u>		
		<u>19,914,966</u>		
Allowance for investment (includes USD237)		<u>(265,093)</u>		
		<u><u>331,830,967</u></u>		
2022 (reclassified, note 41)				
(a) Available for sale:				
Bonds Law No. 05-06, 493-19, 151-14, 248-17, 152-14, 243-2, 331-15, 494-06, 512-19, 548-14, 57-13, 64-18, 348-21, 693-16	Ministry of Finance of the Dominican Republic (includes USD1,685,982)	145,726,613	7.78 %	2023 until 2060
Notes (a)	Central Bank of the Dominican Republic	115,461,809	9.16 %	2023 until 2025
Letters (a)	Central Bank of the Dominican Republic	52,340,347	11.61 %	2023
Investment certificates (a)	Central Bank of the Dominican Republic	44,190,118	10.85 %	2023 until 2025
Trust values	Fideicomiso de Oferta Pública Larimar (corresponds to USD492)	27,539	5.15%	2036
Corporate bonds	Empresa Generadora de Electricidad ITABO, S. A. (corresponds to USD2,025)	113,349	5.15 %	2032

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

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5 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2022 (reclassified, note 41)				
(a) Available for sale (continued):				
Corporate bonds	Asociación Popular de Ahorros y Préstamos	53,639	10.00 %	2026
Corporate bonds	Banco Múltiple Promerica	70,393	13.50 %	2032
Corporate bonds	Acero Estrella, S.R.L.	1,546	11.25 %	2030
Corporate bonds	Ingeniería Estrella, S.R.L.	41,428	8.00 %	2031
Corporate bonds	Consortio Minero Dominicano, S. A.	5,420	11.50 %	2029
Corporate bonds	Banco Múltiple Lafise, S. A.	52,642	13.50 %	2029
Quote of participation (c)	Fideicomiso Paraíso Oriental	52,126		
Quote of participation	Fondo Inmobiliario Cerrado JMMB (corresponds to USD541)	30,286	Variable	Undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Excel II (corresponds to USD932)	52,179	Variable	Undefined
Shares (b)	Banco Latinoamericano de Exportación (corresponds to USD858)	48,061		
Shares	Aseguradora Agropecuaria Dominicana, AGRODOS, S. A.	100		
Shares	Editora Nuevo Diario, S. A.	150		
Shares	Unipago	29,080		
Shares	Bolsa de Valores de la República Dominicana	8,609		
Shares	Centro de Asistencia al Automovilista, S. A.	<u>42,250</u>		
		358,347,684		
	Interests receivable (includes USD26,962)	<u>7,526,946</u>		
		<u>365,874,630</u>		
2022 (reclassified, note 41)				
(b) Held to maturity:				
Bonds Law No. 05-06, 687-16 493-19, 151-14, 248-17, 152-14 243-2, 331-15, 494-06, 512-19, 548-14, 57-13, 64-18, 348-21, 693-16	Ministry of Finance of the Dominican Republic includes USD15,932)	12,601,765	7.62 %	2023 until 2060
Notes (a)	Central Bank of the Dominican Republic	2,650,871	8.98 %	2023 until 2025

**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 (DOP)

5 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2022 (reclassified, note 41)				
(b) Held to maturity (continued):				
Letters (a)	Central Bank of the Dominican Republic	3,126	11.61%	2023
Trust values	Fideicomiso de Valores Rica	243,913	10.81 %	2023 until 2025
Corporate bonds	Consorcio Energético Punta Cana-Macao, S. A. (corresponds to USD364)	20,373	5.50 %	2027
Corporate bonds	Dominican Power Partners, (corresponds to USD249)	13,943	5.50 %	2027
Corporate bonds	Asociación Popular de Ahorros y Préstamos	200,000	10.00 %	2026
Corporate bonds	Asociación La Nacional de Ahorros y Préstamos	13,666	10.75 %	2024
Corporate bonds	Acero Estrella, S.R.L.	130,128	12.00 %	2030
Time deposits	Asociación Popular de Ahorros y Préstamos	48,606	11.20 %	2023
Time deposits	Asociación Peravia de Ahorros y Préstamos	15,600	7.54 %	2023
Time deposits	Asociación La Vega Real de Ahorros y Préstamos	30,000	9.50 %	2023
Time deposits	Asociación La Nacional de Ahorros y Préstamos	13,601	8.50 %	2023
Time deposits	Asociación Maguana de Ahorros y Préstamos	5,000	8.50 %	2023
Time deposits	Asociación Romana de Ahorros y Préstamos	2,000	10.00 %	2023
Time deposits	Asociación Bonao de Ahorros y Préstamos	27,500	7.50 %	2023
Time deposits	Banco Múltiple Caribe Internacional, S. A.	17,700	11.25 %	2023
Time deposits	Motor Crédito, S. A., Banco de Ahorro y Crédito	15,200	12.25 %	2023

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

Amounts in thousands of Dominican pesos (DOP)

5 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2022 (reclassified, note 41)				
(b) Held to maturity (continued):				
Time deposits	Banco Nacional de las Exportaciones	13,407	7.00 %	2023
Quote of participation	Fondo de Inversión Market Universal Liquidez	70	5.00 %	Undefined
Quote of participation	Fondo Market de Inversión - Depósito Financiero Flexible	92	6.92 %	Undefined
Quote of participation	Fondo de Inversión Market Liquidez Excel	32,290	6.16 %	Undefined
Quote of participation	Fondo de Inversión Market Liquidez Excel Dólares (corresponds to USD261)	14,620	2.68 %	Undefined
Quote of participation	Fondo Inmobiliario Excel (corresponds to USD549)	30,713	Variable	Undefined
Quote of participation	Fondo Mutuo Renta Fija - BHD Fondos Plazo 30 Días Dólares (corresponds to a USD187)	10,468	1.80 %	Undefined
Quote of participation	Fondo Mutuo Renta Fija - BHD Plazo 30 Días	574	6.04 %	Undefined
Quote of participation	Fondo de Inversión Cerrado Inmobiliario Reservas I	56,370	0.45 %	Undefined
Quote of participation	Fondo Mutuo Largo Plazo Reservas Caoba (corresponds to USD2,614)	103,128	2.62 %	Undefined
Quote of participation	Fondo Mutuo Matrimonial Mediano Plazo Reservas El Bohío	48,803	6.74 %	Undefined
Quote of participation	Fondo Mutuo Corto Plazo Reservas Quisqueya	231,000	6.31 %	Undefined
Quote of participation	Fondo Cerrado de Desarrollo de Sociedades Advanced	71,911	7.22 %	Undefined
Quote of participation	Fondo Mutuo Open de Dinero	640	4.97 %	Undefined
Quote of participation	Fondo Mutuo Plazo 90 Días	49,899	9.96 %	Undefined
Quote of participation	Fondo Inmobiliario Pionner	65,472	0.42 %	Undefined

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

Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

5 Investments (continued)

<u>Type of investment</u>	<u>Issuer</u>	<u>Amount in DOP</u>	<u>Average rate weighted annual</u>	<u>Maturity</u>
2022 (reclassified, note 41)				
(b) Held to maturity (continued):				
Quote of participation	Banco Múltiple BHD, S. A.	201	11.50 %	2024
Profitability guarantee	Profitability guarantee of La Administradora de Fondos de Pensiones, Invested in different Institutions	<u>2,257,572</u>		
		19,040,222		
	Interests receivable, (includes USD173)	<u>362,355</u>		
		19,402,577		
Allowance for investment (includes USD359)		<u>(260,357)</u>		
		<u>385,016,850</u>		

(a) As of December 31, 2023 and 2022, it includes a retained amount of DOP96,828,535 and DOP48,105,748, respectively, as collateral in repurchase agreements in the Central Bank.

(b) As of December 31, 2023 and 2022, the Bank received cash dividends amounting to DOP7,178 and DOP5,324, respectively.

(c) As of December 31, 2023 and 2022, the Bank received cash dividends amounting to DOP17,519 and DOP7,471, respectively.

6 Loans portfolios

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

	<u>2023</u>			<u>2022</u>		
	<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 Loans (includes USD1,532,524 in 2023 and USD1,374,352 in 2022)	2	215,676	215,678	796	34,607	35,403
Invoice discounting (includes USD3,149 in 2023 and USD4,632 in 2022)	35,610,706	262,586,913	298,197,619	32,565,191	208,971,249	241,536,440
Financial leases (includes USD47 in 2023 and to USD61 in 2022)	-	182,118	182,118	-	683,369	683,369
Sales of goods received in loan recovery	1,315,485	2,734	1,318,219	1,357,878	3,428	1,361,306
	<u>-</u>	<u>34,821</u>	<u>34,821</u>	<u>-</u>	<u>28,359</u>	<u>28,359</u>
	<u>36,926,193</u>	<u>263,022,262</u>	<u>299,948,455</u>	<u>33,923,865</u>	<u>209,721,012</u>	<u>243,644,877</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 (DOP)

6 Loans portfolios (continued)

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

	2023			2022		
	<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 (continued):</u>						
Credit cards (includes USD40,553 in 2023 and USD31,402 in 2022)	-	17,671,431	17,671,431	-	13,749,005	13,749,005
Consumer loans (includes USD5,962 in 2023 and USD3,685 in 2022)	-	118,940,630	118,940,630	-	102,830,560	102,830,560
	-	136,612,061	136,612,061	-	116,579,565	116,579,565
<u>Mortgage loans:</u>						
Residential purchases (includes USD4,130 in 2023 and USD3,039 in 2022)	-	72,323,379	72,323,379	-	60,127,941	60,127,941
Construction, improvements, repairs, expansion and others	-	941,937	941,937	-	597,262	597,262
	-	73,265,316	73,265,316	-	60,725,203	60,725,203
	36,926,193	472,899,639	509,825,832	33,923,865	387,025,780	420,949,645
Interests receivable (includes USD13,037 in 2023 and USD11,131 in 2022)	26,631	4,293,111	4,319,742	22,995	3,661,670	3,684,665
Allowance for loan losses and interests receivable (includes USD82,917 in 2023 and USD134,819 in 2022)	-	(17,853,719)	(17,853,719)	-	(23,344,110)	(23,344,110)
	<u>36,952,824</u>	<u>459,339,031</u>	<u>496,291,855</u>	<u>33,946,860</u>	<u>367,343,340</u>	<u>401,290,200</u>

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

	2023			2022		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
<u>Commercial loans:</u>						
Current (i) (includes USD1,500,294 in 2023 and USD1,359,129 in 2022)	36,926,055	243,763,756	280,689,811	33,923,771	194,956,410	228,880,181
Overdue (31 to 90 days) (iii) (includes USD33 in 2023 and USD49 in 2022)	52	100,777	100,829	29	76,368	76,397

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

Amounts in thousands of Dominican pesos (DOP)

6 Loans portfolios (continued)

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

	2023			2022		
	Public sector	Private sector	Total	Public sector	Private sector	Total
<u>Commercial loans (continued):</u>						
Past due (more than 90 days) (iv) (includes USD306 in 2023 and USD311 in 2022)	86	553,276	553,362	65	487,914	487,979
Restructured: (ii)						
Current (i) (includes USD34,621 in 2023 and USD19,146 in 2022)	-	8,379,019	8,379,019	-	5,452,495	5,452,495
Overdue (31 to 90 days) (iii) (includes USD2 in 2023 and USD1 in 2022)	-	13,493	13,493	-	9,158	9,158
Past due (more than 90 days) (iv) (includes USD161 in 2023)	-	155,635	155,635	-	133,299	133,299
Legal collections: (v)						
Past due (more than 90 days) (iv)	-	3,394	3,394	-	5,304	5,304
	<u>36,926,193</u>	<u>252,969,350</u>	<u>289,895,543</u>	<u>33,923,865</u>	<u>201,120,948</u>	<u>235,044,813</u>
<u>Microenterprises loans:</u>						
Current (i) (includes USD48 in 2023 and USD333 in 2022)	-	9,655,489	9,655,489	-	8,248,003	8,248,003
Overdue (31 to 90 days) (iii) (includes USD1 in 2023 and USD8 in 2022)	-	3,786	3,786	-	5,894	5,894
Past due (more than 90 days) (iv) (includes USD2 in 2023 USD11 in 2022)	-	20,783	20,783	-	28,477	28,477
Restructured: (ii)						
Current (i) (includes USD224 in 2023 and USD54 in 2022)	-	359,399	359,399	-	294,733	294,733
Overdue (31 to 90 days) (iii) (includes USD2 in 2023 and USD4 in 2022)	-	814	814	-	998	998
Past due (more than 90 days) (iv) (includes USD27 in 2023)	-	12,641	12,641	-	18,567	18,567
Legal collections: (v)						
Current (i)	-	-	-	-	3,392	3,392
	-	<u>10,052,912</u>	<u>10,052,912</u>	-	<u>8,600,064</u>	<u>8,600,064</u>
<u>Consumer loans:</u>						
Current (i) (includes USD45,706 in 2023 and USD34,537 in 2022)	-	133,224,990	133,224,990	-	114,353,813	114,353,813
Overdue (31 to 90 days) (iii) (includes USD59 in 2023 And USD50 in 2022)	-	136,133	136,133	-	134,852	134,852
Past due (more than 90 days) (iv) (includes USD728 in 2023 and USD500 in 2022)	-	1,547,883	1,547,883	-	1,174,346	1,174,346

**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 (DOP)

6 Loans portfolios (continued)

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

	2023			2022		
	Public sector	Private sector	Total	Public sector	Private sector	Total
<u>Consumer loans (continued):</u>						
Restructured: (ii)						
Current (i)	-	1,508,432	1,508,432	-	750,307	750,307
Overdue (31 to 90 days) (iii)	-	7,212	7,212	-	9,643	9,643
Past due (more than 90 days) (iv)						
(includes USD22 in 2023)	-	187,321	187,321	-	156,604	156,604
Legal collections: (v)						
Past due (more than 90 days) (iv)	-	90	90	-	-	-
	-	<u>136,612,061</u>	<u>136,612,061</u>	-	<u>116,579,565</u>	<u>116,579,565</u>
<u>Mortgage loans</u>						
Current (i) (includes USD4,130 In 2023 and USD2,847 in 2022)	-	71,945,706	71,945,706	-	59,907,667	59,907,667
Overdue (31 to 90 days) (iii)	-	5,687	5,687	-	8,021	8,021
Past due (more than 90 days) (iv)						
(includes USD191 in 2022)	-	261,776	261,776	-	273,042	273,042
Restructured: (ii)						
Current (i)	-	997,388	997,388	-	473,028	473,028
Overdue (31 to 90 days) (iii)	-	834	834	-	1,163	1,163
Past due (more than 90 days) (iv)	-	27,817	27,817	-	60,323	60,323
Legal collections: (v)						
Current (i)	-	2,403	2,403	-	1,959	1,959
Overdue (31 to 90 days) (iii)	-	46	46	-	-	-
Past due (more than 90 days) (iv)	-	23,659	23,659	-	-	-
	-	<u>73,265,316</u>	<u>73,265,316</u>	-	<u>60,725,203</u>	<u>60,725,203</u>
<u>Interests receivable:</u>						
Current (i) (includes USD12,207 in 2023 and USD9,175 in 2022)	26,602	3,420,432	3,447,034	22,980	2,534,761	2,557,741
Overdue (31 to 90 days) (iii)						
(includes USD107 in 2023 and USD92 in 2022)	26	129,232	129,258	15	170,594	170,609
Past due (more than 90 days) (iv)						
(includes USD123 in 2023 and USD106 in 2022)	3	162,570	162,573	-	116,950	116,950
Restructured: (ii)						
Current (i) (includes USD590 in 2023 and USD1,757 in 2022)	-	532,153	532,153	-	795,986	795,986
Overdue (31 to 90 days) (iii)						
(include USD2 in 2023 and USD1 in 2022)	-	28,204	28,204	-	26,671	26,671
Past due (more than 90 days) (iv)						
(include USD7 in 2023)	-	19,110	19,110	-	15,838	15,838
Legal collections: (v)						
Current (i)	-	-	-	-	627	627
Overdue (31 to 90 days) (iii)	-	27	27	-	-	-
Past due (more than 90 days) (iv)	-	1,383	1,383	-	243	243
	<u>26,631</u>	<u>4,293,111</u>	<u>4,319,742</u>	<u>22,995</u>	<u>3,661,670</u>	<u>3,684,665</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 (DOP)

6 Loans portfolios (continued)

b) The status of the loan portfolio is as follows (continued)

	2023			2022		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
Allowance for loans and interests receivable (includes USD82,917 in 2023 and USD134,819 in 2022)	-	(17,853,719)	(17,853,719)	-	(23,344,110)	(23,344,110)
	<u>36,952,824</u>	<u>459,339,031</u>	<u>496,291,855</u>	<u>33,946,860</u>	<u>367,343,340</u>	<u>401,290,200</u>

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

c) By type of collateral:

	2023			2022		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
Multi-use collateral (i)	-	147,937,113	147,937,113	1,271,656	122,464,161	123,735,817
Specific use collateral (ii)	-	54,043,886	54,043,886	-	45,836,013	45,836,013
Without collateral (iii)	<u>36,926,193</u>	<u>270,918,640</u>	<u>307,844,833</u>	<u>32,652,209</u>	<u>218,725,606</u>	<u>251,377,815</u>
	<u>36,926,193</u>	<u>472,899,639</u>	<u>509,825,832</u>	<u>33,923,865</u>	<u>387,025,780</u>	<u>420,949,645</u>
Interests receivable	26,631	4,293,111	4,319,742	22,995	3,661,670	3,684,665
Allowance for loan losses and interests receivable	-	(17,853,719)	(17,853,719)	-	(23,344,110)	(23,344,110)
	<u>36,952,824</u>	<u>459,339,031</u>	<u>496,291,855</u>	<u>33,946,860</u>	<u>367,343,340</u>	<u>401,290,200</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 (DOP)

6 Loans portfolios (continued)

- (i) Multi-use collateral is considered to be goods that are not specific to an activity, but can be multipurpose, realizable, valuable, easy to execute, transferable without excessive costs and stable in value. These guarantees are considered between 50 % and 100 % of their value for the purposes of the coverage of the risks, depending on the guarantee. As of December 31, 2023 and 2022, 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
Shares of listed companies	50
Investment fund participation fees (b)	-
Plots or land	80
Plots or exclusive land for agricultural purposes	80
Residential buildings, property and apartments	80
Buildings and commercial space	80
Operating hotels	80
Hotel projects under construction	70
Industrial warehouses	80
Aircraft	80
Motor vehicles with an aging of less than five years	50
Renewable energy equipment (c)	80
Multi-use machinery and equipment	70
Certificate of fiduciary guarantee (c)	-
Warrants of inventory	90
Trust accounts for payment sources	<u>50</u>

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

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

Amounts in thousands of Dominican pesos (DOP)

6 Loans portfolios (continued)

- (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.

d) By source of funds:

	<u>2023</u>			<u>2022</u>		
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>
Own funds	33,326,193	439,187,153	472,513,346	32,423,865	369,573,364	401,997,229
Other international institutions	-	205,339	205,339	-	58,863	58,863
Other national institutions (FLR window and BCRD repos)	<u>3,600,000</u>	<u>33,507,147</u>	<u>37,107,147</u>	<u>1,500,000</u>	<u>17,393,553</u>	<u>18,893,553</u>
	<u>36,926,193</u>	<u>472,899,639</u>	<u>509,825,832</u>	<u>33,923,865</u>	<u>387,025,780</u>	<u>420,949,645</u>
Interests receivable	26,631	4,293,111	4,319,742	22,995	3,661,670	3,684,665
Allowance for loan losses and interests receivable	-	(17,853,719)	(17,853,719)	-	(23,344,110)	(23,344,110)
	<u>36,952,824</u>	<u>459,339,031</u>	<u>496,291,855</u>	<u>33,946,860</u>	<u>367,343,340</u>	<u>401,290,200</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 (DOP)

6 Loans portfolios (continued)

e) By term:

	2023			2022		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Short-term (up to one year)	17,201,475	270,822,715	288,024,190	16,075,564	173,120,519	189,196,083
Medium-term (more than one year and up to three years)	11,156,612	127,834,790	138,991,402	9,280,508	163,383,335	172,663,843
Long-term (more than three years)	8,568,106	74,242,134	82,810,240	8,567,793	50,521,926	59,089,719
	36,926,193	472,899,639	509,825,832	33,923,865	387,025,780	420,949,645
Interests receivable	26,631	4,293,111	4,319,742	22,995	3,661,670	3,684,665
Allowance for loan losses and interests receivable	-	(17,853,719)	(17,853,719)	-	(23,344,110)	(23,344,110)
	36,952,824	459,339,031	496,291,855	33,946,860	367,343,340	401,290,200

⁺
f) By economic sector:

Dominican Government	31,364,955	-	31,364,955	31,281,286	-	31,281,286
Financial sector	5,561,238	5,216,322	10,777,560	2,642,579	4,009,801	6,652,380
Agriculture, livestock and forestry	-	9,586,233	9,586,233	-	9,038,479	9,038,479
Fishing	-	12,130	12,130	-	6,658	6,658
Mining and quarries	-	436,934	436,934	-	440,681	440,681
Manufacturing industry	-	36,181,809	36,181,809	-	37,465,109	37,465,109
Electricity, gas and water	-	19,403,177	19,403,177	-	11,954,676	11,954,676
Construction	-	41,431,718	41,431,718	-	24,767,923	24,767,923
Wholesale and retail business	-	77,442,025	77,442,025	-	57,563,971	57,563,971
Hotels and restaurants	-	23,278,229	23,278,229	-	20,269,866	20,269,866
Transportation, warehousing and communication	-	7,910,178	7,910,178	-	7,156,810	7,156,810
Real estate, and leasing activities	-	21,938,809	21,938,809	-	19,627,278	19,627,278
Education	-	3,441,913	3,441,913	-	3,541,147	3,541,147
Health and social services	-	419,122	419,122	-	370,484	370,484
Other social and personal services activities	-	197,973,527	197,973,527	-	175,951,650	175,951,650
Private household with local services	-	28,227,513	28,227,513	-	14,861,247	14,861,247
	36,926,193	472,899,639	509,825,832	33,923,865	387,025,780	420,949,645
Interests receivable	26,631	4,293,111	4,319,742	22,995	3,661,670	3,684,665
Allowance for loan losses and interests receivable	-	(17,853,719)	(17,853,719)	-	(23,344,110)	(23,344,110)
	36,952,824	459,339,031	496,291,855	33,946,860	367,343,340	401,290,200

**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 (DOP)

6 Loans portfolios (continued)

On March 2, 2022, the Bank signed an agreement for the assignment of assets and liabilities of a dissolving local financial institution represented by the Superintendence of Banks as dissolver. The Superintendence of Banks transferred available funds for DOP521,423 (includes USD5,583), credit portfolio classified A and B with a book value of DOP1,492,779 (includes USD1,357) received with a 21.68 % discount, equivalent to DOP323,635, investments for DOP336,769, contribution from the contingency fund for DOP900,000, as well as a passive portfolio (savings and checking accounts and term deposits) for DOP2,915,748 (includes USD11,042).

