Banco Nacional de Crédito, C.A., Banco Universal

Report of Independent Accountants and Financial Statements
December 31 and June 30, 2016

Report of Independent Accountants

To the Shareholders and Board of Directors of
Banco Nacional de Crédito, C.A., Banco Universal

Report on the financial statements
We have audited the accompanying financial statements of Banco Nacional de Crédito, C.A., Banco Universal (the Bank) and its Curacao Branch, which comprise the balance sheets at December 31 and June 30, 2016, and the related statements of income, changes in equity and cash flows for the six-month periods then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of financial statements in accordance with the accounting rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN), which are of mandatory use for the Venezuelan banking system. As described in Note 2, these rules differ in certain significant respects from accounting principles generally accepted in Venezuela (VEN NIF). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing (ISA) applicable in Venezuela. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Nacional de Crédito, C.A., Banco Universal and its Curacao Branch at December 31 and June 30, 2016, and the results of their operations and their cash flows for the six-month periods then ended, in conformity with the accounting rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN).

Pacheco, Apostólico y Asociados.
(PricewaterhouseCoopers)

Juan J. Camacho
CPC 16072
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February 22, 2017

Banco Nacional de Crédito, C.A., Banco Universal
Balance sheet
December 31 and June 30, 2016

	December 31, 2016	June 30, 2016
	(In bolivars)	
Assets		
Cash and due from banks (Notes 3, 4 and 26)	145,770,980,498	67,106,037,756
Cash	16,090,789,150	6,525,470,856
Central Bank of Venezuela	122,379,592,146	55,763,003,906
Venezuelan banks and other financial institutions	89,359	90,096
Foreign and correspondent banks	314,704,557	254,596,861
Pending cash items	6,985,805,286	4,562,876,037
Investment securities (Note 5)	37,076,572,473	17,464,347,955
Deposits with the BCV and overnight deposits	1,768,517,000	274,312,500
Investments in available-for-sale securities	17,678,033,338	3,427,756,346
Investments in held-to-maturity securities	9,887,516,770	6,024,339,303
Restricted investments	114,951,401	103,032,062
Investments in other securities	7,627,655,244	7,635,007,744
(Provision for investment securities)	(101,280)	(100,000)
Loan portfolio (Note 6)	248,867,868,235	116,433,590,132
Current	254,083,302,763	119,114,854,403
Rescheduled	38,397,220	48,406,325
Overdue	185,474,165	71,877,308
(Allowance for losses on loan portfolio)	(5,439,305,913)	(2,801,547,904)
Interest and commissions receivable (Note 7)	2,310,064,446	1,319,080,657
Interest receivable on investment securities	486,982,138	280,922,134
Interest receivable on loan portfolio	1,834,254,671	1,040,809,012
Commissions receivable	6,806,482	4,463,152
Interest and commissions receivable on other accounts receivable	-	14,183,346
(Provision for interest receivable and other)	(17,978,845)	(21,296,987)
Property and equipment (Note 10)	12,597,207,800	9,268,609,069
Other assets (Note 11)	13,869,936,982	8,794,100,922
Total assets	460,492,630,434	220,385,766,491
Memorandum accounts (Note 20)		
Contingent debtor accounts	13,693,202,618	10,327,236,937
Assets received in trust	8,152,252,855	5,020,694,030
Debtor accounts from other special trust services (Housing Loan System)	3,395,569,053	2,175,397,376
Other debtor memorandum accounts	567,918,967,307	315,933,148,888
	593,159,991,833	333,456,477,231

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Balance sheet
December 31 and June 30, 2016

	December 31, 2016	June 30, 2016
	(In bolivars)	
Liabilities and Equity		
Customer deposits (Note 12)	422,348,001,046	197,789,647,774
Demand deposits	333,902,798,997	151,945,127,187
Non-interest-bearing checking accounts	259,209,188,703	107,943,260,589
Interest-bearing checking accounts	38,480,601,119	20,150,622,811
Checking accounts under Exchange Agreement No. 20	19,698,142	42,847,241
Demand deposits and certificates	36,193,311,033	23,808,396,546
Other demand deposits	4,898,344,598	2,534,065,493
Savings deposits	74,466,214,997	29,674,737,049
Time deposits	9,067,126,329	13,434,892,232
Securities issued by the Bank	-	187,309,688
Restricted customer deposits	13,516,125	13,516,125
Borrowings (Note 13)	83,417,106	124,888,044
Venezuelan financial institutions, up to one year	82,646,310	123,318,304
Foreign financial institutions, up to one year	770,796	1,569,740
Interest and commissions payable (Note 14)	179,600,591	307,840,762
Expenses payable on customer deposits	179,477,198	307,388,989
Expenses payable on borrowings	123,393	451,773
Accruals and other liabilities (Note 15)	13,091,049,778	6,129,121,971
Total liabilities	435,702,068,521	204,351,498,551
Equity (Note 22)		
Capital stock	2,471,930,372	1,621,930,372
Contributions pending capitalization	6,860,451,276	5,032,130,398
Capital reserves	2,081,217,973	1,083,609,377
Retained earnings	7,722,408,384	4,408,772,260
Exchange gain from holding foreign currency assets and liabilities	5,285,446,329	3,816,281,707
Net unrealized gain on investments in available-for-sale securities (Note 5)	369,107,579	71,543,826
Total equity	24,790,561,913	16,034,267,940
Total liabilities and equity	460,492,630,434	220,385,766,491

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Income statement
Six-month periods ended December 31 and June 30, 2016

	December 31, 2016	June 30, 2016
	(In bolivars)	
Interest income	26,310,210,290	14,145,948,905
Income from cash and due from banks	11,462	162,616
Income from investment securities	1,124,413,479	872,577,270
Income from loan portfolio	25,180,307,954	13,247,812,255
Income from other accounts receivable	5,477,395	6,968,013
Other interest income	-	18,428,751
Interest expense	(5,898,712,980)	(4,221,623,168)
Expenses from customer deposits	(5,859,818,405)	(4,104,333,168)
Expenses from borrowings (Note 13)	(35,123,264)	(52,339,243)
Expenses from other liabilities from financial intermediation	-	(62,277,778)
Other interest expense	(3,771,311)	(2,672,979)
Gross financial margin	20,411,497,310	9,924,325,737
Income from financial assets recovered (Notes 6 and 7)	32,473,311	52,128,942
Expenses from uncollectible loans and other accounts receivable (Notes 6, 7 and 15)	(2,685,226,387)	(951,793,887)
Expenses from provision for cash and due from banks	-	(697,418)
Net financial margin	17,758,744,234	9,023,963,374
Other operating income (Note 17)	5,171,183,890	2,014,564,998
Other operating expenses (Note 18)	(1,264,215,414)	(469,210,945)
Financial intermediation margin	21,665,712,710	10,569,317,427
Operating expenses	(14,418,216,413)	(8,015,279,705)
Salaries and employee benefits (Note 2-j)	(3,971,458,001)	(2,009,178,558)
General and administrative expenses (Note 19)	(8,982,280,444)	(4,873,703,285)
Fees paid to the Social Bank Deposit Protection Fund (Note 24)	(1,292,132,250)	(1,007,054,639)
Fees paid to the Superintendency of Banking Sector Institutions (Note 25)	(172,345,718)	(125,343,223)
Gross operating margin	7,247,496,297	2,554,037,722
Income from available-for-sale assets (Note 9)	-	27,803,675
Sundry operating income (Note 17)	28,761,122	39,717,805
Sundry operating expenses (Note 18)	(331,046,431)	(276,599,423)
Net operating margin	6,945,210,988	2,344,959,779
Extraordinary expenses	(4,669,042)	(13,253,457)
Gross income before tax	6,940,541,946	2,331,706,322
Income tax (Note 16)	(2,014,297,226)	(733,681,042)
Net income	4,926,244,720	1,598,025,280
Appropriation of net income		
Legal reserve	985,248,944	159,802,528
Retained earnings	3,940,995,776	1,438,222,752
	4,926,244,720	1,598,025,280
Provision for the Antidrug Law (Notes 1 and 18)	74,807,642	22,202,276

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Statement of changes in equity
Six-month periods ended December 31 and June 30, 2016

(In bolivars)

	Paid-in capital stock	Share premium and contributions pending capitalization	Capital reserves	Retained earnings: Unappropriated surplus	Retained earnings: Restricted surplus	Retained earnings: Non-distributable surplus	Retained earnings: Cumulative loss	Retained earnings: Total	Exchange gain from holding foreign currency assets and liabilities	Unrealized gain (loss) on investment securities (Note 5)	Total equity
Balances at December 31, 2015	1,321,930,372	3,853,150,939	914,041,278	1,943,242,957	1,450,648,885	26,423,238	-	3,420,315,080	2,851,100,572	207,432,859	12,567,971,100
Contributions pending capitalization (Note 22)	-	1,178,979,459	-	-	-	-	-	-	-	-	1,178,979,459
Capital increase through capitalization of retained earnings (Note 22)	300,000,000	-	-	-	(300,000,000)	-	-	(300,000,000)	-	-	-
Cash dividends declared (Note 22)	-	-	-	(140,000,000)	-	-	-	(140,000,000)	-	-	(140,000,000)
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	-	(135,889,033)	(135,889,033)
Net gain on sale of securities in foreign currency through DICOM (Note 5)	-	-	-	-	-	-	-	-	729,874,147	-	729,874,147
Exchange gain, net (Note 4)	-	-	-	-	-	-	-	-	235,306,988	-	235,306,988
Net income	-	-	-	1,598,025,280	-	-	-	1,598,025,280	-	-	1,598,025,280
Appropriation to the legal reserve (Note 22)			159,802,528	(159,802,528)	-	-	-	(159,802,528)	-	-	-
Creation of the Social Contingency Fund (Note 22)	-	-	9,765,571	(9,765,572)	-	-	-	(9,765,572)	-	-	(1)
Reclassification of net income of the Curacao Branch (Note 22)	-	-	-	120,575,601	-	-	(120,575,601)	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 23)	-	-	-	(719,111,376)	719,111,376	-	-	-	-	-	-
Balances at June 30, 2016	1,621,930,372	5,032,130,398	1,083,609,377	2,633,164,362	1,869,760,261	26,423,238	(120,575,601)	4,408,772,260	3,816,281,707	71,543,826	16,034,267,940
Contributions pending capitalization (Note 22)	-	1,923,320,878	-	-	-	-	-	-	-	-	1,923,320,878
Capital increase through public offering of shares (Note 22)	400,000,000	(400,000,000)	-	-	-	-	-	-			
Capital increase through capitalization of retained earnings (Note 22)	450,000,000	-	-	-	(450,000,000)	-	-	(450,000,000)	-	-	-
Capitalization of cash dividends (Note 22)	-	305,000,000	-	(165,000,000)	-	-	-	(165,000,000)	-	-	140,000,000
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	-	297,563,753	297,563,753
Net gain on sale of securities in foreign currency through DICOM (Note 5)	-	-	-	-	-	-	-	-	1,469,164,622	-	1,469,164,622
Net income	-	-	-	4,926,244,720	-	-	-	4,926,244,720	-	-	4,926,244,720
Appropriation to the legal reserve (Note 22)	-	-	985,248,944	(985,248,944)	-	-	-	(985,248,944)	-	-	-
Creation of the Social Contingency Fund (Note 22)	-	-	12,359,652	(12,359,652)	-	-	-	(12,359,652)	-	-	-
Reclassification of net income of the Curacao Branch (Note 22)	-	-	-	(3,216,427)	-	3,216,427	-	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 23)	-	-	-	(1,968,889,674)	1,968,889,674	-	-	-	-	-	-
Balances at December 31, 2016	2,471,930,372	6,860,451,276	2,081,217,973	4,424,694,385	3,388,649,935	29,639,665	(120,575,601)	7,722,408,384	5,285,446,329	369,107,579	24,790,561,913

Net income per share (Note 2-n)

	Six-month periods ended December 31, 2016	Six-month periods ended June 30, 2016
Weighted average of outstanding shares	1,833,835,134	1,454,787,515
Income per share	2.686	1.091