Through Circular ADM/0933/22 dated May 26, 2022, the Superintendence of Banks provided the following:

- ◆ Grant a waiver of one (1) year, as of March 3, 2022, for not constituting provisions and weighing zero (0 %) in the calculation of the solvency index, the credits acquired from the local financial institution (entity in dissolution).
- ◆ Authorize the Bank to freeze the days of arrears from March 3, 2022 to March 3, 2023 for the credits acquired from the local financial institution, and grant a grace period of ninety (90) days in favor of said credits so as not to affect the information reported to the credit bureau. Through Circular ADM/1255/22 of August 26, 2022, the Superintendence of Banks extended the aforementioned ninety (90) days until the October 1st, 2022.

Additionally, by Circular ADM/1570/22 dated November 1st, 2022, the Superintendence of Banks granted a no objection for the Bank to proceed with the cleanup of this loan portfolio by applying it against the available discount.

7 Debtors by acceptances

A summary of debtors by acceptances is as follows:

<u>Correspondent Bank</u>	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>Maturity date</u>	<u>Amount</u>	<u>Maturity date</u>
Bank of America (corresponds to USD141 in 2022)	-	-	7,914	2023
Bank CTBC Indonesia (corresponds to USD61 in 2023)	3,534	2024	-	-
Bank of China (corresponds to USD255 in 2023)	14,734	2024	-	-
Industrial and Commercial Bank (corresponds to USD55 in 2023)	3,175	2024	-	-

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

Amounts in thousands of Dominican pesos (DOP)

7 Debtors by acceptances (continued)

<u>Correspondent Bank</u>	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>Maturity date</u>	<u>Amount</u>	<u>Maturity date</u>
Sumitomo Mitsui Banking Corporation (corresponds to USD2,435 in 2023 and USD179 in 2022)	140,807	2024	10,015	2023
Mega Int'l Commercial Bank (corresponds to USD206 in 2023)	11,892	2024	-	-
Mufg Bank, LTD (corresponds to USD517 in 2022)	-	-	28,924	2023
Nanyan Comercial Bank (corresponds to USD186 in 2023 and USD84 in 2022)	<u>10,764</u>	2024	<u>4,687</u>	2023
	<u>184,906</u>		<u>51,540</u>	

8 Trust rights

Corresponds to an irrevocable administration and source of payment's trust right for EDEESTE's substation improvements, subscribed by the Bank and three other financial entities and a local trustee.

The purpose is the constitution of an autonomous patrimony responsible for obtaining the necessary funding for the execution of works aimed at strengthening and expanding the capacity of those substations and circuits of the national electric system that serve the energy used in the commercial and industrial operations of the trustors.

On December 20, 2023, the Bank transferred an amount of DOP230,000, which will be recovery through credit notes on electricity invoices generated by EDEESTE (Empresa Distribuidora de Electricidad del Este) to the Bank for twelve (12) months. Any residual amount shall be paid by EDEESTE to the Bank within a term not to exceed thirty (30) days, counted from month number twelve (12). The contract establishes a late payment charge of 2 % on the remaining balance after the mentioned thirty (30) days.

The Superintendence of Banks did not object to the accounting record of this transaction.

**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 (DOP)

9 Accounts receivable

A summary of accounts receivable is as follows:

	<u>2023</u>	<u>2022</u>
Commissions receivable (includes USD502 in 2023 and USD590 in 2022)	396,397	196,446
Other receivables:		
Accounts receivable from related parties	52,567	47,127
Expenses to be recovered	10,016	10,767
Security deposits (includes USD4 in 2022)	142,376	101,629
Recoverable accounts for operational risk events (includes USD136 in 2023)	40,263	43,380
Compensation claimed	1,547	39,697
Advance in current account	102,039	97,934
Credit card claims	118,629	113,983
Credit card operations (includes USD36 in 2023 and USD110 in 2022)	17,552	166,561
Accounts receivable from remitters (includes USD857 in 2023 and USD777 in 2022)	382,448	295,860
Accounts receivable for real estate and leasing operations (includes USD51 in 2023 and USD4 in 2022)	6,857	5,073
Management funds	158,233	148,255
Documents receivable (a) (includes USD6,156 in 2022) (a)	394,647	743,434
Insurance premiums receivable:		
General insurances (includes USD65,846 and USD43,629 in 2023 and 2022)	4,770,952	3,550,007
Life insurance (includes USD1,926 and USD1,258 in 2023 and 2022)	529,917	312,301
Receivables from insurance and guarantees	388	488
Accounts receivable - other (includes USD285 in 2023 and USD8,697 in 2022)	<u>1,691,932</u>	<u>1,615,730</u>
	<u>8,816,760</u>	<u>7,488,672</u>

As of December 31, 2022, included an unsecured financing granted to a tourism development trust in the Dominican Republic, for an original amount of USD5,000. This document has a maturity of one year and generates a minimum guaranteed return of 16 % per year. Interest is capitalized quarterly and the capital payable at maturity.

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

Amounts in thousands of Dominican pesos (DOP)

9 Accounts receivable (continued)

The interest generated by this concept amounts to USD103 (equivalent to DOP5,949) in 2023 and USD1,156 (equivalent to DOP64,715) in 2022 and they are presented as part of financial income of the accompanying consolidated statements of profit or loss for those years. This document was collected on September 15, 2023.

10 Assets received in lieu of foreclosure of loans

A summary of assets received in lieu of foreclosure of loans as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	218,679	314,613
Real estate	<u>7,130,611</u>	<u>7,673,126</u>
	7,349,290	7,987,739
Allowance for losses on assets received in lieu of foreclosure of loans	<u>(7,211,247)</u>	<u>(7,555,170)</u>
	<u>138,043</u>	<u>432,569</u>

A description of assets received in lieu of foreclosure of loans (by aging) as of December 31, 2023 and 2022 is as follows:

	<u>Amount</u>	<u>Provision</u>
2023		
Up to 40 months:		
Furniture and equipment	33,461	(13,025)
Real estate	777,132	(659,525)
More than 40 months:		
Furniture and equipment	185,219	(185,219)
Real estate	<u>6,353,478</u>	<u>(6,353,478)</u>
Total	<u>7,349,290</u>	<u>(7,211,247)</u>
2022		
Up to 40 months:		
Furniture and equipment	21,544	(12,848)
Real estate	1,762,861	(1,292,869)
More than 40 months:		
Furniture and equipment	293,068	(293,068)
Real estate	<u>5,910,266</u>	<u>(5,956,385)</u>
Total	<u>7,987,739</u>	<u>(7,555,170)</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 (DOP)

11 Equity-accounted investees

A summary of the interests in other legal companies is presented below:

a) *Associates:*

2023

<u>Companies</u>	<u>Jurisdiction</u>	<u>Segment</u>	<u>Functional currency</u>	<u>Shares capital DOP</u>	<u>% of voting rights under group control</u>
Consorcio Tarjetas Dominicanas, S. A. CEVALDOM Depósito Centralizado de Valores, S. A.	Dominican Republic	Related services	DOP	209,719	24.53
Red Nuevo Servicios Financieros, S. A. MIO, S.A.S.	Dominican Republic Dominican Republic	Related services Related services	DOP DOP	33,962	49.00
Sociedad Titularizadora Dominicana, S. A.	Dominican Republic	Related services	DOP	60	20.00
				31,079	31.00
				541,673	

2022

Consorcio Tarjetas Dominicanas, S. A. CEVALDOM Depósito Centralizado de Valores, S. A.	Dominican Republic	Related services	DOP	209,719	24.53
Red Nuevo Servicios Financieros, S. A. MIO, S.A.S.	Dominican Republic Dominican Republic	Related services Related services	DOP DOP	33,962	49.00
Sociedad Titularizadora Dominicana, S. A.	Dominican Republic	Related services	DOP	60	20.00
				31,079	31.00
				512,056	

During 2022 period, the Bank presented the following changes:

<u>Company</u>	<u>Jurisdiction</u>	<u>Segment</u>	<u>Reason</u>
New society: MIO, S.A.S.	Dominican Republic	Related services	Purchase
Sociedad Titularizadora Dominicana, S. A.	Dominican Republic	Related services	Capital contribution

**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 (DOP)

11 Equity-accounted investees (continued)

The assets, liabilities, income, expenses and net results of associates accounted for under the equity method as of December 31, 2023 and 2022 are as follows:

2023

<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>	<u>Profits imputed to net equity</u>	<u>Book value</u>
Consortio Tarjetas Dominicanas, S. A.	11,934,445	8,730,380	4,937,782	3,268,034	1,669,748	1,097,643
CEVALDOM Depósito Centralizado de Valores, S. A.	2,090,730	263,309	1,673,341	824,355	848,986	604,726
Red Nuevo Servicios Financieros, S. A.	300,642	32,760	345,058	210,993	134,065	188,097
MIO, S.A.S.	306,382	444,309	90,987	195,262	(104,275)	-
Sociedad Titularizadora Dominicana, S. A.	<u>25,963</u>	<u>1,009</u>	<u>720</u>	<u>10,399</u>	<u>(9,679)</u>	<u>7,753</u>
Total	<u>14,658,162</u>	<u>9,471,767</u>	<u>7,047,888</u>	<u>4,509,043</u>	<u>2,538,845</u>	<u>1,898,219</u>

2022

Consortio Tarjetas Dominicanas, S. A.	6,828,337	4,272,920	4,233,782	3,329,909	903,873	993,688
CEVALDOM Depósito Centralizado de Valores, S. A.	1,780,937	241,888	1,332,478	663,277	669,201	514,281
Red Nuevo Servicios Financieros, S. A.	244,011	23,632	266,163	179,600	86,563	169,122
MIO, S.A.S.	320,601	361,125	31,379	69,826	(38,447)	60
Sociedad Titularizadora Dominicana, S. A.	<u>50,252</u>	<u>15,992</u>	<u>4,923</u>	<u>70,784</u>	<u>(65,861)</u>	<u>10,644</u>
Total	<u>9,224,138</u>	<u>4,915,557</u>	<u>5,868,725</u>	<u>4,313,396</u>	<u>1,555,329</u>	<u>1,687,795</u>

As of December 31, 2023 and 2022, a movement of the investment, dividends received and the participation in the results of the associates is as follows:

	<u>2023</u>	<u>2022</u>
Initial cost	1,687,795	1,499,702
Participation in net results	653,982	433,684
Purchase of shares	-	47,359
Dividends received in cash	<u>(443,558)</u>	<u>(292,950)</u>
Book value, net	<u>1,898,219</u>	<u>1,687,795</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 (DOP)

12 Property, furniture and equipment

As of December 31, 2023 and 2022, 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>
2023						
Balance at January 1 st , 2023	2,076,478	8,871,800	8,459,047	823,296	878,624	21,109,245
Acquisitions	-	102,525	202,490	-	3,985,276	4,290,291
Transfers	118,187	286,814	2,868,866	182,169	(3,456,036)	-
Impairment	(89,268)	(210,274)	-	-	-	(299,542)
Reclassifications (c)	149,267	(148,342)	-	-	-	925
Others (note 40)	-	-	-	-	(138,566)	(138,566)
Disposals and discharges	<u>(1,613)</u>	<u>(125,062)</u>	<u>(1,651,431)</u>	<u>(13,747)</u>	<u>-</u>	<u>(1,791,853)</u>
Balance at December 31, 2023	<u>2,253,051</u>	<u>8,777,461</u>	<u>9,878,972</u>	<u>991,718</u>	<u>1,269,298</u>	<u>23,170,500</u>
Accumulated depreciation						
at January 1 st , 2023	-	(2,690,250)	(4,127,736)	(463,756)	-	(7,281,742)
Depreciation expenses (b)	-	(319,438)	(1,343,407)	(215,463)	-	(1,878,308)
Reclassifications (c)	-	(925)	-	299	-	(626)
Disposals and discharges	<u>-</u>	<u>47,524</u>	<u>1,646,711</u>	<u>13,747</u>	<u>-</u>	<u>1,707,982</u>
Balance at December 31, 2023	<u>-</u>	<u>(2,963,089)</u>	<u>(3,824,432)</u>	<u>(665,173)</u>	<u>-</u>	<u>(7,452,694)</u>
Property, furniture and equipment at December 31, 2023	<u>2,253,051</u>	<u>5,814,372</u>	<u>6,054,540</u>	<u>326,545</u>	<u>1,269,298</u>	<u>15,717,806</u>
2022						
Balance at January 1 st , 2022	2,047,516	9,249,882	7,045,616	749,198	657,580	19,749,792
Acquisitions	-	284,966	238,649	-	2,987,408	3,511,023
Transfers	68,963	588,586	1,805,231	113,145	(2,575,925)	-
Impairment	(34,352)	(1,121,399)	-	-	-	(1,155,751)
Reclassifications (c)	-	(14,879)	-	-	-	(14,879)
Others (note 40)	-	-	-	-	(190,439)	(190,439)
Disposals and discharges	<u>(5,649)</u>	<u>(115,356)</u>	<u>(630,449)</u>	<u>(39,047)</u>	<u>-</u>	<u>(790,501)</u>
Balance at December 31, 2022	<u>2,076,478</u>	<u>8,871,800</u>	<u>8,459,047</u>	<u>823,296</u>	<u>878,624</u>	<u>21,109,245</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 (DOP)

12 Property, furniture and equipment (continued)

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Furniture and equipment</u>	<u>Leasehold improvements</u>	<u>Construction and acquisitions in process (a)</u>	<u>Total</u>
2022						
Accumulated depreciation at January 1 st , 2022	-	(2,418,788)	(3,563,683)	(339,963)	-	(6,322,434)
Depreciation expenses (b)	-	(326,324)	(1,171,184)	(162,840)	-	(1,660,348)
Reclassifications (c)	-	14,879	-			14,879
Disposals and discharges	-	39,983	607,131	39,047	-	686,161
Balance at December 31, 2022	-	(2,690,250)	(4,127,736)	(463,756)	-	(7,281,742)
Property, furniture and equipment at December 31, 2022	<u>2,076,478</u>	<u>6,181,550</u>	<u>4,331,311</u>	<u>359,540</u>	<u>878,624</u>	<u>13,827,503</u>

- (a) As of December 31, 2023 and 2022, it basically corresponds to remodeling and construction of offices.
- (b) During the years ended December 31, 2023 and 2022, includes DOP17,037 and DOP21,842, respectively, correspond to depreciation of assets in use by officers and employees which are presented as part of salaries and compensation to personnel in the accompanying consolidated statements of profit or loss.
- (c) As of December 31, 2022, it corresponds to reclassification between accumulated depreciation and the cost of some buildings.

Land and buildings held by the Bank (Parent Company) as of December 31, 2004, are recognized at fair value as determined by independent external appraisers at that date. The difference between the historical cost of land and buildings and their fair values at the valuation date, amounted to DOP915,737. As of December 31, 2023 and 2022, the revaluation surplus, net of accumulated depreciation, amounts to DOP643,474 and DOP646,078 respectively, and is included as a revaluation surplus in the accompanying consolidated statement of financial position.

13 Properties under development for sale and rent

As of December 31, 2023 and 2022, properties under development amounts to DOP5,927,901 and DOP5,386,087, respectively, and corresponds to the development of properties projects for sale and rent. In December 2021, one of the subsidiaries acquired a portion of land with a tourist vocation for DOP4,628,477, consisting of 9,649,782 square meters of land from the old Montellano Sugar Mill in Puerto Plata (blocks A-1 and A-2).

Real estate under development for sale and rental includes an investment property recognized at cost.

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

Amounts in thousands of Dominican pesos (DOP)

13 Properties under development for sale and rent (continued)

The Bank determines when a property is classified as leased property or inventory available for sale, based on the fact that the leased property is substantially not intended for use by the Bank, nor for sale in the ordinary course of business, but primarily to generate rental income and capital gains when the transaction occurs. As of December 31, 2023 and 2022, the land has not yet been leased or sold.

The properties under development for sale and for rent during the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Properties available for sale	352,845	358,498
investment properties and real		
estate in development (a)	<u>5,575,056</u>	<u>4,927,589</u>
	<u>5,927,901</u>	<u>5,286,087</u>

(a) The movement of investment properties and real estate under development during the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Acquisition costs - balances at		
beginning of the year	4,927,589	4,868,714
Additions (i)	657,985	72,491
Costs incurred	<u>(10,518)</u>	<u>(13,616)</u>
Balances at the end	<u>5,575,056</u>	<u>4,927,589</u>

i) During the year ended December 31, 2022, the Bank capitalized expenses for DOP205,540 and DOP72,491, related to the conditioning and preparation of the land of the investment property that it keeps recognized in its books, this as part of the negotiations carried out so that this property be assigned to a trust for the development and the construction of a tourism project called "Monte Llano Monte Plata Bergatín Project".

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

Amounts in thousands of Dominican pesos (DOP)

14 Other assets

A summary of other assets is as follows:

	<u>2023</u>	<u>2022</u>
Deferred charges:		
Returns and commissions paid in advance	3,076	7,194
Commissions to insurance agents on unearned premiums	682,106	507,910
Prepaid insurances	969,080	576,039
Non-deferred proportional ceded reinsurance premium (a)	589,908	285,360
Prepaid income tax (note 36)	17,383,207	7,891,701
Other prepaid payments (includes USD34 in 2023 and 2022) (b)	8,565,956	6,655,635
Other deferred charges	<u>307,733</u>	<u>335,213</u>
	<u>28,501,066</u>	<u>16,259,052</u>
Intangibles:		
Software	3,167,952	3,114,050
Others	<u>63,453</u>	<u>34,632</u>
	3,231,405	3,148,682
Accumulated amortization of computers programs (c)	<u>(2,568,236)</u>	<u>(2,061,015)</u>
	<u>663,169</u>	<u>1,087,667</u>
Other assets:		
Stationery and office supply	444,993	437,919
Libraries and artwork	32,842	31,269
Others (includes USD84 in 2023 and USD73 in 2022)	<u>367,567</u>	<u>163,004</u>
	845,402	632,192
Items pending for allocation (d)	<u>145,616</u>	<u>-</u>
	<u>991,018</u>	<u>632,192</u>
	<u>30,155,253</u>	<u>17,978,911</u>

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

(b) As of December 31, 2023 and 2022, includes approximately DOP5,345,000 and DOP4,227,000, respectively, for advances made to vehicle dealers for Expomovil Banreservas, which, as of that date, the corresponding loans had not been disbursed.

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

Amounts in thousands of Dominican pesos (DOP)

14 Other assets (continued)

(c) A movement of accumulated amortization of computer software during the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Balances at the beginning	2,061,015	1,564,525
Cost of the year	513,240	496,490
Write-off	<u>(6,019)</u>	<u>-</u>
Balances at the end	<u><u>2,568,236</u></u>	<u><u>2,061,015</u></u>

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

15 Summary of allowances for risky assets

A summary of the changes in allowances for Parent Company's risky assets is shown below:

	<u>Loan portfolio</u>	<u>Investments</u>	<u>Interests receivable</u>	<u>Assets received in lieu of foreclosure of loans</u>	<u>Contingent, operations (a)</u>	<u>Total DOP</u>
December 31, 2023						
Balance at January 1 st , 2023	22,226,638	286,469	1,118,107	7,555,170	698,221	31,884,605
Constitution of allowances	550,251	-	353,872	-	-	904,123
Write-offs against allowances	(5,998,280)	-	(914,043)	(12,410)	-	(6,924,733)
Transfers of allowances	390,550	-	10,096	(162,646)	(238,000)	-
Withdrawal of allowance for sales of foreclosed assets	-	-	-	(168,867)	-	(168,867)
Effect of change in exchange rates and others	<u>115,964</u>	<u>564</u>	<u>1,207</u>	<u>-</u>	<u>6,438</u>	<u>124,173</u>
Balance at December 31, 2023	17,285,123	287,033	569,239	7,211,247	466,659	25,819,301
Minimum allowances required at December 31, 2023 (b)	<u>13,973,222</u>	<u>258,912</u>	<u>552,880</u>	<u>6,877,458</u>	<u>383,976</u>	<u>22,046,448</u>
Excess (deficit) in the minimum allowance required at December 31, 2023 (c)	<u><u>3,311,901</u></u>	<u><u>28,121</u></u>	<u><u>16,359</u></u>	<u><u>333,789</u></u>	<u><u>82,683</u></u>	<u><u>3,772,853</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 (DOP)

15 Summary of allowances for risky assets (continued)

	<u>Loan portfolio</u>	<u>Investments</u>	<u>Interests receivable</u>	<u>Assets received in lieu of foreclosure of loans</u>	<u>Contingent, operations (a)</u>	<u>Total DOP</u>
December 31, 2022						
Balance at January 1 st , 2022	24,770,917	267,530	1,526,991	7,499,440	701,113	34,765,991
Constitution of allowances	2,179,891	3,500	185,354	-	3,085	2,371,830
Write-offs against allowances	(3,988,163)	-	(720,763)	(130,231)	-	(4,839,157)
Transfers of allowances	(574,017)	15,000	138,806	420,211	-	-
Withdrawal of allowance for sales of foreclosed assets	-	-	-	(234,250)	-	(234,250)
Effect of change in exchange rates and others	(161,990)	439	(12,281)	-	(5,977)	(179,809)
Balance at December 31, 2022	22,226,638	286,469	1,118,107	7,555,170	698,221	31,884,605
Minimum allowances required at December 31, 2022 (b)	<u>11,658,869</u>	<u>251,755</u>	<u>809,488</u>	<u>7,509,051</u>	<u>282,307</u>	<u>20,511,470</u>
Excess (deficit) in the minimum allowance required at December 31, 2022 (c)	<u>10,567,769</u>	<u>34,714</u>	<u>308,619</u>	<u>46,119</u>	<u>415,914</u>	<u>11,373,135</u>

- (a) 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.
- (b) Corresponds to the provisions determined in the self-assessment as of December 31, 2023 and 2022 in accordance with the REA.
- (c) As of December 31, 2023 and 2022, allowances in excess on the loans portfolio, accounts receivable and contingent operations correspond to additional allowances recognized by the Bank in accordance with the rules of the Superintendencia of Banks, through its Circulars No. 001/21 and 007/21 and CSB-REG-202300005 as other related explanatory documents. These additional allowances were constituted based on an internal methodology that considers the credit risk management of debtors. This evaluation includes an analysis of credit history, risk of non-payment and risk levels by type of portfolio; as well as it considers the macroeconomic effects on the situation of the debtors.