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Cash flow statement
Six-month periods ended December 31 and June 30, 2016

	December 31, 2016	June 30, 2016
	(In bolivars)	
Cash flows from operating activities		
Net income	4,926,244,720	1,598,025,280
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for investment securities	1,280	-
Allowance for losses on loan portfolio	2,667,782,775	949,760,137
Provision for contingent loans	13,112	-
Release of allowance for losses on loan portfolio	(2,116,639)	-
Provision for interest receivable	17,430,500	2,528,487
Provision for other assets	28,950,000	9,984,436
Depreciation of property and equipment and amortization of deferred charges	701,608,187	478,853,177
Accrual for length-of-service benefits	654,414,591	458,184,702
Transfers to trust fund and payment of length-of-service benefits	(317,790,124)	(187,263,764)
Income tax provision	2,479,731,735	600,019,110
Deferred income tax	(465,434,509)	133,661,932
Net change in		
Overnight deposits	(1,494,204,500)	(274,312,500)
Interest and commissions receivable	(991,441,202)	(322,541,958)
Other assets	(4,817,507,638)	(3,906,587,619)
Accruals and other liabilities	4,286,157,343	678,974,514
Net cash provided by operating activities	7,673,839,631	219,285,934
Cash flows from financing activities		
Contributions pending capitalization	1,923,320,878	1,178,979,459
Net change in		
Customer deposits	224,558,353,272	50,468,903,553
Borrowings	(41,470,938)	(36,722,531)
Interest and commissions payable	(128,240,171)	79,021,114
Net cash provided by financing activities	226,311,963,041	51,690,181,595
Cash flows from investing activities		
Loans granted during the period	(245,919,139,130)	(98,276,633,872)
Loans collected during the period	110,801,674,704	66,612,361,203
Net change in		
Investments in available-for-sale securities	(12,483,548,617)	2,192,667,938
Investments in held-to-maturity securities	(3,863,177,467)	883,894,908
Restricted investments	(11,919,339)	(7,331,229)
Investments in other securities	7,352,500	(457,115,100)
Property and equipment	(3,852,102,581)	(4,817,664,860)
Net cash used in investing activities	(155,320,859,930)	(33,869,821,012)
Cash and due from banks		
Net change in cash and cash equivalents	78,664,942,742	18,039,646,517
Effect of exchange fluctuations in cash	-	87,682,425
At the beginning of the period	67,106,037,756	48,978,708,814
At the end of the period	145,770,980,498	67,106,037,756
Supplementary information on non-cash activities		
Write-off of uncollectible loans (Note 6)	45,428,314	22,739,835
Write-off of uncollectible loans (interest) (Note 7)	3,775,555	1,927,196
Reclassification of excess in (Notes 6, 7, 11 and 15)		
Allowance for losses on loan portfolio to contingent loans	(585,738)	(53,206,834)
Allowance for losses on loan portfolio to provision for interest receivable	(16,921,337)	11,027,302
Provision for interest receivable to provision for other assets	51,750	206,981
Change in net unrealized gain on investments in available-for-sale securities (Note 5-a)	297,563,753	(135,889,033)
Net gain on sale of securities in foreign currency through DICOM (Note 5-a)	1,469,164,622	729,874,147
Creation of the Social Contingency Fund (Note 22)	12,359,652	9,765,571
(Reversal) cash dividends declared payable (Note 22)	(140,000,000)	140,000,000
Adjustment from net exchange gain		
Cash and due from banks	-	87,682,425
Investments in available-for-sale securities	-	26,092,609
Investments in held-to-maturity securities	-	59,515,356
Restricted investments	-	12,785,852
Loan portfolio	-	69,311,019
Interest and commissions receivable	-	1,024,137
Other assets	-	7,999
Customer deposits	-	(16,283,011)
Accruals and other liabilities	-	(4,829,398)

The accompanying notes are an integral part of the financial statements

1. Activities and regulatory environment

Banco Nacional de Crédito, C.A., Banco Universal (hereinafter the Bank) was authorized to operate as a commercial bank in the Bolivarian Republic of Venezuela in February 2003 under the name Banco Tequendama, S.A. and as a universal bank on December 2, 2004. Its business objective is to provide financial intermediation consisting in the procurement of funds for the purpose of granting credits or loans and investing in securities.

The Bank is incorporated and domiciled in the Bolivarian Republic of Venezuela. Its legal address is: Avenida Vollmer, Torre Sur del Centro Empresarial Caracas, Urbanización San Bernardino, ZP 1010, Caracas.

Most of the Bank's assets are located in the Bolivarian Republic of Venezuela. At December 31 and June 30, 2016, the Bank has 171 and 170 offices and external counters, respectively, a branch in Curacao, a main office and 3,270 and 3,260 employees, respectively.

The Bank's shares are traded on the Caracas Stock Exchange (Note 22).

The Bank conducts transactions with a related company (Note 23).

The Bank's financial statements at December 31 and June 30, 2016 were approved for issue by the Board of Directors on January 11, 2017 and July 13, 2016, respectively.

In August 2003, the Superintendency of Banking Sector Institutions (SUDEBAN) issued Resolution No. 202.03 dated August 4, 2003, published in Official Gazette No. 37,748 on August 7, 2003, authorizing the Bank's fiduciary operations.

The new Law on Banking Sector Institutions (hereinafter the Law on Banking Sector Institutions) issued by the Venezuelan government on November 13, 2014 through Official Gazette of December 8, 2014 repealed the previous Law of December 2010.

This Law, among other things, considers banking as a public service; defines financial intermediation as fundraising for investment in loan portfolios and securities issued or guaranteed by the Venezuelan government or government agencies; extends disqualification instances to act as directors; prohibits the formation of financial groups understood as a group of banks, non-banking institutions, financial institutions and companies constituting a decision-making or management unit; establishes parameters to define connecting criteria, requires boards of directors to approve lending operations exceeding 5% of equity; establishes a social contribution of 5% of pre-tax income for the fulfillment of social responsibilities to finance projects developed by communal councils, limits consumer credits to 20% of the bank's loan portfolio, transactions for a single debtor to 10% of equity, one economic group to 20% and to an additional 10% with bank or other appropriate guarantees and; establishes parameters to define debtor in relation to this limitation, among others.

The Bank's activities are ruled by the Law on Banking Sector Institutions, the Stock Market Law, the commercial law (the Venezuelan Code of Commerce), the financial law (Law of the National Financial System), any other applicable laws, regulations issued by the Venezuelan government and provisions issued by the Higher Authority of the National Financial System (OSFIN), the Central Bank of Venezuela (BCV) and the Venezuelan Securities Superintendency (SNV), as well as the prudential rules and other instructions of SUDEBAN.

OSFIN will establish rules for citizens to participate in the supervision of the financial management and social controllership of the parties to the National Financial System, will protect user rights, and will promote collaboration among the sectors of the productive economy, including the popular and communal sectors.

The Law of the National Financial System is aimed at regulating, supervising, controlling and coordinating the National Financial System in order to ensure that financial resources are used and invested for the public interest and for economic and social development with a view to creating a social and democratic state ruled by law and justice. The National Financial System is formed by the group of public, private and communal financial institutions and any other form of organization operating in the banking sector, the insurance sector, the stock market and any other sector or group of financial institutions that the policy-making body deems should form part of the system. Individuals and corporations that are users of the financial institutions belonging to the system are also included.

Curacao Branch

The banking activities of the Bank's Curacao Branch (hereinafter the Branch) are regulated by the Law of Banks of Curacao and St. Maarten. The Branch is not an economically independent entity and conducts transactions following the Bank's guidelines. The Branch operates under an off-shore license granted by the Central Bank of Curacao and St. Maarten and SUDEBAN in Venezuela. Capital assigned to the Branch has been contributed by the Bank (Note 8).

Acquisition and merger by absorption of Stanford Bank, S.A., Banco Comercial

On February 18, 2009, SUDEBAN, with the approval of the BCV's Board of Directors and the Higher Banking Council, resolved to take control of Stanford Bank, S.A., Banco Comercial (hereinafter Stanford Bank). On May 5, 2009, SUDEBAN, through Notice SBIF-DSB-06532, notified the Bank that it was qualified to participate in the auction for the acquisition of Stanford Bank. On May 8, 2009, the Bank won the bid to purchase Stanford Bank at an auction conducted at the headquarters of the People's Power Ministry for the Economy and Finance offering Bs 240,007,777. The merger by absorption of Stanford Bank into the Bank was approved at a Special Shareholders' Meeting of Stanford Bank held on May 14, 2009. Likewise, on May 21, 2009, SUDEBAN, through Resolution published in Official Gazette No. 39,183, resolved to cease the intervention of Stanford Bank after it was acquired by the Bank. Subsequently, at a Special Shareholders' Meeting of the Bank held on May 26, 2009, the merger by absorption of Stanford Bank, and the Board of Directors was authorized to conduct the merger. On May 27, 2009, the Bank sent a communication to SUDEBAN that included the minutes of the Special Shareholders' Meeting held on May 26, 2009, the Merger Plan and a request for authorization to make the merger effective at June 30, 2009. Subsequently, through Resolution No. 249.09 published in Official Gazette No. 39,193 on June 4, 2009, SUDEBAN authorized the merger by absorption of Stanford Bank into the Bank and indicated that the merger would become effective when the minutes were registered with the relevant Mercantile Registry. The merger became effective on June 8, 2009.

Other laws that regulate the Bank's activities are described below:

Agricultural Loan Law

The Agricultural Loan Law requires the People's Power Ministry for Economy and Finance and the People's Power Ministry for Agriculture and Land to jointly fix within the first month of each year the minimum percentage of the loan portfolio to be earmarked by each commercial and universal bank to finance agriculture.

On April 28, 2016, through a joint Resolution, the People's Power Ministries for Banking and Finance and for Agriculture and Land established the minimum percentages of the loan portfolio to be earmarked by each universal bank to finance agriculture during 2016. This percentage is calculated based on the gross loan portfolio at December 31, 2015 and 2014 of each universal bank, and must be applied as follows: 21% in February; 22% in March and April; 23% in May; 24% in June; 25% in July, August and September; 26% in October, November and December (Note 6).

This Resolution also established that universal banks must grant medium and long-term loans representing at least 20% of the total agricultural loan portfolio. In addition, this Resolution requires the number of new individual and company borrowers of the agricultural loan portfolio to be increased by 10% with respect to total agricultural borrowers at prior year end. Universal banks must distinguish between agricultural loan borrowers maintained at prior year end and new borrowers for a given year subject to measurement. Moreover, the Resolution establishes how the total quarterly balance of each bank's agricultural loan portfolio must be distributed between strategic and non-strategic crops, agroindustrial investment and marketing (Note 6).

Also the Resolution establishes that banks shall discount 0.5% of agricultural loans settled and transfer this amount to Banco Agrícola de Venezuela, C.A., Banco Universal on a monthly basis. This balance will be attributable to the respective loans and, therefore, financed under the same terms and conditions established for each credit operation.

According to the Resolution, only 5% of loans earmarked for primary agricultural production may be granted without guarantees to borrowers meeting the following conditions:

1. Borrowers must be individuals or companies.

2. Borrowers may not have another agricultural loan with any public or private universal bank or with any bank in the process of becoming universal at the loan application date.

3. Borrowers must be registered in the Single Mandatory Permanent Registry for Agricultural Producers.

4. The primary production project must be viable and have the endorsement of the Minister for Agriculture and Land, prior presentation of the explanatory technical report before the Agricultural Loan Monitoring Committee.

To comply with the aforementioned percentages, financial institutions may alternatively place funds with public banks or contribute them to the Fund for Social Agricultural Development (FONDAS) in the form of capital contributions to Sociedad de Garantías Recíprocas para el Sector Agropecuario, Forestal, Pesquero y Afines, S.A. (S.G.R. SOGARSA, S.A.), provided that the receiving entity ultimately uses the funds to grant agricultural loans, in accordance with the terms and conditions approved by the Agricultural Loan Monitoring Committee. Any such funds that are not used directly by the receiving entity for agricultural loans may be returned at the Bank's request after it has solved the loan deficit that motivated the contribution of funds in the first place, but in no event before the financial instrument agreed between the parties matures.