As of December 31, 2023 and 2022, the required additional allowances amounting to DOP1,343,18 and DOP3,730,475, respectively; and the other additional allowances amounting to DOP1,968,883 and DOP6,837,295, 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 (DOP)

15 Summary of allowances for risky assets (continued)

As of December 31, 2023 and 2022, for the loans granted to the road development sector for approximately DOP23,315,000 and DOP23,300,000, respectively, there is no objection to classify them with "A" risk and with a provision requirement of a 0 %, through the Seventh Resolution of the Monetary Board dated August 26, 2021, the term was extended until August 31, 2023. Through the Third Resolution of the Monetary Board dated On December 26, 2022, a three-year extension of the term until November 30, 2025 was approved.

As of December 31, 2022, through Circular SB ADM/1254/22, a no objection was granted so that a line of credit of up to USD15,000 granted for the rehabilitation and complementation of a dam in the country, be classified with capacity of payment "A", with a 0 % provision requirement until August 23, 2023.

16 Customers' deposits

Customers' deposits are summarized as follows:

a) By type

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total DOP</u>
December 31, 2023					
Checking	161,595,419	0.85	-	-	161,595,419
Savings	205,571,575	0.34	158,803,668	0.18	364,375,243
Time	216,378,553	8.60	62,441,981	4.32	278,820,534
Interests payable	<u>663,156</u>	<u>-</u>	<u>118,005</u>	<u>-</u>	<u>781,161</u>
	<u>584,208,703</u>	<u>3.55</u>	<u>221,363,654</u>	<u>1.35</u>	<u>805,572,357</u>
December 31, 2022					
Checking	219,496,063	0.44	-	-	219,496,063
Savings	184,054,629	0.31	136,645,422	0.09	320,700,051
Time	168,322,277	7.22	49,056,934	2.73	217,379,211
Interests payable	<u>476,438</u>	<u>-</u>	<u>55,561</u>	<u>-</u>	<u>531,999</u>
	<u>572,349,407</u>	<u>2.42</u>	<u>185,757,917</u>	<u>0.79</u>	<u>758,107,324</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 (DOP)

16 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 DOP</u>
December 31, 2023					
Non-financial public sector	145,822,831	3.62	53,415,171	0.42	199,238,002
Non-financial private sector	437,144,101	3.54	167,402,174	1.65	604,546,275
Non-resident	578,615	0.83	428,304	0.69	1,006,919
Interests payable	<u>663,156</u>	<u>-</u>	<u>118,005</u>	<u>-</u>	<u>781,161</u>
	<u>584,208,703</u>	<u>3.55</u>	<u>221,363,654</u>	<u>1.35</u>	<u>805,572,357</u>
December 31, 2022					
Non-financial public sector	210,702,446	2.54	34,476,321	0.34	245,178,767
Non-financial private sector	361,042,160	0.35	150,923,679	0.89	511,965,839
Non-resident	128,363	0.42	302,356	0.09	430,719
Interests payable	<u>476,438</u>	<u>-</u>	<u>55,561</u>	<u>-</u>	<u>531,999</u>
	<u>572,349,407</u>	<u>2.42</u>	<u>185,757,917</u>	<u>0.79</u>	<u>758,107,324</u>

c) By maturity date

December 31, 2023					
0 to 15 days	371,041,466	0.65	159,450,678	0.20	530,492,144
16 to 30 days	1,254,004	8.24	368,591	4.69	1,622,595
31 to 60 days	36,948,327	7.64	7,668,972	4.32	44,617,299
61 to 90 days	24,120,121	9.26	5,285,397	4.06	29,405,518
91 to 180 days	38,538,143	8.80	14,280,449	4.51	52,818,592
181 to 360 days	47,872,938	8.20	17,051,155	4.55	64,924,093
More than 1 year	63,770,548	9.06	17,140,407	4.02	80,910,955
Interest payable	<u>663,156</u>	<u>-</u>	<u>118,005</u>	<u>-</u>	<u>781,161</u>
	<u>584,208,703</u>	<u>3.55</u>	<u>221,363,654</u>	<u>1.35</u>	<u>805,572,357</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 (DOP)

16 Customers' deposits (continued)

c) By maturity date (continued)

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total DOP</u>
December 31, 2022					
0 to 15 days	403,793,595	0.40	136,761,996	0.09	540,555,591
16 to 30 days	1,212,971	7.04	68,933	2.47	1,281,904
31 to 60 days	32,732,639	7.87	8,229,250	3.38	40,961,889
61 to 90 days	17,171,210	7.27	3,746,917	3.42	20,918,127
91 to 180 days	32,787,404	6.89	8,026,465	2.89	40,813,869
181 to 360 days	40,867,605	7.42	12,758,805	2.96	53,626,410
More than 1 year	43,307,545	6.76	16,109,990	1.99	59,417,535
Interest payable	476,438	-	55,561	-	531,999
	<u>572,349,407</u>	<u>2.42</u>	<u>185,757,917</u>	<u>0.79</u>	<u>758,107,324</u>

As of December 31, 2023 and 2022, customers' deposits include restricted amounts for the following concepts:

	<u>Inactive and abandoned accounts</u>	<u>Foreclosed funds</u>	<u>Deceased customers</u>	<u>Security deposits</u>	<u>Total DOP</u>
2023					
Customers' deposits:					
Customers' deposits:					
Checking	79,008	5,850,282	823,501	-	6,752,791
Savings	1,649,357	1,965,211	3,734,984	-	7,349,552
Time	-	7,036,064	222,492	26,338,877	33,597,433
	<u>1,728,365</u>	<u>14,851,557</u>	<u>4,780,977</u>	<u>26,338,877</u>	<u>47,699,776</u>
2022					
Customers' deposits:					
Checking	49,574	3,474,650	107,781	-	3,632,005
Savings	1,616,289	1,028,138	3,165,928	-	5,810,355
Time	-	2,568,957	1,174,863	16,959,883	20,703,703
	<u>1,665,863</u>	<u>7,071,745</u>	<u>4,448,572</u>	<u>16,959,883</u>	<u>30,146,063</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 (DOP)

16 Customers' deposits (continued)

As of December 31, 2023 and 2022, customer' deposits include amounts of inactive accounts, as follows:

	<u>From 3 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
December 31, 2023			
Customers' deposits:			
Checking	70,884	8,124	79,008
Savings	<u>1,548,887</u>	<u>100,470</u>	<u>1,649,357</u>
	<u>1,619,771</u>	<u>108,594</u>	<u>1,728,365</u>
December 31, 2022			
Customers' deposits:			
Checking	42,463	7,111	49,574
Savings	<u>1,593,057</u>	<u>23,232</u>	<u>1,616,289</u>
	<u>1,635,520</u>	<u>30,343</u>	<u>1,665,863</u>

17 Deposits from domestic and foreign financial entities

A summary of deposits from domestic and foreign financial entities 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 DOP</u>
December 31, 2023					
Checking	15,671,588	0.85	-	-	15,671,588
Savings	513,003	0.34	4,323,444	0.18	4,836,447
Time	33,407,898	10.86	3,689,065	3.89	37,096,963
Interest payable	<u>263,965</u>	-	<u>5,758</u>	-	<u>269,723</u>
	<u>49,856,454</u>	<u>7.59</u>	<u>8,018,267</u>	<u>1.89</u>	<u>57,874,721</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 (DOP)

17 Deposits from domestic and foreign financial entities (continued)

a) By type and currency (continued)

	<u>Local currency</u>	<u>Annual weighted average rate (%)</u>	<u>Foreign currency</u>	<u>Annual weighted average rate (%)</u>	<u>Total DOP</u>
December 31, 2022					
Checking	10,127,013	0.42	-	-	10,127,013
Savings	590,463	0.31	1,306,263	0.09	1,896,726
Time	24,806,687	11.26	6,608,717	4.22	31,415,404
Interest payable	<u>157,034</u>	<u>-</u>	<u>7,214</u>	<u>-</u>	<u>164,248</u>
	<u>35,681,197</u>	<u>8.00</u>	<u>7,922,194</u>	<u>3.54</u>	<u>43,603,391</u>

b) By maturity date

December 31, 2023					
0 to 15 days	16,185,038	0.84	4,323,444	0.19	20,508,482
De 16 a 30 días	100	5.64	-	-	100
31 to 60 days	10,558,058	9.36	2,869,481	3.56	13,427,539
61 to 90 days	3,502,179	9.76	451,497	5.00	3,953,676
91 to 180 days	8,745,338	11.20	37,452	3.72	8,782,790
181 to 360 days	4,513,824	10.91	172,083	4.87	4,685,907
More than a year	6,087,952	13.58	158,552	5.67	6,246,504
Interest payable	<u>263,965</u>	<u>-</u>	<u>5,758</u>	<u>-</u>	<u>269,723</u>
	<u>49,856,454</u>	<u>7.59</u>	<u>8,018,267</u>	<u>1.89</u>	<u>57,874,721</u>

December 31, 2022

0 to 15 days	10,717,478	0.46	1,306,263	0.15	12,023,741
De 16 a 30 días	215,000	9.30	-	-	215,000
31 to 60 days	16,231,927	11.21	5,838,496	4.27	22,070,423
61 to 90 days	944,092	10.93	116,324	4.06	1,060,416
91 to 180 days	1,259,983	9.00	367,318	5.49	1,627,301
181 to 360 days	786,640	8.68	195,516	1.88	982,156
More than a year	5,369,043	12.47	91,063	1.09	5,460,106
Interest payable	<u>157,034</u>	<u>-</u>	<u>7,214</u>	<u>-</u>	<u>164,248</u>
	<u>35,681,197</u>	<u>8.00</u>	<u>7,922,194</u>	<u>3.54</u>	<u>43,603,391</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 (DOP)

17 Deposits from domestic and foreign financial entities (continued)

As of December 31, 2023 and 2022, the Bank held funds in escrow due to third parties' foreclosures, inactive accounts, inoperative accounts and accounts from deceased customers in domestic financial entities for DOP1,862,030 and DOP2,970,793, respectively.

As of December 31, 2023 and 2022, the status of the inactive and/or dormant accounts of the deposits in domestic financial entities with three to ten year term is DOP396 and DOP420, respectively.

18 Borrowed funds

A summary of borrowed funds is as follows:

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
December 31, 2023					
a) In national currency (DOP):					
<i>A) Central Bank of the Dominican Republic (i)</i>					
Other obligations with Central Bank	Repurchase pacts	Pledged titles	2.99 %	2024 until 2033	<u>51,274,682</u>
<i>B) Domestic financial entities</i>					
Banco Múltiple BHD, S. A (corresponds to USD3,022)	Line of credit	Secured	10.00 %	2024	524,770
Scotiabank (corresponds to USD2,015)	Line of credit	Secured	7.10 %	2024	116,513
Fondo de Inversión Cerrado Inmobiliario Reservas I	Line of credit	Unsecured	13.00 %	2025	<u>293,839</u>
					<u>935,122</u>
b) In foreign currency:					
<i>A) Foreign financial entities</i>					
Bank of America (corresponds to USD15,000) (iii)	Loan	Unsecured	7.24 %	2024	867,398

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

18 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
December 31, 2023					
b) In foreign currency (continued):					
<i>A) Foreign financial entities (continued)</i>					
Banco Interamericano de Desarrollo, BID (corresponds to USD140,000) (iii)	Loan	Unsecured	4.36 %	2024	8,095,710
Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to USD200,000)	Loan	Unsecured	7.13 %	2024	11,565,300
Wells Fargo Bank, N. A. (corresponds to USD137,500) (iii)	Loan	Unsecured	6.56 %	2024	7,951,144
Banco Santander de España, S. A. (corresponds to USD55,000) (ii)	Loan	Unsecured	6.77 %	2024	3,180,457
Bac Florida Bank (corresponds to USD110,000) (iii)	Loan	Unsecured	6.11 %	2024	6,360,915
Banco Itau, S. A. (corresponds to USD30,000) (iii)	Loan	Unsecured	6.73 %	2024	1,734,795
Citibank, N. A. (corresponds to USD211,000) (iii)	Loan	Unsecured	6.94 %	2024	12,201,391
ABANCA (corresponds to USD8,000) (iii)	Loan	Unsecured	3.55 %	2024	462,612
Sumitomo Mitsui Banking Corp. (corresponds to USD65,000) (iii)	Loan	Unsecured	3.45 %	2024	3,758,722
Korea Development Bank (corresponds to USD10,000)	Loan	Unsecured	3.43 %	2024	578,265
Bankinter (corresponds to USD15,000) (iii)	Loan	Unsecured	6.68 %	2024	867,398
Commerzbank AG (corresponds to USD100,000) (iii)	Loan	Unsecured	6.16 %	2024	5,782,650
Deutsche Bank (corresponds to USD80,000) (iii)	Loan	Unsecured	5.06 %	2024	4,626,120
US Century Bank (corresponds to USD9,000) (iii)	Loan	Unsecured	6.75 %	2024	520,439
Caixa Bank (corresponds to USD25,000) (iii)	Loan	Unsecured	6.68 %	2024	1,445,662

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

18 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
December 31, 2023					
b) In foreign currency (continued):					
<i>A) Foreign financial entities (continued)</i>					
Banco de Crédito e Inversiones (corresponds to USD40,000) (iii)	Loan	Unsecured	6.39 %	2024	2,313,060
Agencia Francesa de Desarrollo (corresponds to USD21,250)	Loan	Unsecured	7.77 %	2032	<u>1,228,813</u>
					<u>73,540,851</u>
<i>B) Other</i>					
Various (includes USD15,149)	Sale of investments with re-purchase agreement	Secured	7.75 %	2024	<u>6,151,426</u>
Interests payable (includes USD41,637)					<u>2,685,634</u>
					<u>134,587,715</u>
December 31, 2022					
a) In national currency (DOP):					
<i>A) Central Bank of the Dominican Republic (i)</i>					
Securities on repurchase agreement	Repurchase pacts	Pledged titles	3.50 %	2023	6,283,938
Other obligations with Central Bank	Repurchase pacts	Pledged titles	3.01 %	2023 until 2041	<u>21,547,461</u>
					<u>27,831,399</u>
<i>B) Domestic financial entities</i>					
Banco Popular Dominicano, S. A., Banco Múltiple	Line of credit	Unsecured	13.38 %	2023	<u>800,000</u>
b) In foreign currency:					
<i>A) Foreign financial entities</i>					
Bank of America (corresponds to USD65,000) (iii)	Loan	Unsecured	5.09 %	2023	3,638,824

**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 (DOP)

18 Borrowed funds (continued)

<u>Borrower</u>	<u>Type</u>	<u>Collateral</u>	<u>Annual weighted average rate (%)</u>	<u>Maturity</u>	<u>Balance</u>
December 31, 2022					
b) In foreign currency (continued):					
Banco Interamericano de Desarrollo, BID (corresponds to USD199,000) (iii)	Loan	Unsecured	5.28 %	2023	11,140,398
Banco Latinoamericano de Comercio Exterior, S. A. (corresponds to USD200,000) (iii)	Loan	Unsecured	6.53 %	2023	11,196,380
Wells Fargo Bank, N. A. (corresponds to USD77,500) (iii)	Loan	Unsecured	5.92 %	2023	4,338,597
China Development Bank, (corresponds to USD90,000) (ii)	Loan	Unsecured	7.03 %	2023	5,038,371
Bac Florida Bank (corresponds to USD30,000)	Loan	Unsecured	4.82 %	2023	1,679,457
Banco Itau, S. A. (corresponds to USD35,000) (iii)	Loan	Unsecured	4.49 %	2023	1,959,366
Citibank, N. A. (corresponds to USD175,000) (iii)	Loan	Unsecured	5.13 %	2023	9,796,833
Commerzbank AG (corresponds to USD65,000) (iii)	Loan	Unsecured	4.73 %	2023	3,638,824
Deutsche Bank (corresponds to USD50,000) (iii)	Loan	Unsecured	7.38 %	2023	2,799,095
US Century Bank (corresponds to USD9,000) (iii)	Loan	Unsecured	6.00 %	2023	503,837
CoBank (corresponds to USD6,781)	Loan	Unsecured	5.75 %	2023	379,625
Banco de Crédito e Inversiones (corresponds to USD20,000) (iii)	Loan	Unsecured	5.61 %	2023	1,119,638
Agencia Francesa de Desarrollo (corresponds to USD23,750)	Loan	Unsecured	7.18 %	2032	<u>1,329,570</u>
					<u>58,558,815</u>
B) Other					
Various (includes USD14,127)	Sale of investments with re-purchase agreement	Secured	11.45 %	2023	<u>1,806,048</u>
Interests payable (includes USD15,052)					<u>1,350,770</u>
					<u><u>90,347,032</u></u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

18 Borrowed funds (continued)

- (i) As of December 31, 2023 and 2022, includes financing obtained through the Rapid Liquidity Facility (FLR) window set up by the Central Bank of the Dominican Republic amounting to DOP51,069,001 and DOP21,490,821, respectively, with the objective to grant loans to MYPYMES sector, productive sectors and households with a fixed interest rate of no more than 8 % and three years term. These funds are guaranteed with investments amounting to DOP96,828,535 and DOP48,105,748, respectively.
- (ii) During the term of these loans, the Bank must comply with certain financial conditions established in the loan contract. A summary of them, is as follows:
- ◆ Maintain a capital adequacy ratio (CAR) greater than 11 %.
 - ◆ Maintain an allowance for past due loan portfolio greater than 100 %.
 - ◆ Maintain a loan portfolio delinquency rate of less than 3 %.
 - ◆ Maintain an adjusted liquidity ratio (ALR) of not less than 80 % for maturity periods of fifteen (15) and thirty (30) days and no less than 70 % for maturity periods of sixty (60) and ninety (90) days.
- (iii) As of December 31, 2023 and 2022, includes financing taken to guarantee the oil bill of Refinería Dominicana de Petróleo PDV, S. A., for approximately DOP71,333,000 and DOP50,133,000, respectively.

19 Other liabilities

A summary of other liabilities is as follows:

	<u>2023</u>	<u>2022</u>
Other financial obligations:		
Demand obligations		
Includes USD7,096 in 2023 and USD12,260 in 2022 (a) (c)	8,886,432	8,010,791
Term obligations, includes USD236 in 2023 and 2022 (b)	13,653	257,192
Unclaimed third-party balances, includes USD6,459 in 2023 and USD6,085 in 2022	748,527	746,271
Administration received fund: public sector (note 28)	<u>3,379</u>	<u>400</u>
	<u>9,651,991</u>	<u>9,014,654</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 (DOP)

19 Other liabilities (continued)

	<u>2023</u>	<u>2022</u>
Accounts payable and provisions:		
Sundry creditors (includes USD1,970 in 2023 and USD2,039 in 2022)	2,427,375	1,906,731
Dividends payable	173,427	173,427
Reserves for contingent includes USD3,795 in 2023 and USD5,144 in 2022 (d) (note 15)	466,659	698,221
Other provisions (includes USD5,751 in 2023 and USD3,371 in 2022) (e)	15,568,754	12,735,527
Income tax (note 36)	12,598	57,031
Deferred income tax (note 36)	641,615	383,473
Items pending for allocation (f)	44,907	-
Other deferred credits	<u>3,182</u>	<u>1,743</u>
	<u>19,338,517</u>	<u>15,956,153</u>
	<u>28,990,508</u>	<u>24,970,807</u>

- (a) Corresponds to financial obligations assumed by the Bank, which are payable on demand and certified checks, among others.
- (b) In this category, the Bank recognizes special cash deposits in dollars (USD) received from the Dominican Government.
- (c) As of December 31, 2023 and 2022 includes DOP96,477 and DOP39,153, respectively, which relates to liabilities for the financing of vehicles granted by the Bank whose original license plates have not been delivered to the Bank by the concessionary entities. Likewise, includes approximately DOP343,800 and DOP134,400, respectively, corresponding to loan disbursements from the “Expo Hogar” fair whose contracts have not been delivered to the Bank.
- (d) Corresponds to reserves to cover contingent operations as required by the Superintendence of Banks (see note 26).
- (e) Includes provisions for bonuses, loyalty program and legal contingencies (note 26), among others.
- (f) Corresponds to creditors’ balances that, due to internal operating reasons or characteristics of the operation, it was not possible to immediately allocate the balances in the final accounts.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

20 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 DOP9,567,644 and DOP7,537,962 as of December 31, 2023 and 2022, respectively.