Law on Benefits and Payment Facilities for Agricultural Debts on Strategic Crops for Food Security and Sovereignty

The Law on Benefits and Payment Facilities for Agricultural Debts on Strategic Crops for Food Security and Sovereignty was enacted on August 3, 2009. Subsequently, on September 17, 2009, April 1, 2011 and July 2, 2012, through a joint Resolution, the People's Power Ministry for Planning and Finance and the People's Power Ministry for Agriculture and Land established the special terms and conditions for debt restructuring and the procedures and requirements for filing and issuing response notices for agricultural debt restructuring and relief requests.

Agricultural Aid Law

The new Agricultural Aid Law became effective on June 19, 2014. This Law establishes the rules governing benefits, payment facilities and restructuring of agricultural loans for the production of strategic crops for food security and sovereignty when repayment is partially or fully impacted by environmental, biological or physical damages that significantly affect the production and development capacity of productive units.

This Law will benefit individuals or corporations that had received agricultural loans to sow crops, purchase raw materials, machinery, equipment and livestock, build and improve infrastructure, reactivate distribution centers and finance working capital in relation to the production of strategic crops.

The beneficiaries who received loans to finance the strategic crops defined under the Law shall be granted partial or full debt relief by public and private banks.

Law for Creating, Supporting, Promoting and Developing the Microfinancial Business Sector
This Law aims to create, support, promote and develop the microfinancial sector to facilitate the prompt and timely access to financial and non-financial services, to popular community and self-managed associations, family companies, self-employed and unemployed individuals and to any other type of community association that develops or has the intention of developing an economic activity, with the purpose of integrating them to the country's economic and social dynamics.

In addition, the Law on Banking Sector Institutions establishes that banks must earmark 3% of their gross loan portfolio at prior semester closing for microcredits or contributions to institutions that create, support, promote and develop the microfinancial and small business sector in Venezuela.

On September 24, 2015, through Resolution No. 109-15, SUDEBAN established that banks shall earmark their gross microcredit loan portfolio as follows:

a. Up to 40% to finance commercialization activities.

b. Up to 40% to finance public transportation.

c. No less than 20% to other activities, such as communal services and artisan activities, among others.

Special Law for Home Mortgagor Protection
This Law requires banks and other financial institutions regulated by the Law on Banking Sector Institutions to grant mortgage loans for acquisition, construction, self-construction, expansion or remodeling of primary residences, based on a percentage of their annual loan portfolio, excluding loans granted under the Housing Loan Law. Under this Law, loans will bear a social interest rate.

The BCV, through an Official Notice, established special social interest rates applicable as from September 2011 for primary residence mortgages and construction loans, granted or to be granted from the financial institutions' own resources as follows:

a. The maximum annual social interest rate applicable to loans granted under the Special Law for Home Mortgagor Protection is 10.66%.

b. The maximum annual social interest rate applicable to mortgage loans for the acquisition of primary residences, granted or to be granted from the financial institutions' own resources varies between 4.66% and 8.66%, depending on the monthly family income.

c. The maximum annual social interest rate applicable to mortgage loans for the construction of primary residences, granted or to be granted from the financial institutions' own resources is 9.66%.

d. The maximum annual social interest rate applicable to mortgage loans for the improvement, expansion and self-construction of primary residences varies between 4.66% and 6.66%, depending on the monthly family income.

The People's Power Ministry for Housing established that maximum monthly installments for mortgage loan payments shall not exceed 35% of the monthly family income.

Mortgage loans may be granted for up to the full value of the real property pledged, based on its appraisal value and the monthly family income.

On March 9, 2016, Decree No. 2,264, published in Official Gazette No. 40,865, fixed at 20% the minimum percentage of the annual gross loan portfolio to be earmarked by each banking sector institution from its own resources for new mortgages for the acquisition, construction or self-construction of primary residences. At December 31, 2016, this percentage shall be distributed based on the gross loan portfolio at December 31, 2015, taking into account the financed activity and the monthly family income of the loan applicants (Note 6).

The percentage for the construction of residences shall be distributed as follows:

a. 45% to the construction of residences that will be applied by the Higher Authority of the National Housing System through Fondo Simón Bolívar para la Reconstrucción.

b. 15% to short-term loans for the construction of residences.

c. 38% to loans for the acquisition of primary residences.

d. 2% to loans for the self-construction, improvement and expansion of primary residences.

On August 2, 2011, the People's Power Ministry for Housing established the financing conditions for each type of loan regardless of the source of funds. Some of these conditions are: maximum debt capacity of the loan applicant or co-applicant, required guarantees, and the general requirements for the loan applicant and co-applicant. On September 6, 2011, the People's Power Ministry for Planning and Finance set the annual social interest rates at between 1.4% and 4.66%.

On February 5, 2013, the People's Power Ministry for Housing issued Resolutions Nos. 10 and 11 containing the guidelines for granting loans for the self-construction, expansion or improvement of primary residences, as well as the rules for the creation and setting of payment terms for housing loans.

Compliance with and distribution of the aforementioned percentages are measured at December 31 of each year.

Law on Tourism Investments and Loans
On November 17, 2014, the Law on Tourism Investments and Loans was issued, and published in Extraordinary Official Gazette No. 6,153 of November 18, 2014. This Law requires the People's Power Ministry for Tourism to fix within the first month of each year the percentage of the gross loan portfolio to be earmarked by banks to finance tourism, which in no event shall be less than 3%. Short, medium and long-term loans must be included in the loan portfolio percentage. The interest rate may only be modified for the benefit of the loan applicant and loans shall be repaid in equal consecutive monthly installments.

In addition, this Law establishes amortization periods between 5 and 15 years depending on the activities to be conducted by loan applicants. This Law also establishes special conditions in respect of terms, interest rates and subsidies, among others, for projects to be executed in tourist areas, potential tourist areas or endogenous tourist development areas.

Furthermore, tourism guarantees are created within the National System for Reciprocal Guarantees for loans granted.

On March 16, 2016, the People's Power Ministry for Tourism established at 5.25% the minimum percentage of the gross loan portfolio to be earmarked by each universal bank to finance tourism at December 31, 2016. This percentage is calculated based on the gross loan portfolio balance at December 31, 2015 and 2014 and must be applied as follows: 2.5% at June 30, 2016 and 5.25% at

December 31, 2016 (during the six-month period ended June 30, 2016, minimum percentage of 5.25% of the gross loan portfolio balance at December 31, 2015 and 2014).

Through a Resolution published in Official Gazette No. 40,274 on October 17, 2013, the People's Power Ministry for Tourism established a single voluntary contribution from banks for the purchase of Class "B" shares from Sociedad de Garantías Recíprocas para la Pequeña y Mediana Empresa del Sector Turismo, S.A. (S.G.R. SOGATUR, S.A.). The purpose of this contribution is to pledge small and medium-sized tourist entrepreneurs or service providers, as well as organized communities, to secure repayment of tourism loans granted by banks. The entire purchase of shares will be accounted for as part of the tourism loan portfolio compliance (Notes 5 and 6).

Through a joint Resolution, published in Official Gazette No. 39,402 on April 13, 2010, the People's Power Ministries for Tourism and for Planning and Finance established the grace periods for tourism loans. These grace periods range from 1 to 3 years depending on the activity that is being financed. Loans for tourism projects to be developed in tourist areas will have the maximum grace periods considering the type of activity to be developed.

Manufacturing loans

The Manufacturing Loan Law published on April 17, 2012 requires the People's Power Ministries in charge of finance and industries to jointly fix within the first month of each year, and with the binding opinion of SUDEBAN and the BCV, the terms, conditions, periods and minimum percentages of the loan portfolio to be earmarked by each universal bank to finance manufacturing activities. In no event shall the minimum percentage fall below 10% of each bank's gross loan portfolio for the immediately prior year.

Through Resolution No. 13-07-03 of July 30, 2013, the BCV established that, as from August 2013, interest on manufacturing loans charged by banks shall not exceed 18% per annum.

Through joint Resolution No. 208, published in Official Gazette No. 41,036 on November 22, 2016, the People's Power Ministries for Industries and Commerce and for Banking and Finance established the strategic sectors to which at least 60% of the manufacturing loan portfolio resources shall be allocated, and a minimum percentage of 40% to finance small and medium-sized companies, joint ventures and state companies, whose main activity is part of the Classification of Venezuelan Economic Activities (CAEV). In addition, trading operations should not jointly exceed 5% of the total manufacturing loan portfolio. Measurement and compliance percentage of the manufacturing loan portfolio at December 31 of each year is 10%.

BCV regulations

The BCV has established regulations on lending and deposit rates to be applied by banks and restrictions on certain service fees. It has also established maximum rates to be charged for commissions, fees or surcharges on each type of transaction. In addition, through Resolution No. 13-03-02 of March 26, 2013, the BCV established that banks may only charge their customers for commissions established by this regulatory entity.

Regarding lending rates, the BCV established that banks may not charge for lending operations, except for consumer loans, an annual interest or discount rate higher than the rate periodically set by the BCV's Board of Directors for discount, rediscount, repurchase and advance operations, reduced by 5.5%, except in the case of agricultural, tourism, manufacturing and mortgage loans for primary residences (Note 6). As from June 5, 2009, the annual interest rate to be charged by the BCV on discount, rediscount and advance operations, except as regards operations conducted under special regimes, was set at 29.5%.

Also, through Resolution No. 13-11-02 of November 19, 2013, the BCV established that interest rates to be paid by banks on savings deposits for individuals with daily balances of up to Bs 20,000 shall not be less than 16% per annum, and no less than 12.5% per annum on savings deposits with daily balances higher than Bs 20,000. Interest on savings deposits paid by banks to companies shall not be less than 12.5% per annum, calculated on daily balances, regardless of account balance. In addition, interest rates on time and certificates of deposits, regardless of their term of maturity, shall not be less than 14.5% per annum.

In addition, the BCV established that banks may not charge commissions, fees or surcharges to their customers for transactions, operations or services directly related to savings accounts. Banks may charge a commission amounting to the existing balance of dormant savings and current accounts that have been closed if it is below Bs 1. In addition, banks may not charge commissions, fees or surcharges for operations other than those published by the BCV.

The BCV established the maximum discount rates or commissions to be charged by banks to affiliated businesses for authorizing and processing point-of-sale operations through credit, debit and prepaid cards or any other financing or electronic payment instrument.

On November 30, 2016, through an Official Notice published in Official Gazette No. 41,042, the BCV replaces Official Notice of August 30, 2016 regarding commissions, fees and surcharges to be charged by banks to their customers on all transactions and activities covered by this Official Notice. Through this Official Notice, the BCV also ratified that banks may only charge their customers up to Bs 83 for the second plus savings account books issued in the year. Likewise, the BCV sets monthly maintenance fees at Bs 50 on non-interest-bearing checking accounts (individuals), Bs 75 on non-interest-bearing checking accounts (companies), Bs 75 on interest-bearing checking accounts (individuals) and Bs 83 on interest-bearing checking accounts (companies). In addition, the BCV established maximum commissions, fees or surcharges on all transactions covered by the Official Notice. This Resolution became effective on December 1, 2016.

Through Resolution No. 10-10-02 issued on June 30, 2011, the BCV reduced by 3 percentage points the 17% minimum legal reserve that banks are required to maintain at the BCV, as per the previous Resolution of October 26, 2010, provided that they use the available resources to purchase instruments issued within the framework of Venezuela's Great Housing Mission. The terms and conditions of these investments will be as established by the BCV.

Through Resolution No. 13-04-01 of April 26, 2013, the BCV ratified that the calculation of the legal reserve to be allocated by financial institutions that purchased Dematerialized Certificates of Participation issued by the Simón Bolívar Fund 2013 will be made in conformity with terms established in Resolution No. 10-10-02.

Resolution No. 14-03-02, issued on March 13, 2014, modifies the legal reserve rules and requires a minimum reserve of 21.5% of total net liabilities, total investments assigned and marginal balance, and 31% of the amount corresponding to the increase of marginal balance.

Through Resolution No. 15-07-01 of July 2, 2015, the BCV ratified that the calculation of the legal reserve to be allocated by financial institutions that purchased Dematerialized Certificates of Participation issued by the Simón Bolívar Fund 2015 will be made in conformity with terms established in Resolution No. 14-03-02.

Through Resolution No. 13-03-01 of March 21, 2013, the BCV established that individuals residing in Venezuela will be allowed to have demand deposits in foreign currency in local banks.

Through Resolution No. 16-09-01, published on September 27, 2016, the BCV established that banking institutions that purchased Agriculture Certificates of Participation issued by Banco de Desarrollo Económico y Social de Venezuela (BANDES), maturing in September 2017, may deduct from the legal reserve an amount equivalent to that paid by each banking institution when purchasing on the primary market and up to the business day previous to these instruments' maturity date referred to in this Resolution.

Other regulations

Law for the Advancement of Science, Technology and Innovation

This Law establishes that the country's major corporations will annually earmark 0.5% of gross income generated in Venezuela in the prior year. During the six-month periods ended December 31 and June 30, 2016, the Bank recorded expenses in this connection of Bs 41,305,440, included under sundry operating expenses (Note 18). In addition, at June 30, 2016, the Bank maintains an advance in this connection of Bs 41,305,440 under other assets, which was amortized in the second-six-month period of 2016 (Note 11).

In November 2014, the Venezuelan government enacted the Reform of the Law for the Advancement of Science, Technology and Innovation. This legal instrument creates the National Fund for Science, Technology and Innovation (FONACIT), which shall be responsible for managing, collecting, controlling, verifying, and quantitatively and qualitatively determining the contributions for science, technology and innovation and their applications. Likewise, the Reform indicates that taxpayers may apply to use the contributions to science, technology and innovation, provided that they develop annual projects, plans, programs and activities for the priority areas defined by the national authority responsible for matters related to science, technology and innovation and their applications and submit them within the third quarter of each year. Subsequently, within the first quarter of each year, users of the contributions for science, technology and innovation must submit to FONACIT a technical and administrative report of the activities conducted in this connection during the prior year. In addition, these Regulations require the payment and declaration of contributions within the second quarter after the closing of the period in which gross income was generated.

Antidrug Law

The Antidrug Law was published in Official Gazette No. 39,510 on September 15, 2010. This Law requires all private corporations, consortia and business-oriented public entities with 50 or more employees to contribute 1% of their annual operating income to the National Antidrug Fund (FONA) within 60 days of their respective year end. Companies belonging to economic groups will make contributions on consolidated basis.

FONA shall use these contributions to finance plans, projects and programs for the prevention of illegal drug traffic.

The contributions to FONA shall be distributed as follows: 40% for prevention projects for the contributor's employees and their families; 25% for child welfare protection programs; 25% for antidrug traffic programs and 10% to finance FONA's operating costs. In addition, companies are required to employ rehabilitated individuals to facilitate their social reintegration.

Resolution No. 004-2011 was published in Official Gazette No. 39,643 on March 28, 2011 to establish the regulations for payment of contributions and special contributions according to the Law.

The Decree-Law for the creation of FONA was modified through Decree No. 9,359, published in Official Gazette No. 40,095 on January 22, 2013. This modification is aimed to adapting and aligning the organizational structure of the Fund, as well as updating and adapting its attributions as a collection entity.

For the six-month periods ended December 31 and June 30, 2016, the Bank recorded expenses in this connection of Bs 74,807,642 and Bs 22,202,276, respectively, included under sundry operating expenses (Note 18).

Law on Exchange Control Regime and Related Offenses

The Reform of the Law on Exchange Control Regime and Related Offenses was published on December 30, 2015. This Law establishes the parameters for the purchase of foreign currency by individuals and public entities, as well as exchange offenses and applicable penalties and regulates the terms and conditions under which foreign currency administration entities apply the capacities granted thereto by the legal system, in accordance with the exchange agreements established for such purposes, and the guidelines for the execution of this policy. The Law on Exchange Control Regime applies to individuals, public and private companies participating in exchange operations as buyers, managers, intermediaries, verifiers or beneficiaries. This Law defines foreign currency as any currency other than the bolivar, which is the currency of legal tender of the Bolivarian Republic of Venezuela. This definition includes deposits with local and foreign banks and financial institutions, transfers, bank checks and notes, securities, as well as any other asset or liability denominated or that may be realized or settled in foreign currency under the terms established by the BCV and according to the Venezuelan legal system.

Under this Law, an exchange operation is the trading in bolivars of any foreign currency through companies authorized by rules specifically issued by the BCV to this effect, which have complied with the requirements established by the competent authority and operate in the exchange market. An exchange market is the place or mechanisms established by the competent authorities in which, in an orderly manner, concur bidders and buyers to trade foreign currency at the exchange rates applicable in accordance with regulations issued in this connection.

Under this Law, the National Foreign Trade Center (CENCOEX) shall assign and supervise foreign currency, including but not limited to, cover expenses from public powers and to meet society's essential requirements, such as goods and services declared of prime necessity, i.e. drugs, food, housing and education.

Foreign currency trading shall be conducted under the terms and conditions provided in the exchange agreements governing these mechanisms, as well as other standards enacted in the development thereof, and the respective auction notices. Without prejudice to the access to mechanisms administered by the competent authorities of the exchange control regime through CENCOEX, individuals and companies may purchase foreign currency through foreign currency operations offered by: individuals and private companies, Petróleos de Venezuela, S.A. (PDVSA), the BCV and state banks.

Law against Organized Crime and Terrorism Financing

The Law against Organized Crime and Terrorism Financing was published in Official Gazette No. 39,912 on April 30, 2012 to prevent, investigate, prosecute, typify and punish offenses involving organized criminal groups and terrorism.

Sports and Physical Education Law

The Sports and Physical Education Law was passed on August 23, 2011. This Law seeks to regulate physical education and the sponsorship, organization and management of sporting activities as public services. Companies subject to this Law must contribute 1% of their net or accounting income to the activities contemplated therein. Subsequently, the first Partial Regulations to this Law were published on February 28, 2012 to establish the method for declaring and paying this contribution, the former within 190 days of period end. Through Circular SIB-II-GGR-GNP-12159 of May 4, 2012, SUDEBAN established regulations on how this contribution must be paid and recorded.

During the six-month periods ended December 31 and June 30, 2016, the Bank recorded expenses in this connection of Bs 49,701,959 and Bs 17,252,809, respectively, included within sundry operating expenses (Note 18).

New Labor Law

The new Labor Law (LOTTT) was published in Official Gazette No. 39,916 on May 7, 2012. This Law incorporates certain changes to the previous Labor Law (LOT) of June 19, 1997 and its Reform of May 6, 2011, particularly with respect to the calculation of certain employee benefits, such as vacation bonus, profit sharing, maternity leave, and the retrospective accrual of length-of-service benefits. In addition, the LOTTT reduces working hours and extends job security for parents. This Law became effective upon its publication in the Official Gazette.

Through Notice SIB-II-GGR-GNP-38442 of November 27, 2012, SUDEBAN clarified that, in accordance with the Accounting Manual for Banking Institutions (Accounting Manual), banks must apply International Accounting Standards (IAS) as supplemental guidance for issues not treated in said Accounting Manual, prudential regulations or prevailing accounting principles generally accepted in Venezuela issued by the Venezuelan Federation of Public Accountants (FCCPV). SUDEBAN also indicated that the methodology used to determine this liability must be applied consistently, must be contemplated in the Bank's rules and policies, and must be approved by the Board of Directors. As reflected in Minutes No. 218 of the Board of Directors' Meeting on February 6, 2013, the Bank will use a simplified calculation, which has been duly approved, to determine its liability with respect to length-of-service benefits (Note 2-j).

2. Basis of preparation

The accompanying financial statements at December 31 and June 30, 2016 have been prepared based on the accounting rules and instructions of SUDEBAN included in the Accounting Manual, which differ in certain material respects from accounting principles generally accepted in Venezuela (VEN NIF) published by the FCCPV, of mandatory application in Venezuela as from January 1, 2008. VEN NIF are mainly based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for certain criteria concerning adjustments for inflation and the valuation of foreign currency assets and liabilities, among others.

Through Resolution No. 648.10 of December 28, 2010, SUDEBAN deferred the presentation of consolidated or combined financial statements prepared under VEN NIF as supplementary information and established that, until otherwise stated, consolidated or combined financial statements and their notes must continue to be presented as supplementary information in accordance with generally accepted accounting principles in effect at December 31, 2007 (VEN GAAP).

At December 31 and June 30, 2016, the main differences identified by management between the accounting rules and instructions of SUDEBAN and VEN NIF that affect the Bank are the following:

1) VEN NIF Adoption Bulletin No. 2 (BA VEN NIF 2) establishes criteria for applying International Accounting Standard No. 29 (IAS 29) "Financial reporting in hyperinflationary economies" in Venezuela and requires that the effects of inflation on the financial statements be recognized, provided that inflation for the year exceeds one digit. SUDEBAN has stipulated that inflation-adjusted financial statements must be provided as supplementary information. Through Circular SIB-II-GGR-GNP-18441 of June 23, 2016, SUDEBAN deferred the presentation of the supplementary information, on financial statements prepared under generally accepted accounting principles, and individual audited inflation-adjusted financial statements for the six-month period ended June 30, 2016. For the year ended December 31, 2016, the inflation rates are not available and the Bank is awaiting pronouncement from SUDEBAN in this connection.

2) Accounting practices used by banks require commissions receivable on loans to be recorded as income when collected. In addition, interest on current and rescheduled loans collectible after 6 months or more is recorded as deferred income under accruals and other liabilities when earned and as income when collected. In conformity with VEN NIF, commissions receivable on loans should be recorded as income over the term of the loan and should be initially recognized as part of the loan value. Interest is recorded as income when earned.

3) The Accounting Manual establishes that interest earned on overdue or in-litigation loans shall not be recognized as income but shall be recorded under memorandum accounts, as shall all subsequent interest earned. VEN NIF establish that for financial instruments carried at amortized cost, the amount of the impairment is the difference between the instrument's carrying amount and the present value of estimated future cash flows generated by the instrument, discounted at the original effective interest rate. Impairment exists when the present value of an instrument's future cash flows is lower than the carrying amount, in which case interest income shall be recognized taking into account the discount rate applied to future cash flows for determining impairment losses.

4) The Accounting Manual establishes that loans whose original repayment schedule, term, or other conditions have been modified at the request of the debtor must be reclassified within rescheduled loans. VEN NIF provide no specific guidance. However, they do state that impairment losses on financial assets carried at amortized cost shall be charged to the results for the period in which they are incurred.

   In addition, the Accounting Manual establishes that loans classified as overdue must be written off within 24 months after inclusion in this category. Loans in litigation must be fully provided for after 24 months in the in-litigation category. In addition, overdue monthly loan installments that have been repaid must be classified to the category to which they pertained before being classified as overdue. Likewise, when a debtor repays pending loan installments of a loan in litigation, thereby terminating the lawsuit, the loan must be reclassified to the category to which it pertained before being classified as in litigation or overdue. According to VEN NIF, accounts receivable are recorded based on their recoverable amount.

5) At December 31 and June 30, 2016, the Bank, in conformity with SUDEBAN rules, maintains a general 1% allowance of the loan portfolio balance, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance. It also maintains a countercyclical allowance of 0.75%. VEN NIF require that the Bank first assess whether objective evidence of impairment exists individually for loans that are individually significant, or collectively for loans that are not individually significant. Impairment losses shall be recognized in the results for the period.

6) In conformity with SUDEBAN rules, the Bank sets aside the general and countercyclical allowance for the loan portfolio with a charge to the results for the period. VEN NIF require that these allowances be recorded as a restricted amount of retained earnings in equity, provided that they do not meet conditions established in IAS 37, "Provisions, contingent liabilities and contingent assets."

7) In accordance with SUDEBAN prudential rules, investments in trading securities may not remain in this category for more than 90 days after they have been classified. In conformity with VEN NIF, these investments may remain in this category indefinitely.