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

	<u>Specific reserves and ongoing risk</u>	<u>Mathematical reserves</u>	<u>Total</u>
2023			
Balance at January 1 st , 2023	7,177,538	360,424	7,537,962
Plus: reserve increase	9,234,363	406,899	9,641,262
Less: reserve decrease	<u>(7,164,892)</u>	<u>(446,688)</u>	<u>(7,611,580)</u>
Balance at December 31, 2023	<u>9,247,009</u>	<u>320,635</u>	<u>9,567,644</u>
2022			
Balance at January 1 st , 2022	5,778,080	258,591	6,036,671
Plus: reserve increase	6,642,235	456,481	7,098,716
Less: reserve decrease	<u>(5,242,777)</u>	<u>(354,648)</u>	<u>(5,597,425)</u>
Balance at December 31, 2022	<u>7,177,538</u>	<u>360,424</u>	<u>7,537,962</u>

As of December 31, 2023 and 2022, technical reserves include USD8,504 and USD27,131 respectively.

21 Responsibilities

In addition to the obligation balances of insured risks retained, as of December 31, 2023 and 2022, for DOP1,818,773,677 and DOP1,205,474,988, respectively, the subsidiaries Seguros Reservas, S. A. and Administradora de Riesgo de Salud Reservas, Inc. recognize memorandum accounts for salvages warehouse amounting to DOP30,346 and DOP21,953 in 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Responsibilities for insurance		
businesses and bonds taken directly	1,818,773,677	1,205,474,988
Surrendered and retracted insurance		
responsibilities	<u>11,854,204,850</u>	<u>21,880,589,019</u>
	<u>13,672,978,527</u>	<u>23,086,064,007</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 (DOP)

22 Reinsurance

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

The reinsurers that support the insurance business As of December 31, 2023 and 2022, are the following:

<u>December 31, 2023</u>			<u>December 31, 2022</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	6.00	Suiza	Surplus	12.9
	Quota share	70 until 100		Quota share	70 until 100
Hannover RE	Surplus	7.00	THB (Amwins)	Surplus	57.10
	Quota share	10 until 100	Hannover RE	Surplus	10
THB (Amwins)	Surplus	34.10	THB (Amwins)	Quota share	10 until 100
	Quota share	70 until 100	THB (Amwins)	Surplus	34.88 until 100
				Quota share	7.5
			Everest-Guy	Surplus	16.5
				Quota share	20 until 10
			General Re,	Surplus	35 until 100
			Active	Quota share	0.05
			Navigators -Guy	Surplus	3
				Quota share	13.25 until 100
			Sumus. Munish	Surplus	5
Somus. - Korean	Surplus	2.50			
	Quota share	70 until 100			
Somus. - Munich	Surplus	9.00			
	Quota share	70 until 100			
GC - Navigator	Surplus	3.00			
	Quota share	70 until 100			
GC - Axxa XL	Surplus	1.30			
	Quota share	70 until 100			
GC - Chaucer	Surplus	2.00			
	Quota share	70/100			
GC - Amlin	Surplus	4.50			
	Quota share	70/100			
Mapfre Re	Surplus	5.00			
	Quota share	70/100			

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

Amounts in thousands of Dominican pesos (DOP)

23 Subordinated obligations

A summary of the subordinated debts is as follows:

<u>Type</u>	<u>Amount in DOP</u>	<u>Weighted average interest rate</u>	<u>Type of currency</u>	<u>Term</u>
December 31, 2023				
Subordinated debts nominal value (a)	19,999,000	11.68 %	Dominican pesos	10 years
Debt issuance costs (b)	<u>(67,249)</u>			
	19,931,751			
Interests payable	<u>442,362</u>			
	<u>20,374,113</u>			
December 31, 2022				
Subordinated debts (corresponds to USD300,000 nominal value (a))	16,794,570	7.00 %	USD	10 years
Subordinated debts nominal value (b)	19,999,000	7.87 %	Dominican pesos	10 years
Debt issuance costs (c)	<u>(74,627)</u>			
Subordinated debts (corresponds to USD56) (d)	<u>(3,147)</u>			
	36,715,796			
Interests payable (corresponds to USD8,750)	<u>932,524</u>			
	<u>37,648,320</u>			

- a) Corresponds to bonds issued in the market of the Dominican Republic by the Bank:
- i) On July 27, 2022, for a nominal value of DOP20,000,000, of which DOP10,000,000 was issued, with a maturity of 10 years until July 27, 2032, at a fixed interest rate of 10.00 %.
 - ii) On December 29, 2014, for a face value of DOP 9,999,000. The amount placed corresponds to two issues offered simultaneously, each for DOP5,000,000 and DOP4,999,000, respectively, with a maturity of 10 years until December 29, 2024, and at a variable interest rate equivalent to the passive interest rate. weighted average (TIPPP) of multiple banks, published by the Central Bank, plus a fixed margin of 2.75 %. The effective rate at the time of placement was 9.66 %, reviewable every six months.

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

Amounts in thousands of Dominican pesos (DOP)

23 Subordinated obligations (continued)

These bonds do not have any collateral and in the event of dissolution or liquidation of the Bank, the payment of the bonds is subject to all the obligations of the Bank.

- b) Relates to costs incurred when issuing bonds, which are deferred and amortized over the effective interest method during the term of the bonds.
- c) Corresponds to bonds issued by the Bank on February 1st, 2013, for a nominal value of USD300,000. 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.

These bonds were settled on February 1st, 2023.

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

As of December 31, 2023 and 2022, subordinated debts were authorized by the Superintendence of Banks through Circulars ADM-0013-13, ADM-2386-20 and ADM/3161/21 to be used to compute part of the secondary capital (tier 2 capital) for the purposes of determining Bank's technical equity and index solvency for a value of DOP9,944,720 and DOP11,941,836, respectively.

24 Equity

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

	Common shares			
	Authorized		Issued	
	Quantity	Amount in DOP	Quantity	Amount in DOP
Balance at December 31, 2023 and 2022	<u>39,000</u>	<u>39,000,000</u>	<u>39,000</u>	<u>39,000,000</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 (DOP)

24 Equity (continued)

As of December 31, 2023 and 2022, the capital contributions of the Bank have been originated as follow:

- a) DOP50,000 corresponding to the initial capital in accordance with the Law No. 6133 of December 17, 1962, which amended article 4 of the Bank's Organic Law.
- b) DOP200,000 by delivering state-certified vouchers issued by the National Treasury in 1988.
- c) DOP1,750,000 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 the Bank's Organic Law, the Dominican Republic Government.
- d) DOP1,500,000 by issuing bonds on behalf of the Bank in accordance with Law No. 121-05 of April 7, 2005, the Dominican Republic Government.
- e) DOP2,000,000 by reinvesting dividends charged to earnings of 2013 in accordance with Law No. 543-14 of December 5, 2014.
- f) DOP2,800,000, by reinvesting dividends charged to earnings of 2014, in accordance with the Law No. 543-14 of December 5, 2014.
- g) DOP1,700,000 through the reinvestment of dividends charged to earnings of 2014, pursuant to Law No. 543-14 of December 5, 2014.
- h) DOP29,000,000, through the reinvestment of dividends charged to other equity reserves, according to the audited financial statements for fiscal year 2020, in accordance with Law No. 1-22 of January 5, 2022.

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

- 60 % - To be transferred to the account of other equity reserves of the Bank.
- 25 % - For payment of cash dividends to the Dominican State.
- 15 % - To cover debts of the Dominican Republic Government and its agencies with the Bank.

By the Second Resolution of the Ordinary Session dated May 9, 2023, 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 DOP22,025,829, as detailed below:

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

24 Equity (continued)

- i) DOP13,215,497, transferred to equity reserve. This transfer was done effectively as of December 31, 2022.
- ii) DOP5,506,457, dividends in cash to be paid to the Dominican Republic State.
- iii) DOP3,303,875, to offset debts of the Dominican Republic State with the Bank.

In accordance with the application of Resolution No. 12-2001, dated December 5, 2001, issued by the Superintendence of Banks, the limit of dividends to be paid in cash by the Bank amounts to DOP19,205,155. During the year 2023, the amounts established in paragraphs (ii) and (iii) amounting DOP8,810,332, were deposited in the Single Treasury Account (CUT, per its Spanish acronyms). As of December 31, 2023, there are payable dividends of DOP173,427 corresponding to dividends declared in prior periods and are included in other liabilities in the consolidated statement of financial position.

By the Second Resolution of the Ordinary Session dated July 1st, 2022, 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 DOP16,306,821 as detailed below:

- i) DOP9,784,093, transferred to equity reserve. This transfer was done effectively as of December 31, 2021.
- ii) DOP4,076,705, dividends in cash to be paid to the Dominican Republic State.
- iii) DOP2,446,023, 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 DOP13,461,483. During 2022, DOP4,076,705 were paid in cash, while DOP2,446,023 were used to compensate the State's debts and its dependencies with the Bank and DOP173,427 corresponding to dividends declared in previous periods, are included within the other liabilities in the accompanying consolidated statement of financial position. These dividends consist of DOP172,013 payable in cash and DOP1,414 to compensate debts of the Dominican State and its dependencies in accordance with the Bank's Organic Law.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

24 Equity (continued)

The Bank obtained no objection from the Superintendence of Banks through communications CADM-R&A-202314562 and ADM/1113/22, dated June 6, 2023 and July 22, 2022, respectively, for the distribution of dividends in accordance with the provisions of Circular No. 006/21, dated March 31, 2021, issued by this superintendence, for 2023 and 2022.

Other equity reserves

In accordance with the Bank's Organic Law and its modifications in Law No. 99-01, the Bank must segregate the 60 % of its annual net profit to equity reserves. As of December 31, 2023 and 2022, the Bank segregated equity reserves for the amount of DOP14,700,008 and DOP13,215,497, respectively.

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 DOP915,737. The Bank, in accordance with the rules established, considered this amount as tier 2 capital, prior authorization of the Superintendence of Banks. During the years ended December 31, 2023 and 2022, the Bank recognized impairment of these revalued assets for DOP2,604 and DOP20,467, respectively.

25 Banking regulation requirements

A summary of banking requirements for the Parent Company by its regulators as of December 31, 2023 and 2022 is as follows:

<u>Description</u>	<u>Regulations</u>	<u>Parent Company</u>
December 31, 2023		
Minimum requirement of:		
Legal reserve in DOP	77,654,300	78,467,114
Legal reserve in USD	795,738	1,651,634
Solvency (a)	10.00 %	16.79 %

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

25 Banking regulation requirements (continued)

<u>Description</u>	<u>Regulations</u>	<u>Parent Company</u>
December 31, 2023		
Maximum requirement of:		
Individual credits or risk groups unsecured (b)	13,111,093	6,118,590
Individual credits or risk groups guaranteed (b)	26,222,186	9,903,695
Individual credits or risk groups to related parties unsecured (b)	13,111,093	4,466,757
Individual credits or risk groups to related parties guaranteed (b)	26,222,186	203,594
Global loans to related parties (b)	43,703,643	18,056,286
Loans to officers and employees	8,740,729	6,360,671
Investments in financial entities from abroad	7,800,000	49,645
Investments in non-financial entities	3,900,000	26,049
Investments in support and services entities (c)	7,800,000	22,809,530
Property, furniture and equipment	87,407,287	13,385,092
Contingencies	262,221,860	75,881,700
Financing in foreign currency (d)	<u>23,045,728</u>	<u>979,246</u>
December 31, 2022		
Minimum requirement of:		
Legal reserve in DOP	74,278,792	74,991,924
Legal reserve in USD	692,451	1,245,117
Solvency (a)	<u>10.00 %</u>	<u>16.41 %</u>
Maximum requirement of:		
Individual credits or risk groups unsecured (b)	7,470,700	5,033,751
Individual credits or risk groups guaranteed (b)	22,412,100	11,422,052
Individual credits or risk groups to related parties unsecured (b)	7,470,700	4,324,273
Individual credits or risk groups to related parties guaranteed (b)	14,941,400	501,067

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

25 Banking regulation requirements (continued)

<u>Description</u>	<u>Regulations</u>	<u>Parent Company</u>
December 31, 2022		
Global loans to related parties (b)	37,353,500	24,088,912
Loans to officers and employees	7,470,700	4,943,072
Investments in financial entities		
from abroad	7,800,000	48,061
Investments in non-financial entities	3,900,000	26,049
Investments in support and services entities (c)	7,800,000	21,479,796
Property, furniture and equipment	74,707,000	11,562,576
Contingencies	224,120,999	54,827,614
Financing in foreign currency (d)	<u>18,635,726</u>	<u>2,059,082</u>

- a) To determine the solvency ratio, the guidelines established in the Regulation of Prudential Norms of Patrimonial Adequacy are applied. In addition, the Bank periodically evaluates that the capitalization guarantees at all times that a sufficient and adequate level of capital is maintained to support the risks it assumes in the course of its operations and in the event of any adverse change. The business strategy is aligned with the capitalization strategy and together they have made it possible to maintain a financial profile with adequate margins, as well as solvency indicators above what is required by current local regulations. Technical equity is made up of paid-in capital, legal reserve, revaluation surplus and subordinated debt. For both periods, the Bank maintains a solvency indicator above the minimum required. A summary of the contingent assets weighted by credit risk and market risk is shown below:

	<u>2023</u>	<u>2022</u>
Total weighted assets less deductions	480,303,693	391,066,929
Total contingent operations less deductions	23,491,464	17,498,476
Capital required by market risk	<u>16,805,099</u>	<u>46,794,363</u>
Total weighted contingent assets due to credit risk and market risk	<u>520,600,256</u>	<u>455,359,768</u>

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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Amounts in thousands of Dominican pesos (DOP)

25 Banking regulation requirements (continued)

As of December 31, 2023 and 2022, a detail of the accounts that make up the technical equity of the Bank (Parent Company) is as follows:

	<u>2023</u>	<u>2022</u>
Paid-in capital	39,000,000	39,000,000
Equity reserve	<u>37,819,093</u>	<u>23,119,085</u>
Subtotal primary capital	<u>76,819,093</u>	<u>62,119,085</u>
Adjustments for revaluation of real estate	643,474	646,078
Computable portion subordinated obligations	<u>9,944,720</u>	<u>11,941,836</u>
Subtotal secondary capital	<u>10,588,194</u>	<u>12,587,914</u>
Total technical equity	<u>87,407,287</u>	<u>74,706,999</u>

- b) Through Circular SB: ADM/0089/12 of February 8, 2012, the Superintendence of Banks authorized those loans granted to public sector organizations, defined in article No. 3 of the Public Credit Law, which have the explicit guarantee of the Dominican State, are not computed for the purposes of determining excesses to individual limits or for credit limits to related entities.
- c) The Bank has excess investments in shares, which were not excluded in the determination of technical equity.

The article No. 86 b) of the Monetary and Financial Law established a period of five years, counted from the approval of the corresponding regulation, for public financial intermediation entities to adapt to the provision of the law. The Executive Branch granted to the Bank five years to transfer and/or place excess in investments, which ended in 2008.

Through Administrative Circular ADM 0301/09, the Superintendence of Banks extended this period until July 2012. The investments held by the Bank in the insurance company and the administration of pension funds were transferred to the holding company Reservas, S. A. On December 5, 2012, through communication No. 0970, the Superintendence of Banks issued its no objection to maintaining the treatment that has been applied to investments in shares held by the Bank, until approval of the modification of the Monetary and Financial Law is obtained.

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

Amounts in thousands of Dominican pesos (DOP)

25 Banking regulation requirements (continued)

- d) Excludes financing obtained abroad in the medium and long term, with a maturity greater than one year, those authorized by the Central Bank of the Dominican Republic to cover the oil bill of Refinería Dominicana de Petróleo, S. A., and items which were originally contingent foreign trade operations and which later become direct financing by the Bank to its customers, in accordance with communication No. 036397 of the Central Bank of the Dominican Republic, dated September 12, 2001, which modifies the sole paragraph of Ordinal 1 of the Second Resolution adopted by the Monetary Board on October 7, 1999.

26 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 significant balances of these commitments and contingent liabilities include:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Collaterals granted:		
Endorsements:		
Commercial	2,226,228	1,654,896
Other endorsements	2,742,172	2,010,950
Other collaterals granted	355,192	93,296
Non-negotiable letters of credit issued	1,297,770	1,611,074
Credit lines of automatic use	<u>69,260,338</u>	<u>49,457,398</u>
	<u>75,881,700</u>	<u>54,827,614</u>

As of December 31, 2023 and 2022, the Bank has reserves to cover possible losses from these operations for the amounts of DOP466,659 and DOP698,221, respectively, which are included in other liabilities in the consolidated statement of financial position at those dates.

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

Amounts in thousands of Dominican pesos (DOP)

26 Commitments and contingencies (continued)

(a) Contingent operations (continued)

As of December 31, 2023 and 2022, the Insurance subsidiary and the Administradora de Riesgos de Salud Reservas, Inc. had contingent liabilities for retained risk estimated as follows:

	<u>2023</u>	<u>2022</u>
General risks	1,513,081,896	975,719,373
Individual life insurance	32,263,847	24,220,376
Collective life insurance	<u>273,427,935</u>	<u>205,535,239</u>
	<u>1,818,773,678</u>	<u>1,205,474,988</u>

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

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

The Bank has leasing contracts for the premises where some of its administrative offices, branches, business centers and ATM are located. For the years ended December 31, 2023 and 2022, expenses for this concept amounted to approximately DOP1,547,860 and DOP1,316,069, respectively, which are recognized in other operating expenses in the accompanying consolidated statements of profit or loss. The commitments to pay for these leasing contracts of the administrative offices and branches for 2024 will be approximately DOP1,557,551.

(c) Superintendence of Bank fees

The Monetary Board of the Dominican Republic requires that financial entities make contributions in order to cover inspection services provided by the Superintendence of Banks. The expense for this concept for the years ended December 31, 2023 and 2022 was approximately DOP2,024,225 and DOP1,611,991, 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.

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

Amounts in thousands of Dominican pesos (DOP)

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

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.

The Monetary Board, through its Third Resolution of December 15, 2020, authorized an exemption for a period of two years for the payment of the Contingency Fund until December 15, 2022. During the year ended December 31, 2023, the expense was DOP763,634 and is 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 No. 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.

The Monetary Board, through its Third Resolution of December 15, 2020, authorized an exemption for a period of two years for the payment of the Consolidation Fund until December 15, 2022. During the year ended December 31, 2023, the expenses was DOP1,509,709 and is recognized in other operating expenses in the accompanying consolidated statements of profit or loss.

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

The Banks maintains a contract with a foreign company for the non-exclusive use of Master Card Brand for charge services, credit or debit card. The Bank does not pay fees for the right of use of MasterCard. The 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.

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

Amounts in thousands of Dominican pesos (DOP)

26 Commitments and contingencies (continued)

(g) Lawsuits

As of December 31, 2023 and 2022, there are several lawsuits and claims originated in the normal course of the Bank's operations for approximately DOP31,613,000 and DOP29,394,000, respectively. The Bank believes together with its legal advisors that the resolution of these claims will not result in an adverse material effect. As of December 31, 2023 and 2022, the amount reserved to meet these claims increased to DOP71,511 and DOP75,969, respectively, and is recognized in other liabilities in the accompanying consolidated statement of financial position.

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 subsidiary has established reserves that it considers necessary to cover these claims and demands based on its experience in the insurance business.

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

(h) Guaranteed minimum return

As of December 31, 2023 and 2022, the subsidiary Administradora de Fondos de Pensiones Reservas, S. A. has a minimum annual return commitment, guaranteed by law, which shall be equal to the weighted average return of the pension funds of individually capitalization less two percentage points, as required by article 103 of Law No. 87-01. In accordance with Resolution No. 395-17 of SIPEN, dated November 13, 2017. If the return is below the weighted average calculated by the SIPEN, the *Administradora* would have a payment commitment with the fund.

27 Trusts

As of December 31, 2023 and 2022, through one of its subsidiaries, the Bank has received resources for its administration from public and private trusts whose financial situation As of December 31, 2023 and 2022 is as follows:

<u>Trust class</u>	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>
December 31, 2023			
Administration	26,891,558	1,527,102	25,364,456
Real estate	7,406,965	6,103,604	1,303,361

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

27 Trusts (continued)

<u>Trust class</u>	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>
December 31, 2023			
Succession planning	262,637	2,163	260,474
Guarantee and sources of payment	988,100	912,820	75,280
Public offer	64,879,530	56,861,843	8,017,687
Philanthropic	78,638	483	78,155
	<u>100,507,428</u>	<u>65,408,015</u>	<u>35,099,413</u>
December 31, 2022			
Administration	24,010,458	851,624	23,158,834
Real Estate	10,330,473	8,518,724	1,811,749
Succession planning	203,752	1,384	202,368
Guarantee and sources of payment	832,379	573,376	259,003
Public offer	55,363,014	48,959,138	6,403,876
Philanthropic	260,836	2,280	258,556
	<u>91,000,912</u>	<u>58,906,526</u>	<u>32,094,386</u>

The accounting of these balances is kept separately from the accounting records and the Bank's own activities.