8) In accordance with SUDEBAN prudential rules, investments in available-for-sale securities may not remain in this category indefinitely after they have been classified. In conformity with VEN NIF, investments in available-for-sale securities may remain in this category indefinitely.

9) Discounts or premiums on held-to-maturity investments are amortized over the term of the security with a debit or credit to gain or loss on investment securities under other operating income or other operating expenses, respectively. In conformity with VEN NIF, discounts or premiums must be accounted for as part of the security's yield and, therefore, must be recognized under interest income.

10) Subsequent recoveries of permanent losses arising from impairment in the fair value of investment securities do not affect the new cost basis. VEN NIF allow recovery of impairment losses on debt securities.

11) The Accounting Manual establishes timeframes to record provisions for bank reconciling items, matured securities, pending items and accounts receivable forming part of other assets, loan portfolio interest suspension, interest receivable and recognition of certain assets, among others. VEN NIF do not establish timeframes for creating provisions for these items; provisions are recorded based on best estimates of collection or recovery.

12) The Accounting Manual establishes that transfers between investment categories or sales of investments for reasons other than those established in said Accounting Manual must be authorized by SUDEBAN. The sale or transfer of held-to-maturity investments shall not be considered to be inconsistent with their original classification under the following circumstances:

    a) A significant deterioration in the issuer's creditworthiness;

    b) A change in tax law that eliminates or reduces the tax-exempt status of interest on the debt security;

    c) A major business combination or major disposition that required the sale or transfer of the security to maintain the enterprise's existing interest rate risk position or credit risk policy;

    d) A change in statutory or regulatory requirements significantly modifying either what constitutes a permissible investment or the maximum level of investments in certain kinds of securities;

    e) A significant increase by the regulator in the industry's capital requirements; and

    f) A significant increase in the risk weights of debt securities used for regulatory risk-based capital purposes. Changes in circumstances and other events that are isolated, nonrecurring and unusual and that could not have been reasonably anticipated may cause an entity to sell or transfer held-to-maturity investments without calling into question the entity's intent to hold other securities to maturity.

    According to VEN NIF, if an entity sells or reclassifies more than an insignificant proportion of held-to-maturity investments before maturity, the entity may not classify any financial asset as held to maturity for two years from the date the sale or transfer occurred. In addition, any remaining held-to-maturity securities must be reclassified as available for sale and measured at fair value.

13) In accordance with SUDEBAN rules, available-for-sale assets reclassified to the held-to-maturity category are recorded at their fair value at the reclassification date. Unrealized gains or losses are maintained separately in equity and are amortized over the investment's remaining life as an adjustment to yield.

    In conformity with VEN NIF, the fair value of the investment at the reclassification date becomes the new amortized cost basis, and any gain or loss previously recognized in equity is accounted for as follows: a) gains or losses on fixed maturity investments, as well as any difference between the new amortized cost and value at maturity, are taken to profit and loss and amortized over the investment's remaining life and; b) gains or losses on non-maturing investments will remain in equity until the asset is sold or otherwise disposed of, when it shall be recognized in profit or loss. Any subsequent impairment losses recorded in equity shall be recognized in the results for the period.

14) Assets received as payment are recorded at the lower of cost and market value and amortized using the straight-line method over 1 to 3 years. Idle assets must be written out of asset accounts after 24 months. In accordance with VEN NIF, assets received as payment are stated at the lower of cost and market value, and are classified as available-for-sale assets or investment property depending on their use. Investment properties are depreciated over their expected income-generating term.

15) The Accounting Manual establishes that property and equipment is initially recorded at acquisition or construction cost, as applicable. However, VEN NIF allow property and equipment to be revalued, and any increase in value is credited to equity under revaluation surplus.

16) Significant leasehold improvements are recorded as amortizable expenses and included under other assets. According to VEN NIF, they must be shown as part of property and equipment. Gains or losses on the sale of personal and real property are shown in the income statement.

17) The Bank computes a deferred tax asset or liability in respect of temporary differences between the tax base and carrying amounts in the financial statements, except for provisions for losses on other than high risk or unrecoverable loans, which generate a deferred tax asset. A deferred tax asset is not recognized for any amount exceeding future taxable income. In accordance with VEN NIF, a deferred tax asset is recognized in respect of all temporary differences between the carrying amount of assets and liabilities and their tax bases, provided that its realization is assured beyond any reasonable doubt.

18) At June 30, 2016, other assets include deferred expenses of Bs 19,510 related to disbursements for the new chip-based credit and debit cards. These disbursements include advisory, training and other personnel expenses, advertising, and client education on the adequate use of electronic payment services, accommodation of physical spaces, and replacement of debit and credit cards. They will be amortized beginning January 2011 using the straight-line method (Note 11). In accordance with VEN NIF, these expenses may not be deferred but must be recorded in the income statement when incurred.

19) SUDEBAN rules require foreign currency balances and transactions to be measured at the prevailing official exchange rate established by the BCV of Bs 9.975/US$1 at December 31 and June 30, 2016. In conformity with VEN NIF, foreign currency balances and transactions shall be measured and recorded taking into consideration a comprehensive assessment of the entity's financial position, its monetary position in foreign currency and the financial impact of the applicable exchange regulations. In addition, instructions issued by the FCCPV on this matter state that:

    - Foreign currency items shall be measured: a) at the official exchange rates established in the different exchange agreements issued by the BCV and the Venezuelan government, or b) on the basis of best estimates of future cash flows in bolivars expected to be required or received to settle liabilities or realize assets at the transaction or balance sheet date, using the exchange or settlement mechanisms permitted under Venezuelan law.

    - Foreign currency assets required to be sold to the BCV must be measured at the official exchange rates established by the BCV.

    - Foreign currency assets not required to be sold to the BCV must be measured: a) on the basis of the liabilities that are not reasonably expected to be settled with foreign currency purchased from the Venezuelan government at the official exchange rate, or b) on the basis of best estimates of future cash flows in bolivars expected to be received to realize these assets at the transaction or balance sheet date, using the exchange or settlement mechanisms permitted under Venezuelan law.

20) SUDEBAN established that gains or losses resulting from foreign exchange fluctuations must be recorded in equity. Under VEN NIF, gains and losses resulting from foreign exchange fluctuations must be recorded in the income statement for the period in which they occur.

21) SUDEBAN established the rules to record net benefits obtained by financial institutions from transactions as bidders with the supplementary floating exchange rate (DICOM) indicating that these benefits shall be recorded in equity. Under VEN NIF, realized gains or losses resulting from the trading of financial instruments must be recorded in the income statement for the period in which they occur. During the six-month periods ended December 31 and June 30, 2016, the Bank recorded in equity a net gain on sale of foreign currency assets through DICOM of Bs 1,469,164,622 and Bs 729,874,147, respectively.

22) SUDEBAN established that expenses incurred in relation to the contribution to the National Community Council Fund provided in Article No. 46 of the Law on Banking Sector Institutions shall be recorded as a prepaid expense within other assets and amortized during the six-month period in which the contribution was paid. Under VEN NIF, this contribution must be expensed as incurred.

23) SUDEBAN established that expenses incurred in relation to the contribution under the Sports and Physical Education Law shall be expensed when paid. Under VEN NIF, this contribution must be expensed as incurred.

24) For purposes of the cash flow statement, the Bank considers as cash equivalents cash and due from banks. VEN NIF consider as cash equivalents investments and deposits maturing within 90 days.

25) The Accounting Manual establishes that transactions with derivative instruments, whose contractual rights and obligations will be exercised in the future, shall be classified as memorandum accounts under contingent debtor accounts until they materialize. VEN NIF establish that these contractual rights and obligations shall be recognized in the balance sheet as assets and liabilities, respectively, provided that these transactions meet the conditions established in IFRS 9 "Financial instruments."

The accounting policies followed by the Bank are:

a) Foreign currency

Foreign currency balances and transactions are recorded at the official exchange rate in effect at the transaction date. Foreign currency balances at December 31 and June 30, 2016 are shown at the official exchange rate of Bs 9.975/US$1.

The Bank does not engage in hedging activities in connection with its foreign currency balances and transactions. The Bank is also exposed to foreign exchange risk.

Through Resolution No. 074.16 of April 7, 2016, SUDEBAN established that: a) gains resulting from changes in the official exchange rate must be recorded in equity and may only be used, subject to previous approval, to offset losses, create contingency provisions for assets, offset deferred expenses (including goodwill), increase capital stock (Note 22), and b) exchange gains and losses arising from exchange fluctuations of the U.S. dollar with respect to other foreign currencies are recorded in net results for the period (Notes 17 and 18).

b) Consolidation and translation of financial statements in foreign currency

The accompanying consolidated financial statements include the accounts of Banco Nacional de Crédito, C.A., Banco Universal and its Curacao Branch.

Assets, liabilities and results of the Branch are consolidated in the Bank's financial statements. The capital allocated to the Branch by the Bank is eliminated against the Branch's equity, as well as all other accounts with intra-group balances. The Branch's financial statements are in accordance with SUDEBAN's presentation rules.

Assets and liabilities, and income accounts of the Branch expressed in U.S. dollars were translated into bolivars at the official exchange rate of Bs 9.975/US$1 at December 31 and June 30, 2016.

c) Investment securities

Investment securities are classified upon acquisition, based on their intended use, as deposits with the BCV and overnight deposits, investments in trading securities, investments in available-for-sale securities, investments in held-to-maturity securities, restricted investments and investments in other securities.

All transfers between different investment categories or sales of investments under circumstances other than those established in the Accounting Manual must be authorized by SUDEBAN.

Deposits with the BCV and overnight deposits

Excess liquidity deposited at the BCV, overnight deposits and debt securities issued by Venezuelan financial institutions maturing within 60 days are included in this account.

Investments in trading securities

Investments in trading securities are recorded at fair value and comprise investments in debt and equity securities which may be converted into cash within 90 days of their acquisition. Unrealized gains or losses resulting from differences in fair values are included in the income statement. Gains and losses from fluctuations in the exchange rate are included in equity.

These securities, regardless of their maturity, must be negotiated and written out of this account within 90 days of their classification, i.e., they may not remain in this category for more than 90 days.

Investments in available-for-sale securities

Investments in available-for-sale debt and equity securities are recorded at fair value and unrealized gains or losses, net of income tax, resulting from differences in fair value are included in equity. If investments in available-for-sale securities correspond to instruments denominated in foreign currency, the fair value will be determined in foreign currency and then translated at the official exchange rate in effect. Gains or losses from fluctuations in the exchange rate are included in equity. Permanent losses from impairment in the fair value of these investments are recorded in the income statement under other operating expenses for the period in which they occur. Any subsequent recovery in fair value is recognized as an unrealized gain, net of income tax, in equity (Note 5-a).

These investments may not remain in this category for more than one year, except for securities issued and guaranteed by the Venezuelan government and investments in shares of mutual guarantee companies.

Investments in held-to-maturity securities

Investments in debt securities that the Bank has the firm intention and ability to hold until maturity are recorded at cost, which should be consistent with market value at the time of purchase, subsequently adjusted for amortization of premiums or discounts. Discounts or premiums on acquisition are amortized over the term of the securities as a credit or debit to other operating income and other operating expenses. The book value of investments denominated in foreign currency is adjusted at the exchange rate in effect at period end. Gain and losses from fluctuations in the exchange rate are included in equity.

The Bank assesses monthly, if circumstances require it, whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment in the fair value of held-to-maturity securities is charged to the results for the period when management considers that it is other than temporary. Certain factors identified as indicators of impairment are: 1) a prolonged period where fair value remains substantially below cost; 2) the financial difficulty of the issuer; 3) a fall in the issuer's credit rating; 4) the disappearance of an active market for the security; and 5) the Bank's intention and ability to hold the investment long enough to allow for recovery of fair value, among others. For the six-month periods ended December 31 and June 30, 2016, the Bank has identified no unrecorded permanent impairment in the value of its investments (Note 5-b).