28 Memorandum accounts (administration funds)

As of December 31, 2023 and 2022, the Bank maintains managed loan funds of the Government through funds from PROMIPYME and Solidarity Bank. The Bank receives for the administration of these funds, a percentage that goes from 2 % to 4.50 % on the value charged. Memorandum accounts presented in the Bank's consolidated statement of financial position consist of:

	<u>2023</u>	<u>2022</u>
Funds under management by the Bank:		
PROMIPYME Resources	6,053,434	5,533,416
PROMIPYME - PROCREA	-	11
PROMICENTRAL	47,347	69,406
PROMIPYME - Fonper funds	15,793	23,326
PROMIPYME - PRESAAC loans	320	374

**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 (DOP)

28 Memorandum accounts (administration funds) (continued)

	<u>2023</u>	<u>2022</u>
MI PRIMER PROGRESO loans	8,119	8,735
Solidarity Bank	<u>2,755,508</u>	<u>2,985,447</u>
	<u>8,880,521</u>	<u>8,620,715</u>
Funds managed by the subsidiary - Pension Fund Management:		
Mandatory individual capitalization pension plan (Pension Fund T-1)	165,447,978	144,839,630
Pension fund of officers and employees of the Bank (Pension Fund T-4)	20,603,121	19,615,904
Social solidary fund (Pension Fund T-5)	<u>70,397,902</u>	<u>61,825,342</u>
	<u>256,449,001</u>	<u>226,280,876</u>
	<u>265,329,522</u>	<u>234,901,591</u>

29 Financial income and expenses

A summary of financial income and expenses is as follows:

	<u>2023</u>	<u>2022</u>
Financial income:		
Loans:		
Commercial	27,695,503	19,501,356
Consumers	26,048,366	19,237,040
Mortgage loans of housing	<u>6,772,098</u>	<u>5,453,182</u>
Subtotal	<u>60,515,967</u>	<u>44,191,578</u>
Investments:		
Available for sale	22,291,953	20,400,823
Held to maturity	2,526,474	1,869,748
Earnings from investments	<u>6,230,151</u>	<u>5,318,443</u>
Subtotal	<u>31,048,578</u>	<u>27,589,014</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 (DOP)

29 Financial income and expenses (continued)

	<u>2023</u>	<u>2022</u>
Another financial income		
Due to availability	6,176,709	2,791,331
Interbank funds	<u>5,937</u>	<u>24,972</u>
Subtotal	<u>6,182,646</u>	<u>2,816,303</u>
Insurance premiums net of returns and cancelations	<u>20,178,747</u>	<u>14,238,122</u>
Total	<u>117,925,938</u>	<u>88,835,017</u>
Financial expenses:		
Deposits from customers - public deposits	<u>(27,852,630)</u>	<u>(14,837,676)</u>
Financing-borrowed funds		
Financing-borrowed funds	(5,606,941)	(2,666,931)
Subordinated debts	<u>(2,362,203)</u>	<u>(2,403,707)</u>
Subtotal	<u>(7,969,144)</u>	<u>(5,070,638)</u>
Other financial expenses:		
Loss on sale of investments	(4,664)	(81)
Contractual losses and obligations	(14,187,898)	(9,715,221)
Expenses for technical adjustment to reserves	(807,773)	(399,357)
Acquisition expense, conservation and premium collection - commission and other acquisition costs of the insurance company	<u>(2,172,176)</u>	<u>(1,634,229)</u>
Subtotal	<u>(17,172,511)</u>	<u>(11,748,888)</u>
Total	<u>(52,994,285)</u>	<u>(31,657,202)</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 (DOP)

30 Income (expense) for exchange differences

A summary of main income and expenses due to exchange differences were recognized during the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Income due to foreign exchange:		
Loans	13,577,474	13,724,217
Investments	13,595,581	14,292,999
Available funds	22,223,780	20,739,754
Accounts receivable	93,870	110,583
Adjustments for exchange rate differences	<u>35,496,677</u>	<u>49,722,178</u>
Subtotal	<u>84,987,382</u>	<u>98,589,731</u>
Expenses due to foreign exchange:		
Deposits customers	(34,722,081)	(32,330,285)
Financing-borrowed funds	(9,875,502)	(11,419,571)
Adjustments for exchange rate differences	<u>(40,943,830)</u>	<u>(55,444,254)</u>
Subtotal	<u>(85,541,413)</u>	<u>(99,194,110)</u>
Total foreign exchange loss	<u><u>(554,031)</u></u>	<u><u>(604,379)</u></u>

31 Other operating income (expense)

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

	<u>2023</u>	<u>2022</u>
Other operating income:		
Service fees:		
By drafts and wire transfers	434,076	393,816
By foreign trade	2,995	3,130
Por certification and sales of bank's checks	49,537	57,583
Collections	1,200	2,199
By credit cards	8,376,838	5,667,122
By remittance services	268,199	128,020
By letters of credit	37,372	34,279
By collaterals granted	153,230	96,945

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

31 Other operating income (expense) (continued)

	<u>2023</u>	<u>2022</u>
By credit lines	3,670	6,012
Other commissions for services (a)	<u>9,589,894</u>	<u>7,659,370</u>
Subtotal	<u>18,917,011</u>	<u>14,048,476</u>
Miscellaneous income		
By foreign exchange	<u>7,031,540</u>	<u>6,645,048</u>
Claims for medical services	846,554	645,518
Other miscellaneous operating revenue (b)	<u>4,542,046</u>	<u>3,648,966</u>
Subtotal	<u>5,388,600</u>	<u>4,294,484</u>
Total of other operating income	<u>31,337,151</u>	<u>24,988,008</u>
Other operating expenses:		
Services fees		
Correspondents	(67,679)	(77,279)
By collections	(246)	-
By securities brokerage services	(347,442)	(428,085)
Other services (c)	<u>(2,321,011)</u>	<u>(2,103,581)</u>
Subtotal	<u>(2,736,378)</u>	<u>(2,608,945)</u>
Miscellaneous expenses		
By exchange commission	<u>(183,972)</u>	<u>(131,212)</u>
By issuance cost amortization of subordinated obligations	(16,329)	(28,133)
Commissions and sales of property	(2,694)	(4,998)
Claims for medical services	(1,411,021)	(1,204,601)
Other operating expenses (d)	<u>(3,624,376)</u>	<u>(3,140,985)</u>
Subtotal	<u>(5,054,420)</u>	<u>(4,378,717)</u>
Total of other operating expenses	<u>(7,974,770)</u>	<u>(7,118,874)</u>

(a) During the years 2023 and 2022, includes savings and checking account fees of approximately DOP1,551,000 and DOP1,386,000, ATM fees of approximately DOP2,095,000 and DOP1,923,000, credit card fees of approximately DOP1,163,000 and DOP621,000, as well as UNARED agreement fees of approximately DOP753,000 and DOP752,000, 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 (DOP)

31 Other operating income (expense) (continued)

- (b) During the years 2023 and 2022, includes commissions for amounts administered of DOP1,869,694 and DOP1,722,898, as well as fiduciary commissions of DOP1,301,296 and DOP879,465, respectively.
- (c) Includes ATH transaction fees of approximately DOP1,341,000 and DOP1,116,000 and UNARED agreement fees of approximately DOP533,000 and DOP523,000 for the years ended December 31, 2023 and 2022, respectively.
- (d) Includes other credit card brand fees of approximately DOP1,061,000 and DOP787,000, during the years ended December 31, 2023 and 2022, respectively.

32 Salaries and compensations to personnel

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

	<u>2023</u>	<u>2022</u>
Wages, salaries and benefits to employees	18,990,387	17,269,193
Social security	1,624,783	1,338,252
Contributions to the pension plan	1,606,033	1,376,141
Other personnel expenses	<u>9,464,708</u>	<u>7,929,097</u>
	<u>31,685,911</u>	<u>27,912,683</u>

As of December 31, 2023 and 2022, compensations to personnel include approximately DOP4,756,808 and DOP4,351,640, respectively, that corresponds to the executive management of the Bank which are defined as directors and above.

Compensation and remuneration policies for executives and Members of the Board of Directors

The Bank has established for the staff and Members of the Board of Directors, compensations and benefits that contribute to the balance between work and life of the staff, adding value to the organizational commitment to improve employee satisfaction, strengthen their identity and bond with the organization, as well as optimize the execution of their work. The socioeconomic benefits, present in the collective bargaining or individual contract, have a significant impact on the work environment.

- ◆ Fixed salary or base salary,
- ◆ Annual increase policy for permanent personnel.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

32 Salaries and compensations to personnel (continued)

The compensation and remunerations available to executives are detailed as follow:

- ◆ Vacation bonus.
- ◆ Anniversary income bonus
- ◆ Law bonus and variable remuneration.
- ◆ Charge offsets.
- ◆ Executive vehicle policy.
- ◆ Health and life policy

The Bank, based on the remuneration guidelines provided for the Members of the Board of Directors in article 23 of Organic Law No. 6133 dated December 17, 1962 and its subsequent amendments and article 29 of the Regulations on Corporate Governance, and with the objective of defining a remuneration and compensation system that is consistent with the dedication, delivery and responsibilities, through the Bank's Appointments and Remuneration Committee, consolidates the guidelines for the remuneration and compensation of the Members of the Bank's Board of Directors. Among the remunerations are diets, Christmas bonus, international health and life policy, local medical insurance, compensation and executive vehicle policy, among others.

As of December 31, 2023 and 2022, remuneration and social benefits include the Bank's management personnel, which are defined as those who occupy the position of director onwards are presented as follow:

	<u>2023</u>	<u>2022</u>
Members of the Council of Directors	159,258	131,254
Senior Management	<u>4,756,808</u>	<u>4,351,640</u>
	<u>4,916,066</u>	<u>4,482,894</u>

As of December 31, 2023 and 2022, the Bank has approximately 14,763 and 13,778 employees, respectively.

33 Pension fund

The Bank makes contributions to the following pension plans:

- a) A pension plan with defined benefits and other pension for employees not covered by the Social Security Law No. 87-01 of May 9, 2001, which established the Social Security System of the Dominican Republic. Until June 30, 2014, contributions to this plan were 12.5 % of the monthly salaries paid to officials and employees. From July 1st, 2014, this contribution was increased to 17.5 %, plus 2.5 % of the gross profits of the Bank, as provided by the statute of the Pension Plan approved by the Board of Directors.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

33 Pension fund (continued)

A summary of financial information of the (unaudited) plan is as follows:

	<u>2023</u>	<u>2022</u>
Present value of obligations for past services	(20,537,564)	(19,426,309)
Net assets of the plan	<u>20,633,695</u>	<u>19,652,690</u>
Net position of the plan	<u>96,131</u>	<u>226,381</u>

The movement of the year is as follows:

	<u>2023</u>	<u>2022</u>
Balance at January 1 st	226,381	308,587
Cost per service	(1,111,255)	(614,813)
Actuarial gain (loss)	(688,782)	(927,767)
Payments	<u>1,669,787</u>	<u>1,460,374</u>
Balance as of December 31	<u>96,131</u>	<u>226,381</u>

The expense recognized during 2023 and 2022 amounted to DOP722,379 and DOP5519,795, respectively, and includes extraordinary contributions of DOP280,000, approved by the Board of Directors through its twenty-seventh resolution of April 13, 2021. These contributions were approved for a period of five years through 2025 and is presented as part of other operating expenses in the accompanying consolidated statements of profit or loss for those years.

Actuarial assumptions

As of December 31, 2023 and 2022, the principal actuarial assumptions and other basic information of the plan used in determining the actuarial liabilities are as follows:

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

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Notes to the Consolidated Financial Statements (continued)

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33 Pension fund (continued)

A summary of the number and amount of current pensions as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Number of members	1,135	1,217
Average retirement age	52	51
Average monthly salary	<u>120</u>	<u>120</u>

b) As of December 31, 2023 and 2022, the Bank maintains a provision for approximately DOP648,000 for both years to cover actuarial obligations of employees and pensioned officers directly instructed by the Bank and approved by the Board of Directors. As of December 31, 2023 and 2022, the number of employees maintained in this pension plan amounts to 27 and 28, respectively. This obligation is calculated by estimating the amount of the future benefit that employees have earned in the current period and in previous periods and is included as part of other liabilities in the consolidated statements of financial position as of those dates, which are accompany. The movement of the year is as follows:

	<u>2023</u>	<u>2022</u>
Balance at January 1 st	647,631	709,530
Constitution (release) of actuarial reserve	<u>-</u>	<u>(61,899)</u>
Balance as of December 31	<u>647,631</u>	<u>647,631</u>

This provision is based on an actuarial evaluation that determines the present value of this obligation. A detail of the actuarial assumptions used by the Bank as of December 31, 2023 and 2022 is as follows:

Actuarial assumptions

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

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Notes to the Consolidated Financial Statements (continued)

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33 Pension fund (continued)

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

34 Other income (expenses)

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

	<u>2023</u>	<u>2022</u>
Other income		
Recovery of written off assets	1,327,933	1,420,297
Income from shares in other companies (note 35)	653,982	433,684
Gain on sale of property	177,223	220,035
Others (i)	<u>1,619,836</u>	<u>2,280,579</u>
Subtotal	<u>3,778,974</u>	<u>4,354,595</u>
Other expenses		
Assets received in lieu of foreclosure of loans	(55,911)	(67,853)
Impairment loss on goods received in credit recovery	-	(656)
Loss on sale of property, furniture and equipment	(12,361)	(19,637)
Loss on sales of assets received in lieu of foreclosure of loans	(819)	(85)
Uncollectibility accounts receivable (ii)	(699,448)	(390,212)
Penalty for breach	-	(552)
Donations	(1,054,499)	(865,934)
Losses from thefts, assaults, and frauds	(609,547)	(188,941)
Others (iii)	<u>(907,892)</u>	<u>(999,164)</u>
Subtotal	<u>(3,340,477)</u>	<u>(2,533,034)</u>
Total	<u><u>438,497</u></u>	<u><u>1,821,561</u></u>

(i) Includes income from assets leasing, expenses recovery and insurance policy referrals, among others.

(ii) Basically, corresponds to write-offs of impaired commissions receivable.

(iii) Includes mainly discharges for customer complaints.

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Notes to the Consolidated Financial Statements (continued)

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35 Results accounted for using the equity method

As of December 31, 2023 and 2022, income from the Bank's participation in the results of associated companies was recognized in the consolidated statements of profit or loss, according to the following detail:

	<u>2023</u>	<u>2022</u>
<u>Entities</u>		
Consortio Tarjetas Dominicanas, S. A.	337,265	228,696
Depósito Centralizado de valores, S. A. (CEVALDOM)	258,277	199,489
Red nuevos servicios financieros, S. A.	61,391	45,506
MIO, S.A.S.	(60)	-
Sociedad Titularizadora Dominicana, S. A.	<u>(2,891)</u>	<u>(40,007)</u>
	<u>653,982</u>	<u>433,684</u>

36 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 Government. The consolidated companies declare and pay their income tax individually and separately.

A reconciliation between the results reported in the consolidated financial statements and the results for tax purposes during the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Profit before income tax	27,269,610	23,323,243
Plus (less) tax adjustments:		
Adjustments of exempted income and other items considered by the Bank	(22,989,602)	(22,110,782)
Exempt income from investments in associates	(664,051)	(479,015)
Dividends received from investments in shares	-	(72,804)
Fringe benefits taxes	239,336	204,421
Non-deductable taxes	3,376,141	3,159,611
Effect of depreciation of fixed assets	(519,796)	(306,874)
Gain on sale of fixed assets	(34,062)	(30,808)
Net profit of companies that pay taxes on another basis	(13,558)	(241,435)
Other non-deductible items	<u>1,930,719</u>	<u>687,979</u>
Net taxable income	<u>8,594,737</u>	<u>4,133,536</u>

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Notes to the Consolidated Financial Statements (continued)

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36 Income tax (continued)

A detail of the determined income tax as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Net taxable income (i)	8,594,737	4,133,536
Tax rate	<u>27 %</u>	<u>27 %</u>
	<u>2,320,579</u>	<u>1,116,054</u>
Total net taxable assets (ii)	1,652,823	1,232,485
Tax rate	<u>1 %</u>	<u>1 %</u>
	<u>16,528</u>	<u>12,325</u>
Total income tax determined	<u>2,337,107</u>	<u>1,128,379</u>

- (i) As of December 31, 2022, the Parent Company and its subsidiaries Administradora de Fondo de Pensiones Reservas, S. A. Seguros Reservas, S. A., Inversiones & Reservas, S. A., Fiduciaria Reservas, S. A., Seguridad y Protección Institucional, S. A., Reservas Asistencia, S.A.S., Inversiones Finanprimas B, S.A.S. and Sociedad Administradora de Fondos de Inversión Reservas, S. A., determined its current income taxes based on 27 % of net income tax.
- (ii) As of December 31, 2023 and 2022, the subsidiaries Tenedora Reservas, S. A., Inversiones & Reservas, S. A., Inmobiliaria Reservas, S. A. and Advanced Auto Technology, S.A.S., determined its current income taxes based on 1 % of net taxable assets.

Income tax expense determined for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Current income tax	2,337,107	1,128,379
Deferred income tax	258,142	89,004
Tax withheld on payment of dividends	44,356	29,295
Tax credit for Renewable Energy Law	(1,825)	(1,825)
Previous year income tax	<u>91,818</u>	<u>10,895</u>
	<u>2,729,598</u>	<u>1,255,748</u>

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36 Income tax (continued)

A reconciliation between the current tax, prepaid income tax and the income tax payable for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Determined tax	2,337,107	1,128,379
Prepaid taxes during the year	(1,930,331)	(1,625,695)
Prepaid income tax from previous years (i) (ii)	(7,834,670)	(7,006,558)
Advances paid on assets productive financial, net (i)	(9,612,612)	-
Tax credit deduction for payments to government entities	(294,953)	(261,612)
Adjustment to the prepaid income tax	(91,818)	(46,027)
Lease tax credit for State institutions	(9,244)	(9,430)
Tax credit for Renewal Energy Law	(1,825)	(1,825)
Other movements, net	<u>55,139</u>	<u>(11,902)</u>
Prepaid income tax, net at the end of the period	<u>(17,383,207)</u>	<u>(7,834,670)</u>
Prepaid income tax (see note 14) (i) (ii)	(17,395,805)	(7,891,701)
Income tax payable	<u>12,598</u>	<u>57,031</u>
	<u>(17,383,207)</u>	<u>(7,834,670)</u>

As of December 31, 2023 and 2022, prepaid income tax is recognized as part of other assets, and income tax payable as part of other liabilities in the accompanying consolidated statement of financial position.

- (i) On December 21, 2020, financial intermediation entities, represented by Association of Multiple Banks of the Dominican Republic, Inc., signed an agreement with the Ministry of Finance and the General Direction of Internal Taxes, according to which, the Bank agreed to make an income tax advance payment of DOP6,283,561, payable in four equal quarterly installments starting in 2021, which are presented as deferred charges in the consolidated statements of financial position accompany. This advance payment could be deducted from Bank's future income tax commitments, for a period of 10 years from 2022. This deduction will be in proportion of 5 % for 2022 and 2023 and 11.25 % from 2024 to 2031. Some financial intermediation entities signed an agreement with the Ministry of Finance and the local tax authority on June 23, 2023, according to which the Bank committed to make an advance payment on account of income tax (ISR, per its Spanish acronyms) for DOP9,612,612, which is presented as part of the deferred charges line in the accompanying consolidated statement of financial position for that year. Under the terms of the agreement, this prepayment may be offset against future income tax liabilities over a four-year period beginning in 2024. This tax credit will be used at a rate of 25 % for each year.

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Notes to the Consolidated Financial Statements (continued)

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36 Income tax (continued)

(ii) As of December 31, 2023 and 2022, prepaid income tax includes DOP247,767 and DOP289,062, respectively, corresponding to agreements made among financial intermediation entities on February 8, 2013, represented by Association of Commercial Banks of the Dominican Republic Inc.; the Ministry of Finance and the General Direction of Internal Tax, according to which, the Bank prepaid income tax for DOP620,000, which will be deducted from future income tax commitments of the Bank, for a period of 15 years as of the fiscal year ended December 31, 2014. This reduction is a proportion of 6.67 % per year.

The movement of deferred income tax during the years ended December 31, 2023 and 2022 is as follows:

	<u>Beginning balances</u>	<u>Recognized in profit</u>	<u>Ending balances</u>
December 31, 2023			
Property, plant and equipment	60,265	(91)	60,174
Other assets	(8,435)	(826)	(9,261)
Net profit of the consolidated subsidiaries	(458,717)	(257,225)	(715,942)
Other non-deductible provisions	16,155	-	16,155
Other deferred charges	5,264	-	5,264
Exchange rate difference	1,995	-	1,995
Total deferred income tax liabilities	<u>(383,473)</u>	<u>(258,142)</u>	<u>(641,615)</u>
December 31, 2022			
Property, plant and equipment	48,793	11,472	60,265
Other assets	(5,024)	(3,411)	(8,435)
Net profit of the consolidated subsidiaries	(361,440)	(97,277)	(458,717)
Other non-deductible provisions	22,584	(6,429)	16,155
Other deferred charges	3,581	1,683	5,264
Exchange rate difference	(2,963)	4,958	1,995
Total deferred income tax liabilities	<u>(294,469)</u>	<u>(89,004)</u>	<u>(383,473)</u>

As of December 31, 2023 and 2022, the deferred income tax liabilities, net is presented as part of other liabilities in the accompanying consolidated statement of financial position.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

37 Financial risk management

The Bank has implemented a comprehensive risk management system that establishes the frameworks and policies to identify, measure, evaluate, monitor, control, mitigate, and disclose exposures to material risks assumed in the development of its operations and the interrelationships that arise from these, both under normal and stress conditions.

The comprehensive risk management framework establishes the guidelines for managing exposure to different risks, as well as the responsibilities of each unit in making decisions and implementing the guidelines aimed at complying with the Bank's internal criteria, based on to the appetite and risk profile established by the Board of Directors. Comprehensive risk management is carried out in accordance with the Regulation on Guidelines for Comprehensive Risk Management, approved by the Monetary Board in its Third Resolution dated March 16, 2017, as well as the specific regulations, instructions and circulars by type of risk.

The Bank's risk governance structure is exercised by the Board of Directors and the Comprehensive Risk Management Committee with the support of the General Administration, under the responsibility of the different risk-taking units and supervised by the different independent functions, to ensure that the decision-making process is aligned with the risk appetite.

The Bank is exposed to different risks resulting from the development of its operations, among which financial risks stand out, such as credit risk, market risks and balance sheet structure (interest rates, exchange rates, prices) and liquidity risk.

The risks to which the Bank is exposed are the following:

(a) Market risk

The Bank manages the market risk of its financial instruments in accordance with policies, procedures, limits, and controls that ensure identification, measurement, monitoring, control, mitigation, and disclosure in order to maintain adequate exposure levels in accordance with the risk appetite and limits established by the Board of Directors and the Comprehensive Risk Management Committee. Similarly, it considers within the process the internal and external sensitivity factors that may affect the value of the position due to fluctuations in market prices, such as interest and yield rates, exchange rates, prices, among others.

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Notes to the Consolidated Financial Statements (continued)

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37 Financial risk management (continued)

(a) Market risk (continued)

The measurement of the risks of financial instruments is carried out through indicators and exposure limits that are calculated on a daily or monthly basis.