Sales or transfers of investments in held-to-maturity securities do not affect the original intention for which these securities were acquired when: a) the sale occurs so close to their maturity date that interest rate risk is extinguished (i.e., changes in market interest rates will not significantly affect the realizable value of the investment), or b) the sale occurs after the entity has collected a substantial portion (more than 85%) of the outstanding principal at the transaction date, in addition to all other conditions established in the Accounting Manual.

Restricted investments
Restricted investments originating from other investment categories are measured using the same criteria used to record those investments from which they are derived. Securities or loans which the Bank contractually sells and commits to repurchase at an agreed date and price, i.e., for which the Bank acts as the reporting entity, are valued using the same criteria as for investments in trading securities.

Investments in other securities
Investments in other securities include investment trusts, as well as investments not classified under any of the aforementioned categories.

The Bank uses the specific identification method to determine the cost of securities and this same basis to calculate realized gains or losses on the sale of trading or available-for-sale securities.

d) Loan portfolio
Commercial loans and term, mortgage and credit card loan installments are classified as overdue if repayment is more than 30 days past due. In conformity with SUDEBAN rules, advances on negotiated letters of credit are classified as overdue if not repaid within 270 days after they were granted by the Bank. Furthermore, when any related installment is more than 90 days past due, the entire principal balance is classified as overdue.

In addition, the entire balance of microcredits, payable in weekly or monthly installments, is considered past due if repayment of at least one weekly installment is 14 days overdue or one monthly installment is 60 days overdue. Rescheduled loans are those whose original repayment schedule, term, or other conditions have been modified based on a refinancing agreement and certain terms and conditions set out in the Accounting Manual. Loans in litigation are those in the legal collection process.

Loans classified as overdue must be written off within 24 months after inclusion in this category. Loans in litigation must be fully provided for after 24 months in the in-litigation category. In addition, overdue monthly loan installments that have been repaid must be reclassified to the category to which they pertained before being classified as overdue. Likewise, when an individual repays pending loan installments of a loan in litigation, thereby terminating the lawsuit, the Bank must reclassify the loan to the category to which it pertained before being classified as in litigation or overdue.

e) Use of estimates in the preparation of financial statements
The preparation of financial statements, in conformity with SUDEBAN rules, 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 financial statements and the amounts of income and expenses during the reporting period. Actual results may differ from those estimates. Below is a summary of the main estimates used in the preparation of the financial statements:

Investment securities
The Bank calculates the market value of securities based on prices published by the valuation systems that group the reference prices of the entire financial market. When reference prices are not available in these valuation systems or when prices are 30 continuous-days or older, the Bank applies the present value (yield curve), using the calculation methodologies approved by the Risk Committee and the Board of Directors.

Investment securities and interest not collected 30 days after maturity date are provided for in full.

Allowance for losses on loan portfolio and provision for contingent loans
The Bank performs a quarterly review of at least 90% of its loan portfolio and contingent loans to determine the specific allowance for possible losses on each loan. This review takes into account factors such as economic conditions, client credit risk and credit history. Moreover, each quarter the Bank calculates an allowance for losses on loans not individually reviewed, equivalent to the risk percentage resulting from the specific review of loans. In accordance with SUDEBAN rules, the Bank maintains a general 1% allowance of the loan portfolio balance, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance, and an additional countercyclical allowance of the gross loan portfolio balance of 0.75%. The Bank may set aside any additional general allowances deemed necessary. Allowances may not be released without the authorization of SUDEBAN.

Provision for other assets
The Bank assesses collectibility of items recorded under other assets using the same criteria, where applicable, as those applied to the loan portfolio. Furthermore, the Bank sets aside provisions for those items that require them due to their nature or aging.

Provision for legal and tax claims
The Bank sets aside a provision for legal and tax claims considered probable and reasonably quantifiable based on the opinion of its legal advisors. Based on this opinion, management believes that the outcome of legal and tax claims outstanding at December 31 and June 30, 2016 will be favorable to the Bank (Note 27). However, this opinion is based on events to date; the outcome of these lawsuits could differ from that expected.

f) Available-for-sale assets
Personal and real property received as payment is recorded at the lower of assigned value, book value, market value or appraisal value not older than one year, and is amortized using the straight-line method over 1 to 3 years, respectively. The remaining available-for-sale assets are recorded at the lower of cost and realizable value. Gains or losses from the realization of available-for-sale assets are included in the income statement.

Other available-for-sale assets and assets idle for more than 24 months are written out of asset accounts.

g) Property and equipment
Property and equipment is recorded at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Significant leasehold improvements are recorded as amortizable expenses and included under other assets. Gains or losses on the sale of personal and real property are shown in the income statement.

h) Deferred expenses
Deferred expenses mainly include start-up, leasehold improvement, and software license costs. These expenses are recorded at cost, net of accumulated amortization. Amortization is calculated using the straight-line method over 4 years.

Deferred expenses related to the project for the new chip-based credit and debit cards were amortized using the straight-line method over one to six years as from January 2011. During the six-month period ended December 31, 2016, these deferred expenses were fully amortized and derecognized (Not 11).

i) Income tax

The Bank's tax year ends on December 31. At June 30 the tax provision is based on management's projection of tax results and the effective tax rate determined by management. The Bank records a deferred tax asset when, in the opinion of management, there is reasonable expectation that future tax results will allow its realization. In addition, according to the Accounting Manual, the amount by which the deferred tax asset exceeds tax expense for the year is not recognized. The Bank records deferred tax liability when credit items are maintained resulting from the tax effect of discrepancies regarding the time of recognition of results (temporary differences), according to accounting and tax criteria (Note 16).

j) Employee benefits

A new collective labor agreement was signed in December 2013, which was in effect as from January 2014 until December 2016.

Accrual for length-of-service benefits

Based on the provisions of the LOTTT and the prevailing collective labor agreement, employees are entitled to length-of-service benefits (Note 1). Under the LOTTT, length-of-service benefits are calculated based on the last salary earned by the employee upon employment termination.

At December 31 and June 30, 2016, length-of-service benefits are calculated based on the provisions of the LOTTT and paid as follows:

a) The Bank accrues guaranteed length-of-service benefits equivalent to 15 days of salary per quarter, up to a maximum of 60 days of salary per year of service, calculated based on the last salary earned by the employee at each quarter closing. Length-of-service benefits are mandatory after the first month of uninterrupted service. After the second year of service the Bank accrues for each employee 2 additional days of salary per year of service (or any portion over 6 months), up to a maximum of 30 days of salary (guarantee fund).

b) In the event of termination of employment, for whichever reason, the Bank calculates length-of-service benefits based on 30 days of salary per year of service or any portion over 6 months, considering the average salary earned by the employee (retrospective calculation) or the last salary earned when this is higher.

   Guaranteed length-of-service benefits are calculated and deposited monthly in the Bank's trust fund in accounts on behalf of each employee.

c) Employees receive the higher of total amounts accrued in the guarantee fund as described in a) above and the amount calculated upon termination of employment as described in b) above.

Employees' last salary, termination date and total amounts to be accrued in connection with each employee are all uncertainties at each period end. At December 31 and June 30, 2016, employee salaries may differ from future salaries due to changes in salaries, bonuses and other payments.

During the six-month periods ended December 31 and June 30, 2016, the effect of the retrospective scheme was determined using a non-actuarial calculation, which consisted in determining length-of-service benefits as described in b) above. An additional expense and an additional liability were recognized for employees whose benefits in the guarantee fund are less than the amount calculated using the retrospective scheme. At December 31 and June 30, 2016, this additional liability amounted to Bs 840,775,191 and Bs 504,150,724, respectively, included under accruals and other liabilities (Note 15).

Under certain conditions, the LOTTT provides for an additional indemnity for unjustified dismissals for double the amount of length-of-service benefits, which is charged to the income statement upon payment as it is considered a benefit for termination of employment, in accordance with applicable accounting regulations.

At December 31 and June 30, 2016, the method used by the Bank to calculate length-of-service benefits comply with the provisions set out by SUDEBAN, the LOTTT and the prevailing Collective Labor Agreement.

The Bank does not have a pension plan or other post-retirement benefit programs for its employees; it does not grant stock purchase options.

Profit sharing
Under the Collective Labor Agreement, the Bank is required to pay a share of its annual profits to its employees of up to 150 days of salary. Expenses incurred in this connection during the first six-month period of each year are paid in April and July, and the remaining liability in November. For the six-month periods ended December 31 and June 30, 2016, the Bank has recorded Bs 395,704,423 and Bs 234,689,928, respectively, in this connection, shown under salaries and employee benefits. The Bank accrues amounts accordingly (Note 15).

Vacation leave and vacation bonus
The LOTTT and the Collective Labor Agreement grant each employee a minimum of 15 days of vacation leave each year and a vacation bonus of 20 days of salary based on length of service. The Bank accrues amounts accordingly (Note 15).

k) Recognition of revenue and expenses
Interest on loans, investments and accounts receivable is recorded as income when earned by the effective interest method, except: a) interest receivable more than 30 days overdue, b) interest on loans overdue or in litigation, or loans classified as real risk, high risk or unrecoverable and c) overdue interest, all of which are recorded as income when collected.

Interest collected in advance is included under accruals and other liabilities as deferred income and recorded as income when earned (Note 15).

Interest on current and rescheduled loan portfolios collectible after 6 months or more is recorded as deferred income under accruals and other liabilities when earned and as income when collected (Note 15).

Commissions from loans granted are recorded as income upon collection under income from loan portfolio.

Service fees are recorded as income or expense when collected or paid, respectively, at the transaction date, and are shown within other operating income and other operating expenses, respectively.

Income from financial leases and amortization costs of leased property are shown net in the income statement as interest income from the loan portfolio.

Interest on customer deposits, liabilities and borrowings is recorded as interest expense when incurred using the effective interest method.

l) Residual value
Residual value is the estimated value of assets upon termination of the financial lease. The Bank recognizes residual value as income when collected.

m) Assets received in trust

Assets received in trust are valued using the same parameters used by the Bank to value its own assets, except for investment securities, which are shown at cost and subsequently adjusted for amortization of premiums or discounts. Any permanent impairment in the value of these investments is recorded in trust fund results for the period in which it occurs. During the six-month periods ended December 31 and June 30, 2016, no permanent losses were identified.

n) Net income per share

Basic net income per share has been determined by dividing net income for the six-month period by the weighted average of shares outstanding during the period.

o) Cash flows

For purposes of the cash flow statement, the Bank considers as cash equivalents, cash and due from banks.

p) Use of financial instruments

The Bank is mainly exposed to credit, foreign exchange, market, interest rate, liquidity and operational risks. Below is the risk policy used by the Bank for each type of risk:

Credit risk

The Bank assumes exposure to credit risk when a counterparty is unable to pay off its debts at maturity.

The Bank monitors credit risk exposure by regularly analyzing payment capabilities of its borrowers. The Bank structures the level of credit risk by establishing limits for individual and group borrowers.

The Bank requests fiduciary or mortgage guarantees, collateral or certificates of deposit after assessing specific borrower characteristics.

Foreign exchange risk

Foreign exchange risk arises from fluctuations in the value of financial instruments due to changes in foreign currency exchange rates. The Bank's transactions are mainly in bolivars. However, when the Bank identifies short or medium-term market opportunities, investments might be deposited in foreign currency instruments, mainly in U.S. dollars.

Market risk

The Bank assumes exposure to market risk. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The Bank evaluates market risk on a regular basis and the Board of Directors sets limits on the level of risk concentration that may be assumed, which is regularly supervised.

Interest rate risk

The Bank assumes exposure from the effects of fluctuations in market interest rate levels on its financial position and cash flows.

Interest margins may increase as a result of such changes but may diminish or lead to losses in the event of unexpected movements.

The Bank analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Bank calculates the impact on profit and loss of a given interest rate shift.

Simulations are performed regularly. Based on various scenarios, the Bank manages its cash flow interest rate risk.

Liquidity risk
The Bank reviews on a daily basis its available cash resources, overnight deposits, current accounts, maturing deposits and loans, as well as its guarantees and margins.

The Bank's investment strategy is aimed at guaranteeing an adequate liquidity level. The investment portfolio mainly includes securities issued by the Bolivarian Republic of Venezuela and other highly liquid obligations.