The monitoring of the market risks of financial instruments is carried out on a daily basis using the methodologies approved by the Board of Directors and the exposure levels are reported more frequently when the case warrants it.

i) Composition of the portfolio

A summary of composition of the portfolio subject to market risk is as follows:

	December 31, 2023		December 31, 2022 (reclassified, note 41)	
	<u>Measurement of market risk</u>		<u>Measurement of market risk</u>	
	<u>Book amount</u>	<u>Portfolio not marketable</u>	<u>Book amount</u>	<u>Portfolio not marketable</u>
<u>Assets:</u>				
Cash and cash equivalents	257,209,403	257,209,403	204,161,880	204,161,880
Investments available for sale	311,916,001	311,916,001	365,614,273	365,614,273
Investments held to maturity	19,914,966	19,914,966	19,402,577	19,402,577
Derivatives	-	-	-	-
Loan portfolio	496,291,855	496,291,855	401,290,200	401,290,200
Debtors by acceptances	184,906	184,906	51,540	51,540
Accounts receivable	8,816,760	8,816,760	7,488,672	7,488,672
Equity-accounted investees	<u>1,875,636</u>	<u>1,875,636</u>	<u>1,661,048</u>	<u>1,661,048</u>
<u>Liabilities:</u>				
Customers' deposits	805,572,357	805,572,357	758,107,324	758,107,324
Deposits from domestic and foreign financial entities	57,874,721	57,874,721	43,603,391	43,603,391
Borrowed funds	134,587,715	134,587,715	90,347,032	90,347,032
Outstanding acceptances	184,906	184,906	51,540	51,540
Subordinated debts	<u>20,374,113</u>	<u>20,374,113</u>	<u>37,648,320</u>	<u>37,648,320</u>

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37 Financial risk management (continued)

ii) Exposure to market risk

The exposure to market risk of the Bank (Parent Company) consists of:

	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
2023			
Exchange rate risk	104,524	178,907	51,536
Interest rate risk	<u>3,603,398</u>	<u>5,382,806</u>	<u>1,589,117</u>
	<u>3,707,922</u>	<u>5,500,638</u>	<u>1,680,510</u>
2022			
Exchange rate risk	110,446	244,153	36,950
Interest rate risk	<u>3,916,325</u>	<u>5,630,497</u>	<u>1,910,142</u>
	<u>4,026,771</u>	<u>5,874,650</u>	<u>1,947,092</u>

iii) Interest rate risk

To identify interest rate risk, balance sheet products are classified according to their financial characteristics, such as reference rates, payment frequency, fixed or variable rate, repricing period or maturity, as well as determining sensitivity factors related to assets, liabilities and off-balance sheet operations, which affect the behavior of interest rates.

Structural interest rate risk is measured using the model defined in local regulations and, internally, with models based on international best practices. To measure this risk, the impact on equity and results of the effects of the interest rate on the balance sheet structure and solvency is distinguished, in accordance with the established methodologies.

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37 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

As of December 31, 2023 and 2022, assets and liabilities sensitive to interest rates are presented as follow:

	0 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	1 a 5 years	Older to 5 years	Total
2023									
National currency:									
Assets:									
Deposits in Central Bank	101,111,290	-	-	-	-	-	-	-	101,111,290
Demand deposits and savings in EIF	2,631,469	-	-	-	-	-	-	-	2,631,469
Cash equivalents	2,675,028	-	135,312	1,012	-	-	-	-	2,811,352
Restricted cash	132,850	6,392	-	-	-	-	-	-	139,242
Investments available for sale	32,944,066	-	12,532,719	14,772,158	14,517,002	49,264,673	94,949,682	193,431	219,173,731
Investments held-to-maturity	29,102	194,121	115,100	403,230	229,725	141,950	4,489,164	11,713,832	17,316,224
Current loans	98,722,671	77,904,197	86,622,495	26,596,566	62,687,522	17,816,323	31,288,946	4,235,930	405,874,650
Overdue loans (31 to 90 days)	-	-	241,112	-	-	-	-	-	241,112
Current restructured loans	2,370,595	1,644,788	3,085,468	682,755	527,577	397,247	446,975	73,860	9,229,265
Overdue restructured loans (31 to 90 days)	<u>3,932</u>	<u>4,684</u>	<u>7,260</u>	<u>2,295</u>	<u>1,111</u>	<u>1,150</u>	<u>1,582</u>	<u>97</u>	<u>22,111</u>
Total assets sensitive to interest rates	<u>240,621,003</u>	<u>79,754,182</u>	<u>102,739,466</u>	<u>42,458,016</u>	<u>77,962,937</u>	<u>67,621,343</u>	<u>131,176,349</u>	<u>16,217,150</u>	<u>758,550,446</u>
Liabilities:									
Deposits from the public (checking, savings and time)	389,094,088	27,865,015	23,195,448	27,537,405	45,370,666	42,456,753	28,026,172	-	583,545,547
Deposits from domestic and foreign financial entities	23,150,291	5,341,070	3,262,810	2,177,888	11,975,968	1,729,495	181,090	1,773,877	49,592,489
Borrowed funds	7,736	50,853	1,467,571	7,774,704	4,244,512	1,405,542	42,179,512	63,498	57,193,928
Subordinated obligations	-	-	-	-	10,000,000	-	-	9,999,000	19,999,000
Total liabilities sensitive to interest rates	<u>412,252,115</u>	<u>33,256,938</u>	<u>27,925,829</u>	<u>37,489,997</u>	<u>71,591,146</u>	<u>45,591,790</u>	<u>70,386,774</u>	<u>11,836,375</u>	<u>710,330,964</u>
GAP	<u>(171,631,112)</u>	<u>46,497,244</u>	<u>74,813,637</u>	<u>4,968,019</u>	<u>6,371,791</u>	<u>22,029,553</u>	<u>60,789,575</u>	<u>4,380,775</u>	<u>48,219,482</u>

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37 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

2023 (continued)	<u>0 - 15</u> <u>days</u>	<u>16 - 30</u> <u>days</u>	<u>31 - 60</u> <u>days</u>	<u>61 - 90</u> <u>days</u>	<u>91 - 180</u> <u>days</u>	<u>181 - 360</u> <u>days</u>	<u>1 a 5</u> <u>years</u>	<u>Older to</u> <u>5 years</u>	<u>Total</u>
Foreign currency:									
Assets:									
Deposits in Central Bank	94,099,624	-	-	-	-	-	-	-	94,099,624
Demand deposits and savings in EIF	40,358,406	-	-	-	-	-	-	-	40,358,406
Restricted cash	234,665	-	-	-	-	-	-	-	234,665
Investments									
available for sale	-	156,907	614	-	2,292	-	38,184,776	47,630,077	85,974,666
Investments									
held-to-maturity	757	-	-	-	-	-	275,746	1,964,393	2,240,896
Current loans	15,415,269	11,587,068	54,451,493	5,583,581	2,101,292	323,647	140,179	38,817	89,641,346
Overdue loans (31 to 90 days)	-	-	-	-	5,323	-	-	-	5,323
Current restructured loans	54,325	127,003	1,832,106	-	-	1,537	-	-	2,014,971
Overdue restructured loans (31 to 90 days)	-	50	192	-	-	-	-	-	242
Total assets sensitive to interest rates	<u>150,163,046</u>	<u>11,871,028</u>	<u>56,284,405</u>	<u>5,583,581</u>	<u>2,108,907</u>	<u>325,184</u>	<u>38,600,701</u>	<u>49,633,287</u>	<u>314,570,139</u>
Liabilities:									
Deposits from the public (checking, savings and time)	162,851,733	5,894,160	8,472,350	9,110,802	15,371,040	14,433,267	5,112,297	-	221,245,649
Deposits from domestic and foreign financial entities	5,648,472	2,010,733	20,081	67,495	18,501	37,460	121,611	88,156	8,012,509
Borrowed funds	-	-	7,112,660	10,870,675	35,669,648	19,970,924	578,265	505,982	74,708,154
Total liabilities sensitive to interest rates	<u>168,500,205</u>	<u>7,904,893</u>	<u>15,605,091</u>	<u>20,048,972</u>	<u>51,059,189</u>	<u>34,441,651</u>	<u>5,812,173</u>	<u>594,138</u>	<u>303,966,312</u>
GAP	<u>(18,337,159)</u>	<u>3,966,135</u>	<u>40,679,314</u>	<u>(14,465,391)</u>	<u>(48,950,282)</u>	<u>(34,116,467)</u>	<u>32,788,528</u>	<u>49,039,149</u>	<u>10,603,827</u>

**BANCO DE RESERVAS DE LA REPÚBLICA DOMINICANA,
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37 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

	0 - 15 <u>days</u>	16 - 30 <u>days</u>	31 - 60 <u>days</u>	61 - 90 <u>days</u>	91 - 180 <u>days</u>	181 - 360 <u>days</u>	1 a 5 <u>years</u>	Older to <u>5 years</u>	<u>Total</u>
2022 (reclassified, note 41)									
<u>National currency:</u>									
<u>Assets:</u>									
Deposits in Central Bank	74,841,340	-	-	-	-	-	-	-	74,841,340
Demand deposits and savings in EIF	301,780	-	-	-	-	-	-	-	301,780
Cash equivalents	2,747,749	2,385,758	152,712	-	-	-	-	-	5,286,219
Restricted cash	-	10,266	-	-	-	-	114,722	-	124,988
Investments available for sale	55,534,083	19,070,345	60,780,887	3,044,778	101,631,902	22,998,358	450,547	48,600	263,559,500
Investments held-to-maturity	359,024	2,000	36,627	30,000	730,162	204,638	2,285,644	14,263,738	17,911,833
Current loans	49,986,284	33,357,600	77,354,735	41,122,004	34,065,131	47,841,115	46,509,002	2,955,696	333,191,567
Overdue loans (31 to 90 days)	-	-	-	-	219,137	-	-	-	219,137
Current restructured loans	411,504	523,878	1,812,004	891,512	777,048	756,677	674,029	49,056	5,895,708
Overdue restructured loans (31 to 90 days)	-	-	-	-	20,722	-	-	-	20,722
Total assets sensitive to interest rates	<u>184,181,764</u>	<u>55,349,847</u>	<u>140,136,965</u>	<u>45,088,294</u>	<u>137,444,102</u>	<u>71,800,788</u>	<u>50,033,944</u>	<u>17,317,090</u>	<u>701,352,794</u>
<u>Liabilities:</u>									
Deposits from the public (checking, savings and time)	423,091,270	18,940,908	23,863,523	16,554,972	35,563,503	34,158,492	19,700,301	-	571,872,969
Deposits from domestic and foreign financial entities	15,863,451	10,147,205	3,234,024	1,030,404	4,928,704	250,872	69,503	-	35,524,163
Borrowed funds	10,662	150	3,442,647	3,443,306	3,939,140	17,512,476	1,280,824	17,386	29,646,591
Subordinated obligations	-	-	-	-	-	-	9,983,537	10,015,463	19,999,000
Total liabilities sensitive to interest rates	<u>438,965,383</u>	<u>29,088,263</u>	<u>30,540,194</u>	<u>21,028,682</u>	<u>44,431,347</u>	<u>51,921,840</u>	<u>31,034,165</u>	<u>10,032,849</u>	<u>657,042,723</u>
GAP	<u>(254,783,619)</u>	<u>26,261,584</u>	<u>109,596,771</u>	<u>24,059,612</u>	<u>93,012,755</u>	<u>19,878,948</u>	<u>18,999,779</u>	<u>7,284,241</u>	<u>44,310,071</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 (DOP)

37 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

	<u>0 - 15 days</u>	<u>16 - 30 days</u>	<u>31 - 60 days</u>	<u>61 - 90 days</u>	<u>91 - 180 days</u>	<u>181 - 360 days</u>	<u>1 a 5 years</u>	<u>Older to 5 years</u>	<u>Total</u>
2022 (continued)									
Foreign currency:									
Assets:									
Deposits in Central Bank	74,859,870	-	-	-	-	-	-	-	74,859,870
Demand deposits and savings in EIF	34,773,938	-	-	-	-	-	-	-	34,773,938
Restricted cash	226,385	-	-	-	-	-	-	-	226,385
Cash equivalents	39,256	-	-	-	-	-	-	-	39,256
Investments available for sale	-	-	-	-	-	135,366	70,291,147	24,181,295	94,607,808
Investments held-to-maturity	-	-	-	-	-	57,624	248,091	822,674	1,128,389
Current loans	7,116,801	10,093,103	54,700,842	3,989,167	389,482	1,161,631	706,814	40,257	78,198,097
Overdue loans (31 to 90 days)	-	-	-	-	6,027	-	-	-	6,027
Current restructured loans	44,922	459,410	539,801	6,975	1,330	22,417	-	-	1,074,855
Overdue restructured loans (31 to 90 days)	-	-	-	-	240	-	-	-	240
Total assets sensitive to interest rates	<u>117,061,172</u>	<u>10,552,513</u>	<u>55,240,643</u>	<u>3,996,142</u>	<u>397,079</u>	<u>1,377,038</u>	<u>71,246,052</u>	<u>25,044,226</u>	<u>284,914,865</u>
Liabilities:									
Deposits from the public (checking, savings and time)	139,508,217	4,895,371	7,072,022	4,564,201	10,941,073	11,192,959	7,528,513	-	185,702,356
Deposits from domestic and foreign financial entities	2,284,425	4,451,771	617,212	32,006	404,230	125,336	-	-	7,914,980
Borrowed funds	809,910	487	34,468	9,001,777	37,101,702	8,648,749	2,700,552	1,052,026	59,349,671
Subordinated obligations	-	-	16,794,570	-	-	-	-	-	16,794,570
Total liabilities sensitive to interest rates	<u>142,602,552</u>	<u>9,347,629</u>	<u>24,518,272</u>	<u>13,597,984</u>	<u>48,447,005</u>	<u>19,967,044</u>	<u>10,229,065</u>	<u>1,052,026</u>	<u>269,761,577</u>
GAP	<u>(25,541,380)</u>	<u>1,204,884</u>	<u>30,722,371</u>	<u>(9,601,842)</u>	<u>(48,049,926)</u>	<u>(18,590,006)</u>	<u>61,016,987</u>	<u>23,992,200</u>	<u>15,153,288</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 (DOP)

37 Financial risk management (continued)

(a) Market risk (continued)

iii) Interest rate risk (continued)

The average rates of return per coin are as follow:

	December 31, 2023			December 31, 2022		
	National currency	US Dollars	Euros	National currency	US Dollars	Euros
Assets:						
Deposits in central bank	2.70%	2.33%	0.00%	2.47%	0.54%	0.00%
Demand deposits and savings in EIF	8.01%	4.16%	2.58%	5.92%	1.10%	0.01%
Interbank funds	12.61%	0.00%	0.00%	5.81%	1.93%	0.00%
Derivatives and sales contracts cash	0.00%	0.00%	0.00%	0.00%	(12.99%)	0.00%
Current loans	14.32%	8.42%	4.40%	12.35%	6.01%	3.50%
Overdue loans	22.48%	9.30%	0.00%	20.65%	8.17%	0.00%
Current restructured loans	11.62%	7.64%	0.00%	10.06%	6.76%	0.00%
Overdue restructured loans	14.25%	8.72%	0.00%	13.80%	6.45%	0.00%
Investments available for sale	9.88%	5.97%	0.00%	8.66%	5.80%	0.00%
Investments held-to-maturity	9.86%	9.60%	0.00%	7.41%	5.35%	0.00%
Accounts receivable	4.24%	3.53%	0.00%	3.64%	17.87%	0.00%
Liabilities:						
Deposits from the public	3.51%	1.24%	0.09%	2.26%	0.31%	0.01%
Deposits from domestic and foreign financial entities	8.61%	2.76%	0.53%	4.90%	0.71%	0.53%
Borrowed funds	3.87%	7.00%	0.00%	3.53%	3.41%	0.00%
Subordinated obligations	11.30%	0.00%	0.00%	7.47%	7.85%	0.00%

As of December 31, 2023 and 2022, assets with a variable interest rate amount to DOP553,347,165 and DOP456,544,548, respectively, and represent 48 % and 44 % of total assets, respectively. Fixed interest rate assets amount to DOP520,755,536 and DOP530,010,530, respectively, and represent 45 % and 51 % of total assets in both years. Variable interest rate liabilities amount to DOP134,933,190 and DOP96,369,636, respectively, and represent 13 % and 10 % of total liabilities, respectively. Fixed interest rate liabilities amount to DOP885,842,163 and DOP834,930,483, respectively, and represent 84 % and 87 % of total liabilities, respectively.

iv) Exchange rate risk

The identification of exchange rate risk consists of determining the sensitivity factors of the environment, which affect the Bank's net position and those specifically related to assets, liabilities and off-balance sheet operations in foreign currency, which when they occur affect the behavior of the prices of the foreign currencies with which the Bank operates, causing an increase in the value at risk due to the exchange rate and which could lead to losses for the entity.

**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 (DOP)

37 Financial risk management (continued)

(a) Market risk (continued)

iv) Exchange rate risk (continued)

To measure or estimate the exposure to exchange rate risk, the value at risk (VaR) is calculated in accordance with the current methodology approved in the Market Risk Regulation. In addition, the value at risk of the exchange rate is determined, adjusted to the behavior of the data, in accordance with the defined internal methodology.

The monitoring of positions in foreign currencies and exposure limits is carried out on a daily basis and the levels of exposure are reported to Senior Management; monthly or more frequently, if necessary, the Comprehensive Risk Management Committee and the Assets and Liabilities Committee are informed. It is worth highlighting compliance with the established internal and regulatory net position limits in foreign currencies.

A summary of the exposure to foreign currency exchange rate risk is presented as follow:

	2023		2022	
	Amount in foreign currency <u>USD</u>	Total in <u>DOP</u>	Amount in foreign currency <u>USD</u>	Total in <u>DOP</u>
Assets				
Cash and cash equivalents	2,385,607	137,951,290	2,023,302	113,268,289
Investments	1,544,428	89,308,873	1,737,762	97,283,202
Loan portfolio, net	1,516,485	87,693,018	1,293,483	72,411,621
Debtors for acceptances	3,198	184,906	921	51,540
Accounts receivable	69,639	4,027,019	61,225	3,427,474
Other assets	118	6,821	107	6,017
	<u>5,519,475</u>	<u>319,171,927</u>	<u>5,116,800</u>	<u>286,448,143</u>
Liabilities				
Deposits from the public	3,828,066	221,363,654	3,318,178	185,757,917
Deposits from domestic and foreign financial entities	138,661	8,018,267	141,513	7,922,194
Borrowed funds	1,333,573	77,115,856	1,075,210	60,192,311
Outstanding acceptances	3,198	184,906	921	51,540
Creditors for insurance and bank guarantees	3,906	225,865	88	4,923
Subordinated obligations	-	-	308,694	17,281,277
Technical reserves	8,504	491,782	27,131	1,518,865
Other liabilities	25,307	1,463,432	29,135	1,631,030
	<u>5,341,215</u>	<u>308,863,762</u>	<u>4,900,870</u>	<u>274,360,057</u>
Long foreign currency position	<u><u>178,260</u></u>	<u><u>10,308,165</u></u>	<u><u>215,930</u></u>	<u><u>12,088,086</u></u>

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

Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

37 Financial risk management (continued)

(a) Market risk (continued)

iv) Exchange rate risk (continued)

As of December 31, 2023 and 2022, the exchange rates used to convert from US dollars (USD) to Dominican pesos (DOP) were DOP57.8265 and DOP55.9819, respectively.

As of December 31, 2023 and 2022, the Bank maintains balances in euros (EUR) is as follows:

	December 31, 2023		December 31, 2022	
	EUR	DOP	EUR	DOP
<u>Assets -</u>				
Cash and cash equivalents	105,570	6,758,595	65,380	3,903,828
<u>Liabilities -</u>				
Deposits from the public	(82,064)	(5,253,762)	(81,942)	(4,892,768)
Long (short) foreign currency position	23,506	1,504,833	(16,562)	(988,940)

(b) Liquidity risk

(i) Exposure to liquidity risk

The process for the identification of liquidity risk for the Bank (Parent Company) consists of distinguishing the sensitivity factors that could affect the availability of resources and flow of funds to meet the commitments of the entity, considering the strategies of funding in terms of deposits and financial obligations, placement of resources in active credit operations and financial investments; as well as the terms of deposits and placements; maturity flows and financial position.

The Bank's main sources of financing are demand, savings, time deposits and financial obligations at different terms with local and foreign banks.

Liquidity risk is measured using models defined based on international regulations and best practices. The main indicators established are liquidity ratio and position at different terms, liquidity gap, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Internal Liquidity Control Index. These metrics allow the bank to identify potential liquidity situations, as well as, if necessary, adjust the strategies, policies, and contingency plans for liquidity risk management in different terms, considering contractual and estimated factors.

Liquidity risk monitoring is carried out on a daily basis using the methodologies approved by the Board of Directors and exposure levels are reported on a daily and monthly basis. On a quarterly basis, a report is made to the Board of Directors on management, exposure levels and scenarios of potential 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 (DOP)

37 Financial risk management (continued)

(b) Liquidity risk (continued)

(i) Exposure to liquidity risk (continued)

The Bank has a Liquidity Contingency Plan that defines the alert signals and general and specific actions that must be carried out in the event of temporary and/or structural liquidity issues, as well as those responsible for each activity defined in this plan.