Operational risk
The Bank considers exposure to operational risk arising from direct or indirect losses that result from inadequate or defective internal processes, human error, system failures or external events.

The structure used by the Bank to measure operational risk is based on a qualitative and quantitative approach. The first identifies and analyzes risks before related events occur; the second mainly relies on the analysis of events and experiences gained from them.

Fiduciary activities
The Bank acts as custodian, administrator and manager of third-party investments. As a result, in certain cases, the Bank purchases and sells a wide range of financial instruments. These trust fund assets are not included in the Bank's assets. At December 31, 2016, trust fund assets amount to Bs 8,152,252,855 (Bs 5,020,694,030 at June 30, 2016), shown under memorandum accounts (Note 20).

3. Cash and due from banks

At December 31, 2016, the balance of the account with the BCV mainly includes Bs 89,716,476,422 in respect of the legal reserve deposit in local currency (Bs 47,014,817,472 at June 30, 2016) (Note 26).

In addition, at December 31, 2016, the account with the BCV includes Bs 32,662,906,249 (Bs 8,705,129,718 at June 30, 2016) in respect of demand deposits held by the Bank at the BCV.

At December 31, 2016, the Bank has cash and due from banks for US$1,974,751, equivalent to Bs 19,698,142, deposited at BNC International Banking Corporation, in respect of deposits received in accordance with Exchange Agreement No. 20 (US$4,295,463, equivalent to Bs 42,847,241, deposited at the BCV, at June 30, 2016) (Notes 4 and 12). Through Circular VOI-GOC-BLOC/132 of October 13, 2016, the BCV agreed to exempt financial institutions from the obligation of transferring to BCV accounts all deposits in foreign currency received in accordance with Exchange Agreements Nos. 20 and 31 and; consequently, are authorized to maintain the aforementioned deposits in their correspondent accounts. This extraordinary measure shall be effective until June 30, 2017. Through Notice SIB-II-GGIBPV-GIBPV4-29083 of October 26, 2016, SUDEBAN agreed to the use of this correspondent account.

At December 31 and June 30, 2016, the Bank has US$21,000, equivalent to Bs 209,475, in connection with brokerage in the purchase and sale of foreign currency through the Supplementary Foreign Currency Administration System (SICAD). This amount is yet to be transferred to the parties awarded (Notes 4 and 15).

At December 31 and June 30, 2016, pending cash items relate to clearinghouse operations conducted by the BCV and other banks.

4. Foreign currency assets and liabilities

a) Exchange control regime
Since February 2003, the Venezuelan government established an exchange control regime managed by CENCOEX, which was created in January 2014 and replaced the Commission for the Administration of Foreign Currency (CADIVI).

Purchases in bolivars of securities in foreign currency issued by the Bolivarian Republic of Venezuela, whose trading had been suspended, were regulated in July 2003.

The Venezuelan government and the BCV published Exchange Agreement No. 33 in Extraordinary Official Gazette No. 6,171 on February 10, 2015. This Agreement establishes that foreign currency transactions conducted through SIMADI refer to the trading in bolivars of cash and securities in foreign currency issued by the Bolivarian Republic of Venezuela, its decentralized agencies or any other issuer, whether public or private, foreign or local, registered and quoted on the international markets. Under this Exchange Agreement, banks, exchange offices, authorized securities dealers and the Bicentennial Public Stock Exchange may participate as exchange brokers.

In addition, this Exchange Agreement establishes that the exchange rates for the trading of foreign currency will be set by the parties involved in the transaction. The BCV shall publish on a daily basis on its web page the reference exchange rate corresponding to the weighted average exchange rate of operations transacted during the day on the markets.

The Venezuelan government and the BCV enacted Exchange Agreement No. 35 in Official Gazette No. 40,865 on March 9, 2016. This Agreement establishes the protected foreign exchange rate (DIPRO) at Bs 9.975/US$1 (purchase) and Bs 10/US$1 (sale), for the imports of the food and health sectors, raw materials and supplies for the production of these sectors, pensions for the old-age population, partial disability, disability and survivor's pension paid by the Venezuelan Social Security Institute, expenses for recovery of health, sports, culture, scientific research, and expenses required by the public-sector entities in conformity with Exchange Agreement No. 11, among others. The accounting effect of this measurement resulted in a gain for the six-month period ended June 30, 2016 of Bs 235,306.988, which is shown in equity under exchange gain from holding foreign currency assets and liabilities.

Exchange Agreement No. 35 also establishes a supplementary floating exchange rate (DICOM), for transactions described under Article No. 19 of Exchange Agreement No. 1 of February 5, 2003, sale of foreign currency by Petróleos de Venezuela, S.A. and its subsidiaries, transactions for the payment of purchases and cash advances using credit cards when travelling abroad and other foreign currency transactions not expressly included in this Agreement. The DICOM exchange rate started from the last exchange rate defined through the Marginal Foreign Exchange System (SIMADI), which, at March 10, 2016, was Bs 206.4035/US$1 (purchase) and Bs 206.9209/US$1 (sale). At December 31, 2016, the last exchange rate defined through DICOM was Bs 673.7617/US$1 (Bs 628.3434/US$1 at June 30, 2016).

b) Applicable exchange rates

As from January 1 to March 8, 2016, the exchange rate for transactions in U.S. dollars was Bs 6.2842/US$1, for all transactions, except for purchases of currency for travelling abroad, remittances to relatives residing abroad and insurance sector operations, among others, administered by CENCOEX, that will also be calculated at the exchange rate resulting from the most recent SICAD auction.

As from March 9 to December 31, 2016, the exchange rate for transactions in U.S. dollars is Bs 9.975/US$ for all transactions.

c) Net global position in foreign currency

The Bank's balance sheet includes the following foreign currency balances denominated mainly in U.S. dollars and stated at the aforementioned official exchange rate (purchase):

	December 31, 2016				
	US$				
	Bank	Curacao Branch	Eliminations	Total	Equivalent in bolivars
Assets					
Cash and due from banks					
Cash	1,377,708	-	-	1,377,708	13,742,637
Central Bank of Venezuela	21,000	-	-	21,000	209,475
Foreign and correspondent banks	8,535,108	23,095,462	(81,241)	31,549,329	314,704,557
Investment securities	18,903,705	25,144,037	-	44,047,742	439,376,211
Loan portfolio					
Current	446,600	13,063,793	-	13,510,393	134,766,170
Outstanding letters of credit negotiated	11,238,313	-	-	11,238,313	112,102,172
Overdue letters of credit	6,871,140	-	-	6,871,140	68,539,622
Overdue	-	3,183,657	-	3,183,657	31,756,979
Allowance for losses on loan portfolio	(6,802,429)	(14,019,676)	-	(20,822,105)	(207,700,497)
Interest and commissions receivable, net of provision	226,886	2,645,389	-	2,872,275	28,650,933
Investments in subsidiaries, affiliates and branches and agencies abroad	1,389,134	-	(1,389,134)	-	-
Property and equipment	-	26,457	-	26,457	263,909
Other assets, net of provision	380,922	21,692	-	402,614	4,016,085
Total assets	42,588,087	53,160,811	(1,470,375)	94,278,523	940,428,253
Liabilities and Equity					
Liabilities					
Customer deposits	1,974,751	49,366,440	(81,241)	51,259,950	511,318,001
Interest and commissions payable	-	7,914	-	7,914	78,942
Accruals and other liabilities	3,255,886	2,397,437	-	5,653,323	56,391,897
Total liabilities	5,230,637	51,771,791	(81,241)	56,921,187	567,788,840
Equity					
Assigned capital	-	7,599,462	(7,599,462)	-	-
Capital reserves	-	1,617,129	(1,617,129)	-	-
Retained earnings	-	(7,729,292)	7,729,292	-	-
Net unrealized loss on investments in available-for-sale-securities	-	(98,165)	98,165	-	-
Total equity	-	1,389,134	(1,389,134)		-

	June 30, 2016				
	US$				
	Bank	Curacao Branch	Eliminations	Total	Equivalent in bolivars
Assets					
Cash and due from banks					
Cash	1,436,869	-	-	1,436,869	14,332,768
Central Bank of Venezuela	4,316,463	-	-	4,316,463	43,056,718
Foreign and correspondent banks	8,997,297	16,787,343	(261,145)	25,523,495	254,596,861
Investment securities	23,947,032	33,714,354	-	57,661,386	575,172,325
Loan portfolio					
Current	-	13,156,729	-	13,156,729	131,238,372
Outstanding letters of credit negotiated	18,642,098	-	-	18,642,098	185,954,928
Overdue	-	3,183,657	-	3,183,657	31,756,979
Allowance for losses on loan portfolio	(6,816,112)	(14,251,103)	-	(21,067,215)	(210,145,470)
Interest and commissions receivable, net of provision	375,792	2,128,104	-	2,503,896	24,976,363
Investments in subsidiaries, affiliates and branches and agencies abroad	1,022,836	-	(1,022,836)	-	-
Property and equipment	-	7,507	-	7,507	74,882
Other assets, net of provision	384,498	16,369	-	400,867	3,998,648
Total assets	52,306,773	54,742,960	(1,283,981)	105,765,752	1,055,013,374
Liabilities and Equity					
Liabilities					
Customer deposits	4,295,463	51,620,762	(261,145)	55,655,080	555,159,423
Interest and commissions payable	-	12,140	-	12,140	121,097
Accruals and other liabilities	3,659,847	2,112,380	-	5,772,227	57,577,964
Total liabilities	7,955,310	53,745,282	(261,145)	61,439,447	612,858,484
Equity					
Assigned capital	-	7,599,462	(7,599,462)	-	-
Capital reserves	-	1,552,639	(1,552,639)	-	-
Retained earnings	-	(7,987,251)	7,987,251	-	-
Net unrealized loss on investments in available-for-sale-securities	-	(142,014)	142,014	-	-
Total equity	-	1,022,836	(1,022,836)	-	-

At December 31, 2016, the Bank has a net monetary asset position in foreign currency of US$22,732,742, equivalent to Bs 226,759,102 (US$24,756,073, equivalent to Bs 246,941,828, at June 30, 2016), calculated based on the rules laid down by the BCV. This amount does not exceed the maximum limit set by the BCV, which at December 31 and June 30, 2016 is 30% of the Bank's equity, equivalent to US$745,580,809 and US$482,233,622, respectively.

At December 31, 2016, calculation of the net foreign currency position does not include International Sovereign Bonds 2024 and 2026 with a book value of US$2,634 (International Sovereign Bonds 2024, with a book value of US$80 at June 30, 2016), Principal and Interest Covered Bonds (TICCs) with a book value of US$14,403,890 (US$19,221,454 at June 30, 2016), interest receivable in connection with these securities of US$218,184 (US$373,106 at June 30, 2016), and other accounts receivable Exchange Agreement No. 20 for US$750 at June 30, 2016.

At December 31 and June 30, 2016, investment securities include TICCs issued by the Bolivarian Republic of Venezuela, payable in local currency and referenced to the U.S. dollar at the official exchange rate of Bs 9.975/US$1, and have foreign exchange indexing clauses at variable quarterly yields.

During the six-month period ended December 31, 2016, the Bank recorded exchange gains and losses of Bs 666,724 and Bs 2,648,323, respectively (Bs 2,175,692 and Bs 10,922,994, respectively, during the six-month period ended June 30, 2016), arising from exchange fluctuations of the U.S. dollar with respect to other foreign currencies (Notes 17 and 18).