The liquidity ratio of the Bank (Parent Company) consists of:

	<u>National currency</u>	<u>Foreign currency</u>	<u>Normative limit</u>
2023			
Liquidity ratio:			
At 15 days adjusted	226.96 %	698.09 %	80.00 %
At 30 days adjusted	222.79 %	506.58 %	80.00 %
At 60 days adjusted	194.23 %	353.55 %	70.00 %
At 90 days adjusted	<u>192.35 %</u>	<u>316.53 %</u>	<u>70.00 %</u>
Position:			
At 15 days adjusted	59,828,886	1,925,219	N/A
At 30 days adjusted	76,955,563	1,981,916	N/A
At 60 days adjusted	82,942,841	1,930,694	N/A
At 90 days adjusted	102,417,414	2,272,211	N/A
Overall (months)	<u>(44.92)</u>	<u>31.53</u>	<u>N/A</u>
2022			
Liquidity ratio:			
At 15 days adjusted	160.86 %	868.58 %	80.00 %
At 30 days adjusted	215.08 %	684.92 %	80.00 %
At 60 days adjusted	206.98 %	351.99 %	70.00 %
At 90 days adjusted	<u>205.11 %</u>	<u>266.83 %</u>	<u>70.00 %</u>
Position:			
At 15 days adjusted	29,011,037	1,589,166	N/A
At 30 days adjusted	69,602,846	1,628,368	N/A
At 60 days adjusted	78,846,039	1,461,946	N/A
At 90 days adjusted	83,940,248	1,306,217	N/A
Overall (months)	<u>(65.30)</u>	<u>(38.68)</u>	<u>N/A</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 (DOP)

37 Financial risk management (continued)

(b) Liquidity risk (continued)

(ii) Analysis of maturities of financial assets and liabilities

As of December 31, 2023 and 2022, the most significant assets and liabilities, grouped according to their maturity date, are as follow:

	<u>0 - 15 days</u>	<u>16 - 30 days</u>	<u>31 - 90 days</u>	<u>91 - 180 days</u>	<u>181 - 360 days</u>	<u>1 a 5 years</u>	<u>Older to 5 years</u>	<u>Total</u>
2023								
<u>Assets:</u>								
Cash and cash equivalents	257,209,403	-	-	-	-	-	-	257,209,403
Investments	34,667,437	260,262	29,053,515	14,528,367	56,217,418	149,762,485	47,606,576	332,096,060
Debtors for acceptances	6,166	25,367	114,368	39,005	-	-	-	184,906
Loan portfolio	12,156,809	9,410,938	34,266,624	49,213,584	57,769,142	193,015,456	158,313,021	514,145,574
Equity-accounted investees	-	-	-	-	-	-	1,898,219	1,898,219
Rights in trust	-	6,170	6,170	9,255	18,509	189,896	-	230,000
Accounts receivable	-	8,460,334	-	-	-	-	356,426	8,816,760
Other assets (i)	-	145,616	601,716	-	-	218,216	25,470	991,018
Total assets	<u>304,039,815</u>	<u>18,308,687</u>	<u>64,042,393</u>	<u>63,790,211</u>	<u>114,005,069</u>	<u>343,186,053</u>	<u>208,199,712</u>	<u>1,115,571,940</u>
<u>Liabilities:</u>								
Deposits from the public (checking, savings and time)	543,941,969	31,138,954	69,879,864	58,111,729	57,150,598	35,210,674	10,138,569	805,572,357
Deposits from domestic and foreign financial entities	29,068,485	7,351,803	5,528,275	11,994,470	1,766,955	302,701	1,862,032	57,874,721
Borrowed funds	7,741	1,068,767	27,027,193	43,320,975	20,041,273	42,548,901	572,865	134,587,715
Outstanding acceptances	6,166	25,367	114,368	39,005	-	-	-	184,906
Subordinated obligations	-	-	-	-	442,362	9,931,751	10,000,000	20,374,113
Other liabilities (ii)	-	10,726,719	6,367,938	-	13,653	748,527	-	17,856,837
Total liabilities	<u>573,024,361</u>	<u>50,311,610</u>	<u>108,917,638</u>	<u>113,466,179</u>	<u>79,414,841</u>	<u>88,742,554</u>	<u>22,573,466</u>	<u>1,036,450,649</u>
GAP	<u>(268,984,546)</u>	<u>(32,002,923)</u>	<u>(44,875,245)</u>	<u>(49,675,968)</u>	<u>34,590,228</u>	<u>254,443,499</u>	<u>185,626,246</u>	<u>79,121,291</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 (DOP)

37 Financial risk management (continued)

(b) Liquidity risk (continued)

(ii) Analysis of maturities of financial assets and liabilities (continued)

	<u>0 - 15</u> <u>days</u>	<u>16 - 30</u> <u>days</u>	<u>31 - 90</u> <u>days</u>	<u>91 - 180</u> <u>days</u>	<u>181 - 360</u> <u>days</u>	<u>1 a 5</u> <u>years</u>	<u>Older</u> <u>to 5 years</u>	<u>Total</u>
2022 (reclassified, note 41)								
Assets:								
Cash and cash equivalents	161,648,176	42,513,704	-	-	-	-	-	204,161,880
Investments	109,868,499	7,333,250	16,087,371	23,622,567	136,017,472	92,348,048	-	385,277,207
Debtors for acceptances	-	515	36,430	14,595	-	-	-	51,540
Loan portfolio	24,873,281	8,013,238	32,660,573	39,096,081	44,763,515	156,569,055	118,658,567	424,634,310
Equity-accounted investees	-	-	-	-	-	-	1,687,795	1,687,795
Accounts receivable	-	7,309,828	-	-	-	-	178,844	7,488,672
Otros activos (i)	-	-	429,111	-	-	179,184	23,897	632,192
Total assets	<u>296,389,956</u>	<u>65,170,535</u>	<u>49,213,485</u>	<u>62,733,243</u>	<u>180,780,987</u>	<u>249,096,287</u>	<u>120,549,103</u>	<u>1,023,933,596</u>
Liabilities:								
Deposits from the public (checking, savings and time)	563,443,665	22,664,027	52,550,190	46,449,501	39,070,890	25,852,160	8,076,891	758,107,324
Deposits from domestic and foreign financial entities	18,216,494	14,654,175	3,865,798	1,066,427	5,353,098	384,872	62,527	43,603,391
Borrowed funds	856,465	809,931	15,705,565	43,471,422	26,943,531	1,922,531	637,587	90,347,032
Outstanding acceptances	-	515	36,430	14,595	-	-	-	51,540
Subordinated obligations	-	-	17,281,265	442,682	-	9,924,373	10,000,000	37,648,320
Other liabilities (ii)	<u>8,010,791</u>	<u>1,558,438</u>	<u>4,925,501</u>	<u>-</u>	<u>243,974</u>	<u>759,889</u>	<u>8,773,994</u>	<u>24,272,587</u>
Total liabilities	<u>590,527,415</u>	<u>39,687,086</u>	<u>94,364,749</u>	<u>91,444,627</u>	<u>71,611,493</u>	<u>38,843,825</u>	<u>27,550,999</u>	<u>954,030,194</u>
GAP	<u>(294,137,459)</u>	<u>25,483,449</u>	<u>(45,151,264)</u>	<u>(28,711,384)</u>	<u>109,169,494</u>	<u>210,252,462</u>	<u>92,998,104</u>	<u>69,903,402</u>

(i) Correspond to operations that represent receivable rights for the Bank.

(ii) Correspond to operations that represent an obligation for the Bank.

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

Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

37 Financial risk management (continued)

(b) Liquidity risk (continued)

(iii) Liquidity reserve

As of December 31, 2023 and 2022, the book amounts that are expected to be recovered or settled in the next 12 months are as follows:

	<u>Carrying amount</u>	<u>Fair value</u>
2023		
Cash and cash equivalents:		
On hand and banks	15,361,969	15,361,969
Deposits in the Central Bank	195,343,728	195,343,728
Deposits in other banks	43,230,971	43,230,971
Cash equivalents	3,201,011	3,201,011
Earnings receivable for availability	<u>71,724</u>	71,724
	257,209,403	
Investments -		
Investments in public debt securities	<u>124,097,712</u>	N/A
Total liquidity reserve	<u>381,307,115</u>	
2022 (reclassified, note 41)		
Cash and cash equivalents:		
On hand and banks	13,685,444	13,685,444
Deposits in the Central Bank	149,815,932	149,815,932
Deposits in other banks	35,312,369	35,312,369
Cash equivalents	5,325,475	5,325,475
Earnings receivable for availability	<u>22,660</u>	22,660
	204,161,880	
Investments -		
Investments in public debt securities	<u>127,328,835</u>	N/A
Total liquidity reserve	<u>331,490,715</u>	

N/A: Not available.

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

Amounts in thousands of Dominican pesos (DOP)

37 Financial risk management (continued)

(c) Credit risk

(i) Practices to manage credit risk

Policies to determine the estimate of credit provisions for risky assets

The allowance for credits is determined by the Bank in accordance with the guidelines of the REA issued by the Monetary Board, complementary circulars, instructions and communications made by the Superintendence of Banks of the Dominican Republic. In this sense, the evaluation is carried out based on the classification of major, medium and minor commercial debtors, microcredits, consumer and mortgage loans.

The Bank assigns the required provision corresponding to the risk classification at the time of granting. While customer monitoring is carried out with the factors defined in the regulations, the corresponding provision expense is recognized by debtor and type of credit based on the self-assessment of large and medium-sized commercial debtors and according to the payment behavior of the retail debtors.

In this sense, the risk rating for the largest commercial debtors is the result of the analysis of their capacity and historical behavior of payment and country risk. Medium trade receivables are assessed considering payment behavior and an assessment of operating losses in their financial statements and their relationship to adjusted equity. Meanwhile, minor commercial debtors, microcredits, consumer and mortgage loans are evaluated through their specific payment history based on the days of delay.

The guarantees are considered as a secondary element and are not included for the classification of the debtor, although they are included in the computation of the coverage of the provisions. For this purpose, the guarantees are an additional support factor for the debtor for the recovery of the credits.

In the case of credit restructurings, the provision required by virtue of the provisions established in the REA is calculated.

Loan portfolio write-off policies

A debtor is written-off when he has a loan with arrears greater than the amount and maximum term established by the Comprehensive Risk Management Committee by type of loan or investment and its guarantees.

In this sense, prior to the write-off, all possible collection efforts are exhausted before recognizing the total impairment of these credits, for which the Bank applies a consistent policy determined by type of client. Notwithstanding the recognition of the total loss, the Bank continues the management processes for the recovery of these assets.

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

Amounts in thousands of Dominican pesos (DOP)

37 Financial risk management (continued)**(c) Credit risk (continued)***(i) Practices to manage credit risk (continued)**Credit restructuring policies*

Loan restructuring is carried out following internal policies and procedures. In this sense, the Bank has established clear criteria by type of credit in relation to the conditions that can be negotiated in the restructuring process. Likewise, it has defined specific decision levels for these negotiations. In cases where the loan to be restructured is guaranteed, the institution's coverage position is always protected, and the value of the guarantees is ensured.

In effect, a loan is considered restructured when the bank modifies the payment terms and conditions of the original contract through which, the debtor presents any of the following situations: delinquency, deterioration in its economic situation based on its indicators, cash flows, or the sources of income have been affected. Restructuring requests have their respective decision limits established according to the amounts, consolidated debt or group of risks, respectively.

Credit concentration policies, by sector, by currency, by counterparty

The Bank has established a maximum level of exposure to concentration risk, defining the appetite, its tolerance and capacity. To determine the concentration limits of the active portfolio, the individual participation of each client or risk group of the Bank's technical assets is considered.

In this sense, processes have been prepared within the analysis and monitoring of clients, as well as risk groups to guarantee compliance with concentration levels and regulatory and internal limits, both in portfolio management and in the grant. Likewise, such as the monitoring of exposure by economic sector and by type of currency.

Loan portfolio recovery policies

In order to adequately manage credit risk, segregated recovery policies are established based on the type of customer and the level of risk it represents, with differentiated treatment by type of customer, using the institution's own behavior models and prioritization methodologies, segmentation and definition of collection strategies.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

37 Financial risk management (continued)

(c) Credit risk (continued)

(i) Practices to manage credit risk (continued)

Loan portfolio recovery policies (continued)

Internal credit risk management policies, including, where appropriate, any difference between the credit risk measurement bases applied internally, with respect to current regulations.

The Bank has internal policies for credit risk management based on its own metrics to proactively identify the level of customer risk. In this sense, for retail banking it works with its own score models for granting and behavior that allow customers to be segregated in relation to their level of risk, with the purpose of supporting decisions on the placement, management and recovery of credits.

Through this process, the probability of default of the debtors is identified and allows an early management decision to be made based on the probability of default and not on the event subsequent to the default. In the same way, optimized decision trees that support the management of the portfolio of consumer loans, credit cards, mortgages, and minor commercial debtors.

However, for the purpose of recognition of credit risk through the requirement of provisions and the weighted asset and contingent for credit risk, the provisions of the REA apply.

(ii) Information on guarantees

Policies and processes applied for the valuation, management and execution of guarantees

The guarantees accepted are those defined in current regulations, as established in the REA. Loans and credit cards can be granted with or without collateral, subject to internal and regulatory policies.

Each disbursement must be supported by the signing of a promissory note and, if applicable, the signing of a contract. The guarantee requirement for mortgage and vehicle loans is mandatory, while for other loans it will depend on the characteristics of the facility requested, as well as the negotiation and condition of the debtor at the time of the request.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

37 Financial risk management (continued)

(c) Credit risk (continued)

(ii) Information on guarantees (continued)

Policies and processes applied for the valuation, management and execution of guarantees (continued)

The valuation of the guarantees is carried out according to the methodologies and terms defined in the REA. For these purposes, the Bank gives timely follow-up to the securities to be forfeit so that the pertinent revaluation procedures are carried out prior to their expiration.

The Valuation Unit guarantees the accuracy and follow-up of the value of movable and immovable property and projects received as collateral, as well as the integrity of the appraisals carried out by external third parties ensuring the protection of the Bank's interests.

Similarly, for guarantees of debt securities, it has established monthly valuation processes and recurring monitoring of the value of financial instruments, based on observed market prices; and for guarantees backed by insurance policies, constant monitoring is maintained to update and formalize these.

The Bank's Credit Policy establishes precise management criteria for the guarantees received as credit guarantees, both for their substitution or release and for their execution, where decision criteria and approval responsibilities are defined for these operations.

Information about the nature and admissible value of the collateral received

The Bank considers as admissible the real guarantees that are accepted by the financial intermediation entities for purposes of computing or mitigating provisions, which must meet the criteria established in Article 64 and be included in Table No. 5 of Article 66 of the REA.

The admissible value of the guarantees is defined based on the criteria established by the regulations. They can be non-multipurpose guarantees, which are real guarantees that by their nature are considered for single use and, therefore, present characteristics that make them difficult to carry out given their specialized origin and multi-purpose guarantees, which are real guarantees that due to their nature, they are considered to be of multiple use and present characteristics that make them easy to carry out on the market, without any legal or administrative limitations that appreciably restrict their use or the possibility of sale.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

37 Financial risk management (continued)

(c) Credit risk (continued)

(ii) Information on guarantees (continued)

Information on the instruments for which provisions have not been recognized as a result of the guarantee

The credit and investment portfolio is duly provisioned in accordance with the provisions of the REA, taking into account only the particularities defined for placements in the public sector with support from the National Budget, as stipulated in this regulation.

(iii) Concentration of loans

As of December 31, 2023 and 2022, regarding the concentration of risk by individual clients, 4 % and 5 %, respectively, of the loan portfolio is represented by a public commercial debtor for both years. Regarding the concentration of risk-by-risk group, 3 % and 4 %, respectively, of the loan portfolio is represented by a private commercial group for both years.

As of December 31, 2023 and 2022, in terms of risk concentration by sector, 12 % and 11 %, respectively, of the loan portfolio is represented by the commercial and repair sector.

As of December 31, 2023 and 2022, in relation to the concentration of risk by geographical regions, 69 % and 68 %, respectively, of the loan portfolio is represented by the South Central Region of the country.

(iv) Exposure to credit risk

As of December 31, 2023 and 2022, the most significant assets measured at amortization cost, grouped according to their risk classification, are as follow:

	Gross balance DOP (a)	Provisions DOP	Net balance DOP
December 31, 2023			
Loan portfolio			
<i>Major commercial debtors:</i>			
Classification A	96,392,887	739,161	95,653,726
Classification B	80,176,183	1,677,666	78,498,517
Classification C	25,475,754	765,807	24,709,947
Classification D1	2,555,775	251,156	2,304,619
Classification D2	29,214,222	2,254,947	26,959,275
Classification E	<u>1,757,002</u>	<u>599,844</u>	<u>1,157,158</u>
Subtotal	<u>235,571,823</u>	<u>6,288,581</u>	<u>229,283,242</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 (DOP)

37 Financial risk management (continued)

(c) Credit risk (continued)

(iv) Exposure to credit risk (continued)

	Gross balance DOP (a)	Provisions DOP	Net balance DOP
December 31, 2023 (continued)			
Loan portfolio (continued)			
<i>Medium commercial debtors</i>			
Classification A	2,287,627	22,928	2,264,699
Classification B	218,830	3,697	215,133
Classification C	104,412	10,482	93,930
Classification D1	32,665	12,805	19,860
Classification D2	548,539	208,056	340,483
Classification E	<u>252,701</u>	<u>167,238</u>	<u>85,463</u>
Subtotal	<u>3,444,774</u>	<u>425,206</u>	<u>3,019,568</u>
<i>Lower commercial debtors</i>			
Classification A	57,615,679	606,506	57,009,173
Classification B	2,163,470	81,265	2,082,205
Classification C	1,512,688	274,444	1,238,244
Classification D1	1,551,286	548,309	1,002,977
Classification D2	290,965	138,611	152,354
Classification E	<u>171,106</u>	<u>111,142</u>	<u>59,964</u>
Subtotal	<u>63,305,194</u>	<u>1,760,277</u>	<u>61,544,917</u>
<i>Consumer credits</i>			
<i>- consumer loans</i>			
Classification A	113,391,429	1,142,654	112,248,775
Classification B	2,409,043	75,336	2,333,707
Classification C	1,476,512	271,570	1,204,942
Classification D1	2,260,681	799,154	1,461,527
Classification D2	407,245	225,680	181,565
Classification E	<u>58,575</u>	<u>42,153</u>	<u>16,422</u>
Subtotal	<u>120,003,485</u>	<u>2,556,547</u>	<u>117,446,938</u>
<i>Consumer credits</i>			
<i>- personal credit cards</i>			
Classification A	17,097,733	170,978	16,926,755
Classification B	354,850	10,646	344,204
Classification C	181,044	34,022	147,022
Classification D1	370,102	133,526	236,576
Classification D2	63,940	46,959	16,981
Classification E	<u>14,597</u>	<u>13,321</u>	<u>1,276</u>
Subtotal	<u>18,082,266</u>	<u>409,452</u>	<u>17,672,814</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 (DOP)

37 Financial risk management (continued)

(c) Credit risk (continued)

(iv) Exposure to credit risk (continued)

	Gross balance DOP (a)	Provisions DOP	Net balance DOP
December 31, 2023 (continued)			
Loan portfolio (continued)			
<i>Mortgage credits</i>			
Classification A	70,228,611	740,892	69,487,719
Classification B	1,504,042	80,205	1,423,837
Classification C	966,346	107,996	858,350
Classification D1	784,196	147,107	637,089
Classification D2	184,514	47,043	137,471
Classification E	<u>96,345</u>	<u>29,637</u>	<u>66,708</u>
	<u>73,764,054</u>	<u>1,152,880</u>	<u>72,611,174</u>
Total credit risk exposure from the loan portfolio	<u>514,171,596</u>	<u>12,592,943</u>	<u>501,578,653</u>
December 31, 2022			
Loan portfolio			
<i>Major commercial debtors:</i>			
Classification A	83,731,982	612,972	83,119,010
Classification B	63,893,564	1,195,201	62,698,363
Classification C	6,932,437	371,293	6,561,144
Classification D1	3,037,941	176,900	2,861,041
Classification D2	26,227,860	1,539,980	24,687,880
Classification E	<u>3,156,707</u>	<u>1,640,565</u>	<u>1,516,142</u>
Subtotal	<u>186,980,491</u>	<u>5,536,911</u>	<u>181,443,580</u>
<i>Medium commercial debtors</i>			
Classification A	2,211,049	22,150	2,188,899
Classification B	120,494	1,482	119,012
Classification C	146,402	18,134	128,268
Classification D1	67,141	18,096	49,045
Classification D2	364,747	97,824	266,923
Classification E	<u>365,255</u>	<u>242,742</u>	<u>122,513</u>
Subtotal	<u>3,275,088</u>	<u>400,428</u>	<u>2,874,660</u>
<i>Lower commercial debtors</i>			
Classification A	50,895,544	540,844	50,354,700
Classification B	1,834,144	67,540	1,766,604
Classification C	1,126,653	200,532	926,121
Classification D1	1,065,786	377,473	688,313
Classification D2	430,133	220,192	209,941
Classification E	<u>304,034</u>	<u>227,226</u>	<u>76,808</u>
Subtotal	<u>55,656,294</u>	<u>1,633,807</u>	<u>54,022,487</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 (DOP)

37 Financial risk management (continued)

(c) Credit risk (continued)

(iv) Exposure to credit risk (continued)

	Gross balance DOP (a)	Provisions DOP	Net balance DOP
December 31, 2022 (continued)			
Loan portfolio (continued)			
<i>Consumer credits</i>			
<i>- consumer loans</i>			
Classification A	98,925,126	993,914	97,931,212
Classification B	1,770,835	58,701	1,712,134
Classification C	989,323	184,151	805,172
Classification D1	1,231,279	443,890	787,389
Classification D2	593,013	334,147	258,866
Classification E	<u>89,303</u>	<u>77,058</u>	<u>12,245</u>
Subtotal	<u>103,598,879</u>	<u>2,091,861</u>	<u>101,507,018</u>
<i>Consumer credits</i>			
<i>- personal credit cards</i>			
Classification A	13,432,038	134,321	13,297,717
Classification B	194,297	5,829	188,468
Classification C	121,447	22,904	98,543
Classification D1	206,862	74,704	132,158
Classification D2	68,091	53,431	14,660
Classification E	<u>22,164</u>	<u>20,459</u>	<u>1,705</u>
Subtotal	<u>14,044,899</u>	<u>311,648</u>	<u>13,733,251</u>
<i>Mortgage credits</i>			
Classification A	58,331,535	630,077	57,701,458
Classification B	1,273,601	61,950	1,211,651
Classification C	581,326	58,519	522,807
Classification D1	605,418	104,734	500,684
Classification D2	201,038	48,612	152,426
Classification E	<u>142,021</u>	<u>66,314</u>	<u>75,707</u>
	<u>61,134,939</u>	<u>970,206</u>	<u>60,164,733</u>
Total credit risk exposure from the loan portfolio	<u>424,690,590</u>	<u>10,944,861</u>	<u>413,745,729</u>

(a) As of December 31, 2023 and 2022, the gross balance of the Bank's loan portfolio excludes a discount of DOP26,022 and DOP56,280, respectively, for the purchase of a discounted portfolio from a local financial institution.

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

38 Financial risk management (continued)

(c) Credit risk (continued)

(v) Credit quality of the loan portfolio

As of December 31, 2023 and 2022, impaired loans and historical default rates are presented as follows:

	<u>As of December 31, 2023</u>			<u>As of December 31, 2022</u>		
	<u>Last year</u>	<u>Last 3 years</u>	<u>Last 5 years</u>	<u>Last year</u>	<u>Last 3 years</u>	<u>Last 5 years</u>
Past due loans (more than 90 days)	2,884,014	3,071,740	3,245,663	3,036,225	3,314,160	3,303,235
Loans in legal collection	26,673	764,104	1,113,782	268,543	1,243,068	1,524,018
Loss coverage for adjudications	208,421	804,296	2,261,228	440,309	1,172,607	2,674,728
Write-off portfolio	<u>5,605,134</u>	<u>12,077,678</u>	<u>14,375,001</u>	<u>3,622,399</u>	<u>7,731,695</u>	<u>11,153,259</u>
Total credits impaired	<u>8,724,242</u>	<u>16,717,818</u>	<u>20,995,674</u>	<u>7,367,476</u>	<u>13,461,530</u>	<u>18,655,240</u>
Gross loan portfolio	<u>475,096,320</u>	<u>412,202,063</u>	<u>378,222,536</u>	<u>410,747,920</u>	<u>366,271,519</u>	<u>341,465,041</u>
Historical rate of default %	<u>1.84 %</u>	<u>4.06 %</u>	<u>5.55 %</u>	<u>1.79 %</u>	<u>3.68 %</u>	<u>5.46 %</u>

(vi) Coverage of the guarantees received

	<u>Gross balance DOP (a)</u>	<u>Provisions DOP</u>	<u>Net balance DOP</u>
December 31, 2023			
Loan portfolio			
<i>Major commercial debtors</i>			
Classification A	96,392,887	13,702,145	82,690,742
Classification B	80,176,183	38,057,747	42,118,436
Classification C	25,475,754	22,888,426	2,587,328
Classification D1	2,555,775	2,200,340	355,435
Classification D2	29,214,222	28,232,104	982,118
Classification E	<u>1,757,002</u>	<u>1,448,301</u>	<u>308,701</u>
Subtotal	<u>235,571,823</u>	<u>106,529,063</u>	<u>129,042,760</u>
<i>Medium commercial debtors</i>			
Classification A	2,287,627	768,150	1,519,477
Classification B	218,830	143,412	75,418
Classification C	104,412	54,740	49,672
Classification D1	32,665	667	31,998
Classification D2	548,539	227,621	320,918
Classification E	<u>252,701</u>	<u>120,519</u>	<u>132,182</u>
Subtotal	<u>3,444,774</u>	<u>1,315,109</u>	<u>2,129,665</u>

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

37 Financial risk management (continued)

(c) Credit risk (continued)

(vi) Coverage of the guarantees received (continued)

	Gross balance <u>DOP (a)</u>	Provisions <u>DOP</u>	Net balance <u>DOP</u>
December 31, 2023 (continued)			
Loan portfolio (continued)			
<i>Lower commercial debtors</i>			
Classification A	57,615,679	8,474,293	49,141,386
Classification B	2,163,470	440,790	1,722,680
Classification C	1,512,688	316,360	1,196,328
Classification D1	1,551,286	230,614	1,320,672
Classification D2	290,965	74,367	216,598
Classification E	171,106	71,053	100,053
Subtotal	<u>63,305,194</u>	<u>9,607,477</u>	<u>53,697,717</u>
<i>Consumer credits</i>			
<i>- consumer loans</i>			
Classification A	113,391,429	12,016,536	101,374,893
Classification B	2,409,043	292,924	2,116,119
Classification C	1,476,512	187,902	1,288,610
Classification D1	2,260,681	260,499	2,000,182
Classification D2	407,245	53,956	353,289
Classification E	58,575	19,288	39,287
Subtotal	<u>120,003,485</u>	<u>12,831,105</u>	<u>107,172,380</u>
<i>Consumer credits</i>			
<i>- personal credit cards</i>			
Classification A	17,097,733	-	17,097,733
Classification B	354,850	-	354,850
Classification C	181,044	-	181,044
Classification D1	370,102	-	370,102
Classification D2	63,940	-	63,940
Classification E	14,597	-	14,597
Subtotal	<u>18,082,266</u>	<u>-</u>	<u>18,082,266</u>
<i>Mortgage credits</i>			
Classification A	70,228,611	58,963,547	11,265,064
Classification B	1,504,042	1,246,077	257,965
Classification C	966,346	810,125	156,221
Classification D1	784,196	644,543	139,653
Classification D2	184,514	151,947	32,567
Classification E	96,345	78,062	18,283
Subtotal	<u>73,764,054</u>	<u>61,894,301</u>	<u>11,869,753</u>
Total credit risk exposure from loans portfolio	<u>514,171,596</u>	<u>192,177,055</u>	<u>321,994,541</u>

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Notes to the Consolidated Financial Statements (continued)

Amounts in thousands of Dominican pesos (DOP)

37 Financial risk management (continued)

(c) Credit risk (continued)

(vi) Coverage of the guarantees received (continued)

	Gross balance DOP (a)	Provisions DOP	Net balance DOP
December 31, 2022			
Loan portfolio			
<i>Major commercial debtors</i>			
Classification A	83,731,982	15,054,798	68,677,184
Classification B	63,893,564	36,138,464	27,755,100
Classification C	6,932,437	5,573,270	1,359,167
Classification D1	3,037,941	2,815,997	221,944
Classification D2	26,227,860	25,756,295	471,565
Classification E	<u>3,156,707</u>	<u>2,107,299</u>	<u>1,049,408</u>
Subtotal	<u>186,980,491</u>	<u>87,446,123</u>	<u>99,534,368</u>
<i>Medium commercial debtors</i>			
Classification A	2,211,049	773,086	1,437,963
Classification B	120,494	106,649	13,845
Classification C	146,402	65,749	80,653
Classification D1	67,141	33,573	33,568
Classification D2	364,747	229,549	135,198
Classification E	<u>365,255</u>	<u>173,431</u>	<u>191,824</u>
Subtotal	<u>3,275,088</u>	<u>1,382,037</u>	<u>1,893,051</u>
<i>Lower commercial debtors</i>			
Classification A	50,895,544	7,643,238	43,252,306
Classification B	1,834,144	344,329	1,489,815
Classification C	1,126,653	265,318	861,335
Classification D1	1,065,786	166,242	899,544
Classification D2	430,133	80,758	349,375
Classification E	<u>304,034</u>	<u>84,552</u>	<u>219,482</u>
Subtotal	<u>55,656,294</u>	<u>8,584,437</u>	<u>47,071,857</u>
<i>Consumer credits</i>			
<i>- consumer loans</i>			
Classification A	98,925,126	9,722,715	89,202,411
Classification B	1,770,835	213,531	1,557,304
Classification C	989,323	136,509	852,814
Classification D1	1,231,279	120,206	1,111,073
Classification D2	593,013	45,736	547,277
Classification E	<u>89,303</u>	<u>13,166</u>	<u>76,137</u>
Subtotal	<u>103,598,879</u>	<u>10,251,863</u>	<u>93,347,016</u>
<i>Consumer credits</i>			
<i>- personal credit cards</i>			
Classification A	13,432,038	-	13,432,038
Classification B	194,297	-	194,297
Classification C	121,447	-	121,447
Classification D1	206,862	-	206,862
Classification D2	68,091	-	68,091
Classification E	<u>22,164</u>	<u>-</u>	<u>22,164</u>
Subtotal	<u>14,044,899</u>	<u>-</u>	<u>14,044,899</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 (DOP)

37 Financial risk management (continued)

(c) Credit risk (continued)

(vi) Coverage of the guarantees received (continued)

	<u>Gross balance</u> <u>DOP (a)</u>	<u>Provisions</u> <u>DOP</u>	<u>Net balance</u> <u>DOP</u>
December 31, 2022 (continued)			
Loan portfolio (continued)			
<i>Mortgage credits</i>			
Classification A	58,331,535	50,438,050	7,893,485
Classification B	1,273,601	1,078,127	195,474
Classification C	581,326	489,492	91,834
Classification D1	605,418	509,387	96,031
Classification D2	201,038	172,196	28,842
Classification E	<u>142,021</u>	<u>91,231</u>	<u>50,790</u>
Subtotal	<u>61,134,939</u>	<u>52,778,483</u>	<u>8,356,456</u>
Total credit risk exposure from loans portfolio	<u>424,690,590</u>	<u>160,442,943</u>	<u>264,247,647</u>

(a) As of December 31, 2023 and 2022, the gross balance of the Bank's loan portfolio excludes a discount of DOP26,022 and DOP56,280, respectively, for the purchase of a discounted portfolio from a local financial institution.

(vii) Credits recovered with assets received in lieu of foreclosure of loans

A detail of credits recovered with assets received in credit recovery is presented as follow:

	<u>2023</u>	<u>2022</u>
Real estate	288,801	1,070,923
Personal property	<u>41,373</u>	<u>65,724</u>
	<u>330,174</u>	<u>1,136,647</u>

Policies for timely realization of assets received in lieu of foreclosure of loans

The administration of assets received in lieu of foreclosure of loans is formalized following internal policies and procedures. In this sense, the Bank has established clear criteria for the timely recognition of assets in the portfolio of foreclosure of loans, as well as those concerning the maintenance, publication and sale of these assets. A publication value model is defined for the determination and process of receiving offers, approval and sale.

During the years ended December 31, 2023 and 2022, the Bank recovered credits previously written off in cash for an approximate value of DOP1,157,000 and DOP1,096,000, 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 (DOP)

38 Information segments

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

<u>Segment</u>	<u>Company</u>	<u>Jurisdiction</u>	<u>Functional currency</u>	<u>Equity shares</u>	<u>Percentage of voting rights direct and indirect</u>
December 31, 2023					
Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	DOP	39,000,000	100 %
Related services	Tenedora Reservas, S. A. and Subsidiaries	Dominican Republic	DOP	<u>1,551,434</u>	97.74 %
				40,551,434	
	Elimination adjustments in consolidation			<u>(1,551,434)</u>	
				<u>39,000,000</u>	
December 31, 2022					
Financial	Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	Dominican Republic	DOP	39,000,000	100 %
Related services	Tenedora Reservas, S. A. and Subsidiaries	Dominican Republic	DOP	<u>1,551,434</u>	97.74 %
				40,551,434	
	Elimination adjustments in consolidation			<u>(1,551,434)</u>	
				<u>39,000,000</u>	

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

<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net profit</u>
December 31, 2023					
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples	1,127,606,701	1,040,288,428	128,274,809	103,774,795	24,500,014
Tenedora Reservas, S. A. and Subsidiaries	51,776,649	30,213,805	29,675,802	27,000,139	2,675,663
Administradora de Riesgos de Salud Reservas, Inc.	<u>1,046,913</u>	<u>821,476</u>	<u>1,953,940</u>	<u>1,919,878</u>	<u>34,062</u>
	1,180,430,263	1,071,323,709	159,904,551	132,694,812	27,209,739
Elimination adjustments in consolidation	<u>(32,051,733)</u>	<u>(10,544,706)</u>	<u>(6,665,110)</u>	<u>(3,995,383)</u>	<u>(2,669,727)</u>
	<u>1,148,378,530</u>	<u>1,060,779,003</u>	<u>153,239,441</u>	<u>128,699,429</u>	<u>24,540,012</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 (DOP)

38 Information segments (continued)

December 31, 2022

<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net profit</u>
Banco de Reservas de la República Dominicana, Banco de Servicios Múltiples Tenedora Reservas, S. A. and Subsidiaries	1,023,630,871	951,999,676	100,144,124	78,118,295	22,025,829
Administradora de Riesgos de Salud Reservas, Inc.	42,751,922	22,093,283	22,130,539	19,811,549	2,318,990
	<u>959,148</u>	<u>795,705</u>	<u>1,367,641</u>	<u>1,627,926</u>	<u>(260,285)</u>
	1,067,341,941	974,888,664	123,642,304	99,557,770	24,084,534
Elimination adjustments in consolidation	<u>(30,146,681)</u>	<u>(9,667,403)</u>	<u>(5,168,021)</u>	<u>(3,150,982)</u>	<u>(2,017,039)</u>
	<u>1,037,195,260</u>	<u>965,221,261</u>	<u>118,474,283</u>	<u>96,406,788</u>	<u>22,067,495</u>

39 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 significant operations and balances with related parties in accordance with the criteria established by the Regulation on Credit Limits to Related Parties as of December 31, 2023 and 2022 are as follows:

	<u>Current loans</u>	<u>Past due loans</u>	<u>Total</u>	<u>Collaterals</u>
December 31, 2023				
Related to ownership	36,926,107	86	36,926,193	-
Related to management	<u>23,996,545</u>	<u>223,755</u>	<u>24,220,300</u>	<u>12,966,196</u>
December 31, 2022				
Related to ownership	33,923,800	65	33,923,865	1,271,656
Related to management	<u>18,617,146</u>	<u>130,843</u>	<u>18,747,989</u>	<u>13,658,107</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.

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

Amounts in thousands of Dominican pesos (DOP)

39 Operations with related parties (continued)

As of December 31, 2023 and 2022, loans related to the management of the Bank includes DOP20,944,000 and DOP17,171,000, respectively, which were provided to employees and relatives by consanguinity at an interest rate on more favorable terms than with non-related parties in accordance with the policy for personnel incentives. Similarly, deposits with related parties maintain interest rates at different conditions from those with unrelated parties.

The main balances and transactions with related parties through ownership for the years ended December 31, 2023 and 2022 include:

	2023		2022 (reclassified, note 41)	
	Balance	Effect on profit income (expenses)	Balance	Effect on profit income (expenses)
Available funds	196,833,089	2,280,249	153,921,491	2,080,674
Other investments				
in debt securities	301,684,436	22,685,526	356,267,299	25,581,342
Loans portfolio	36,926,192	2,484,072	33,923,865	2,833,302
Interests receivable	6,141,137	-	4,964,843	-
Accounts receivable	1,935	-	2,036	-
Customers' deposits - checking	87,667,309	(202,709)	151,773,647	(198,914)
Customers' deposits - saving	82,675,615	(14,850)	51,238,054	(17,692)
Customers' deposits - time	54,030,407	(7,492,568)	65,210,762	(6,408,095)
Borrowed funds	51,274,682	(894,318)	27,831,399	(939,829)
Other liabilities	761,009	-	934,812	-

Other transactions with identifiable related parties performed during the periods ended December 31, 2023 and 2022 include:

	2023		2022	
	Balance	Effect on profit income (expenses)	Balance	Effect on profit income (expenses)
Loans portfolio	11,876,263	685,459	10,734,198	622,159
Accounts receivable to officers and employees	49,434	-	42,087	-
Interests receivable	3,209	-	65,582	-
Other assets	426,285	(356,642)	343,560	(313,807)
Officers and employees deposits	3,992,817	(267,954)	4,909,557	(27,093)

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

Amounts in thousands of Dominican pesos (DOP)

40 Non-monetary transactions

Non-monetary transactions are as follows:

	<u>2023</u>	<u>2022</u>
Write-off of loan portfolio and interests receivable	6,912,322	4,708,925
Write-offs of goods received in recovery of credit	12,410	130,231
Assets received in lieu of foreclosure of loans	330,174	1,137,585
Transfer between allowance for risky assets:		
Loan portfolio	390,550	(574,017)
Investments	-	15,000
Interests receivable	10,096	138,806
Assets received in lieu of foreclosure of loans	(162,646)	420,211
Contingent operations	(238,000)	-
Sales of assets received in lieu of foreclosure of loans by new credit facilities	180,563	238,591
Withdrawal of allowances for sales of goods awarded	168,867	234,250
Impairment of property, furniture and equipment	299,542	1,155,751
Transfers from property, furniture and equipment:		
Operating expenses	113,408	130,225
Accounts receivable	-	504
Assets received in lieu of foreclosure of loans	(569)	57,964
Miscellaneous assets	25,727	1,746
Equity on earnings in associated companies	653,982	433,684
Amortization of premium and discount on investments, net	5,338,950	4,838,253
Interest reinvested in receivables	6,833,145	3,042,899
Transfer of profits to others equity reserves	14,700,008	13,215,497
Reinvestment of dividends Law No.1-22	<u>-</u>	<u>(29,000,000)</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 (DOP)

41 Other disclosures

41.1 Reclassifications related to change in accounting policy

A detail of reclassifications specified in note 2.37 and their nature is shown below:

i) Consolidated statements of financial position - effects in the year ended December 31, 2022:

	Balance as previously reported <u>DOP</u>	Reclassifications <u>DOP</u>	Reclassified balances <u>DOP</u>
Cash and equivalents of cash	285,260,942	(81,099,062)	204,161,880
Investments	<u>303,917,788</u>	<u>81,099,062</u>	<u>385,016,850</u>

(a) Corresponds to the reclassification of investments easily convertible into cash with maturity of less than three (3) months from the acquisition date.

ii) Statement of cash flows - effects on the year ended December 31, 2022

	Balance as previously reported <u>DOP</u>	Reclassifications <u>DOP</u>	Reclassified balances <u>DOP</u>
Net cash provided by operating activities	35,702,240	(2,075,047)	33,627,193
Net cash used in investment activities	(62,993,110)	(52,371,248)	(115,364,358)
Net cash provided by financing activities	<u>89,740,327</u>	<u>-</u>	<u>89,740,327</u>
Net increase in cash and cash equivalents	62,449,457	(54,446,295)	8,003,162
Cash and cash equivalents at beginning of year	<u>222,811,485</u>	<u>(26,652,767)</u>	<u>196,158,718</u>
Cash and cash equivalents at end of year	<u>285,260,942</u>	<u>(81,099,062)</u>	<u>204,161,880</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 (DOP)

41 Other disclosures

41.2 Future application of standards

Accounting Manual for Supervised Entities

Pursuant to Circular No. 013/21, dated September 1st, 2021, the Accounting Manual for Supervised Entities entered into force as at January 1st, 2022. Some of the changes established in said manual were postponed through various circulars; a summary of this is as follows:

- ◆ SB Circular No. 019/22 dated December 26, 2022 postponed until January 1st, 2024 the requirement for accounting treatment provided in the items corresponding to deferred commissions for credit and credit card operations.
- ◆ Through SB Circular No. 010/22 of May 26, 2022 was postponed until January 1st, 2024 the use of fair value in the investment portfolio. Likewise, until this date, the disclosures related to fair value established in sections E.36, E.37 and E.38 of Chapter V of the Accounting Manual for Supervised Entities will not be required in the financial statements. By SB Circular No. CSB-REG-202300016 dated December 5, 2023, the Superintendence of Banks decided to maintain, indefinitely, the accounting treatment set forth in SB Circular No. 10/22 for the accounting of such investments.

42 Subsequent events

Bank's project law

On January 11, 2024, as part of an initiative of the Local Executive Power, the Representatives of the Dominican congress approved and sent to Senators a project law for restructuring and transforming the Bank, as well as to repeal the current law that governs it. This project suggests changes of administrative nature, governance, taxation, among others. Some of the main aspects of the project are as follows:

- ◆ The figure of General Administration would be called Executive President.
- ◆ Modifies the composition of the members of the Board of Directors.
- ◆ The distribution of dividends would be as follows:
 - Forty percent (40%) of the profits shall be delivered to the Dominican State, which shall receive them in the course of the fiscal year in which they are declared, and if not executed, they shall become part of the Bank's equity reserves. The resulting amount and before transferring it to the Dominican State, a maximum of fifteen percent (15 %) may be directly allocated to cover debts of the Dominican State and its dependencies with the Bank. In any case, the resulting amount will only be distributed to the Dominican State when the Bank complies with the levels of regulatory solvency and equity adequacy required by the Monetary and Financial Law and its implementing 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 (DOP)

42 Subsequent events (continued)

- Sixty percent (60 %) of distributable profits shall be allocated to equity reserves.
- ◆ The tax exemption established by the Bank's current law is not included.

This project law is pending to be known and approved by the other required legal bodies prior to its enactment.

Arrangement of the Monetary Board

The Monetary Board, through its Sixth Resolution dated on January 25, 2024 and certification issued on February 9, 2024, authorized the Central Bank to suspend the repositioning of the resources recovered from maturities and early redemptions from legal reserve releases under the First Resolution dated March 26, 2015, the Seventh Resolution dated July 21, 2016 and the First Resolution dated January 12, 2023, which authorized the release of funds to finance the construction and acquisition of low-cost housing; as well as the Second Resolution dated June 1st, 2023, which authorized the release of funds for productive sectors, households and micro, small and medium-sized companies (MIPYMEs).

43 Notes required by the Superintendence of Banks

The Superintendence of Banks's Accounting Manual for Supervised Entities sets the minimum disclosure requirements that the consolidated financial statements of financial institutions should include.

As of December 31, 2023, the following notes are not included because they are not applicable:

- ◆ Derivatives operations
- ◆ Cash sales contracts
- ◆ Securities lending agreements
- ◆ Outstanding securities
- ◆ Guarantee agent
- ◆ Separate securitization assets
- ◆ Portfolio results at fair value through profit or loss
- ◆ Portfolio results at fair value with changes in equity
- ◆ Fair value of financial instruments
- ◆ Earnings per share
- ◆ Business combinations
- ◆ Defaults related to financial liabilities
- ◆ Discontinued operations

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

Amounts in thousands of Dominican pesos (DOP)

43 Notes required by the Superintendence of Banks (continued)

- ◆ Other revelations
 - Changes in stock ownership whose amount and number of shares exceeds 1 %, having to indicate the amounts and number of shares;
 - Material liabilities reclassification;
 - Gains or losses from the sale of fixed assets or other assets in subsidiaries, branches, or offices abroad.