5. Investment securities

Investments in debt securities, shares and other have been classified in the financial statements based on their intended use as shown below:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Investments		
Deposits with the BCV and overnight deposits	1,768,517,000	274,312,500
Available for sale	17,678,033,338	3,427,756,346
Held to maturity	9,887,516,770	6,024,339,303
Restricted	114,951,401	103,032,062
Other securities	7,627,655,244	7,635,007,744
Provision for investment securities	(101,280)	(100,000)
	37,076,572,473	17,464,347,955

a) Investments in available-for-sale securities

These investments are shown at fair value and comprise the following:

	December 31, 2016			
	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to fair value)	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIFs), with a par value of Bs 2,859,977,786, annual yield at between 9.88% and 18%, maturing between October 2017 and March 2033	3,261,466,144	129,775,832	3,391,241,976	(1) - (a)
Vebonos, with a par value of Bs 3,121,083,380, annual yield at between 10.56% and 15.79%, maturing between November 2017 and July 2033	3,555,897,072	239,636,345	3,795,533,417	(1) - (a)
Sovereign Bonds in foreign currency, with a par value of US$3,004,500, annual yield at between 7.75% and 11.75%, maturing between October 2019 and 2026 (Note 4)	16,978,448	(307,225)	16,671,223	(1) - (c), (e) and (f)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US$335,001, annual yield at between 5.25% and 6.25%, maturing between April 2017 and March 2019 (Note 4)	2,832,775	533,196	3,365,971	(2) - (a)
Global Bonds, with a par value of US$3,000,800, 9.25% annual yield, maturing in September 2027 (Note 4)	15,679,084	(164,222)	15,514,862	(1) - (b) and (d)
	6,852,853,523	369,473,926	7,222,327,449	
Debt securities issued by Venezuelan financial public-sector companies				
Agriculture BANDES Certificates of Participation, with a par value of Bs 10,394,055,374, 4% annual yield, maturing in September 2017	10,394,055,374	-	10,394,055,374	(4) - (a)
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US$6,077,866, annual yield at between 5.25% and 12.75%, maturing between April 2017 and 2037 (Note 4)	38,869,219	(382,927)	38,486,292	(1) - (c), (d), (e) and (f)
Global Bond issued by C.A. La Electricidad de Caracas, with a par value of US$500,000, 8.5% annual yield, maturing in April 2018 (Note 4)	3,221,773	(86,730)	3,135,043	(1) - (e) and (f)
	42,090,992	(469,657)	41,621,335	
Equity in Venezuelan non-financial private-sector companies				
Common shares				
S.G.R. - SOGATUR, S.A., Sociedad de Garantías Recíprocas para el Sector Turismo S.A., 10,873 shares, with a par value of Bs 1,800 each	19,571,400	-	19,571,400	(3) - (g)
Sociedad de Garantías Recíprocas (SGR) del Estado Aragua, C.A., 10,128 common shares, with a par value of Bs 10 each, 1.7% owned	101,280	-	101,280	(3) - (g)
S.G.R. - SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, S.A., 17,500 common shares, with a par value of Bs 10 each, 3.10% owned	175,000	-	175,000	(3) - (g)
S.G.R. - SOGARSA, S.A., Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines S.A., 3,000 shares, with a par value of Bs 10 each, 0.028% owned	30,000	-	30,000	(3) - (g)
	19,877,680	-	19,877,680	
Debt securities issued by foreign financial private-sector companies				
International Cooperative UA, with a par value of US$100,000, 10.38% annual yield, maturing in September 2020	299,280	(147,780)	151,500	(1) - (e)
	17,309,176,849	368,856,489	17,678,033,338	
Unrealized gain on transfer of available-for-sale securities as per SUDEBAN Notice SIB-II-CCD-36481		251,090		
		369,107,579		

	June 30, 2016			
	Acquisition cost	**Net unrealized gain (loss)**	**Book value (equivalent to fair value)**	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIFs), with a par value of Bs 1,028,108,503, annual yield at between 9.88% and 16.5%, maturing between October 2017 and March 2032	1,140,080,553	37,355,715	1,177,436,268	(1) - (a)
Vebonos, with a par value of Bs 1,859,449,326, annual yield at between 10.97% and 16.2%, maturing between November 2017 and June 2032	2,144,085,415	33,082,498	2,177,167,913	(1) – (a)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US$5,093,701, annual yield at between 5.25% and 8.63%, maturing between August 2016 and March 2019 (Note 4)	48,339,049	2,693,368	51,032,417	(2) - (a)
Global Bonds, with a par value of US$800, 9.25% annual yield, maturing in September 2027 (Note 4)	5,865	(1,980)	3,885	(1) - (b)
	3,332,510,882	73,129,601	3,405,640,483	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US$11,000, annual yield at between 5.38% and 5.5%, maturing between April 2027 and 2037 (Note 4)	33,722	4,722	38,444	(1) - (b)
Global Bond issued by C.A. La Electricidad de Caracas, with a par value of US$500,000, 8.5% annual yield, maturing in April 2018 (Note 4)	3,221,773	(1,214,304)	2,007,469	(1) - (c), (e) and (g)
	3,255,495	(1,209,582)	2,045,913	
Equity in Venezuelan non-financial private-sector companies				
Common shares				
S.G.R. - SOGATUR, S.A., Sociedad de Garantías Recíprocas para el Sector Turismo S.A., 10,873 shares, with a par value of Bs 1,800 each	19,571,400	-	19,571,400	(3) - (g)
Sociedad de Garantías Recíprocas (SGR) del Estado Aragua, C.A., 10,128 common shares, with a par value of Bs 10 each, 1.7% owned	101,280	-	101,280	(3) - (g)
Sociedad de Garantías Recíprocas (SGR) del Estado Falcón, C.A., 10,000 common shares, with a par value of Bs 10 each, 2.75% owned	100,000	-	100,000	(3) - (g)
S.G.R. - SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, S.A., 17,500 common shares, with a par value of Bs 10 each, 3.10% owned	175,000	-	175,000	(3) - (g)
S.G.R. - SOGARSA, S.A., Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines S.A., 3,000 shares, with a par value of Bs 10 each, 0.028% owned	30,000	-	30,000	(3) - (g)
	19,977,680	-	19,977,680	
Debt securities issued by foreign financial private-sector companies				
International Cooperative UA, with a par value of US$100,000, 10.38% annual yield, maturing in September 2020	299,281	(207,011)	92,270	(1) - (e)
	3,356,043,338	71,713,008	3,427,756,346	
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice SIB-II-CCD-36481		(169,182)		
		71,543,826		

(1) Estimated fair value is determined from trading operations on the secondary market per valuation screens or yield curves.

(2) Value is determined based on the present value of estimated future cash flows in conformity with the Accounting Manual. The fair value of TICCs is their equivalent amount in bolivars at the official exchange rate.

(3) Equity value, considered as fair value, is based on unaudited financial statements.

(4) Shown at par value, which is considered as fair value.

Custodians of investments

(a) Central Bank of Venezuela

(b) Caja Venezolana de Valores, S.A.

(c) Euroclear Bank, S.A.

(d) Pershing LLC

(e) Morgan Stanley Smith Barney

(f) Morgan Stanley Private Wealth Management

(g) Shares held in custody of private companies, S.G.R. del Estado Aragua, C.A.; S.G.R. del Estado Falcón, C.A.; S.G.R. - SOGAMIC, S.A.; S.G.R. - SOGARSA, S.A.; S.G.R. - SOGATUR, S.A.

Through Notice SIB-II-GGIBPV2-40535 of December 13, 2012, SUDEBAN informed the Bank that since the Reuters and Bloomberg services which offer reference prices for all key global financial markets do not provide reference prices for the Bank's available-for-sale investments, the Bank must use similar services or, if unavailable, must apply the present value (yield curve) to measure its available-for-sale investments, as required by the Accounting Manual. The Bank followed these guidelines to measure its available-for-sale portfolio at December 31 and June 30, 2016.

Through Notice SIB-II-CCD-36481 of November 12, 2012, SUDEBAN instructed the Bank to transfer the balances of non-convertible bearer bonds (2012 issue) issued by Fondo de Desarrollo Nacional FONDEN, S.A. for Bs 209,187,351 and those issued by Petróleos de Venezuela, S.A. for Bs 91,359,660 from the available-for-sale portfolio to the held-to-maturity portfolio, in conformity with Circular SIB-II-GGR-GNP-CCD-15075 of May 30, 2012. At December 31, 2012, the Bank calculated the fair value of the available-for-sale investments at the date of transfer and recorded an unrealized loss on these investments of Bs 7,680,340 in a separate equity account, which will be amortized until these securities mature. At December 31, 2016, the balance of this unrealized gain is Bs 251,090 (unrealized loss of Bs 169,182 at June 30, 2016).

Through Circular SIB-II-GGR-GNP-28283 of October 20, 2016, SUDEBAN informed banking institutions that Agriculture BANDES Certificates of Participation, maturing in September 2017, should be accounted for as part of investments in available-for-sale securities and shall be recorded at acquisition cost.

At period end, the Bank records fluctuations in the market value of these investments as an unrealized gain or loss on investment securities in equity. These unrealized gains or losses comprise the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Unrealized gain		
Securities issued or guaranteed by the Venezuelan government in local currency	369,412,177	70,438,213
Securities issued or guaranteed by the Venezuelan government in foreign currency	533,196	2,693,368
Bonds and debt securities issued by Venezuelan non-financial public-sector companies	-	4,722
	369;945,373	73,136,303
Unrealized loss		
Securities issued or guaranteed by the Venezuelan government in foreign currency	(471,447)	(1,980)
Bonds and debt securities issued by Venezuelan non-financial public-sector companies	(469,657)	(1,214,304)
Debt securities issued by foreign financial private-sector companies	(147,780)	(207,011)
	(1,088,884)	(1,423,295)
	368,856,489	71,713,008
Unrealized gain (loss) on transfer of available-for-sale securities as per SUDEBAN Notice SIB-II-CCD-36481	251,090	(169,182)
Net unrealized gain on available-for-sale securities	369,107,579	71,543,826

Below is the classification of investments in available-for-sale securities according to maturity:

	Fair value	
	December 31, 2016	June 30, 2016
	(In bolivars)	
Up to 6 months	2,846,923	47,658,379
6 months to 1 year	10,436,046,935	2,650,063
1 to 5 years	2,737,441,403	949,462,370
Over 5 years	4,481,820,397	2,408,007,854
Without maturity	19,877,680	19,977,680
	17,678,033,338	3,427,756,346

During the six-month period ended December 31, 2016, the Bank sold investments in available-for-sale securities amounting to Bs 14,187,869,277 (Bs 16,564,136,403 during the six-month period ended June 30, 2016), resulting in gains and losses of Bs 130,584,560 and Bs 30,280,021, respectively (Bs 149,426,979 and Bs 37,904,718, respectively, during the six-month period ended June 30, 2016), shown under other operating income and other operating expenses, respectively (Notes 17 and 18).

During the six-month period ended December 31, 2016, the Bank sold through DICOM Global Bonds from the Venezuelan government, including accumulated yields, amounting to US$4,147,000, equivalent to Bs 41,366,325, recording a gain of Bs 1,469,164,622 (US$3,095,755, equivalent to Bs 30,880,156, recording a gain of Bs 729,874,147 in equity, during the six-month period ended June 30, 2016).

b) Investments in held-to-maturity securities

Investments in held-to-maturity securities are shown at amortized cost and comprise debt securities that the Bank has the firm intention and ability to hold until maturity. These securities comprise the following:

	December 31, 2016			
	Acquisition cost	**Amortized cost**	**Fair value**	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIFs), with a par value of Bs 1,707,088,823, annual yield between 9.88% and 18%, maturing between February 2017 and January 2026	2,091,407,626	1,912,298,811	2,022,423,486	(1) - (a)
Vebonos, with a par value of Bs 1,093,156,134, annual yield between 9.4% and 15.79%, maturing between March 2017 and February 2025	1,485,491,871	1,377,653,495	1,402,007,663	(1) - (a)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US$14,327,848, annual yield between 5.25% and 6.25%, maturing between Abril 2017 and March 2019 (Note 4)	142,319,762	140,312,835	143,885,305	(2) - (a)
Sovereign Bonds in foreign currency, with a par value of US$100, 8.25% annual yield, maturing in October 2024 (Note 4)	766	824	464	(1) - (b)
	3,719,220,025	3,430,265,965	3,568,316,918	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
Dematerialized Certificates of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 6,087,030,691, annual yield between 4.66% and 6.05%, maturing between June 2023 and November 2024	6,087,030,691	6,087,030,691	6,087,030,691	(3) - (a)
Agriculture Bonds issued by Fondo de Desarrollo Nacional FONDEN, S.A., with a par value of Bs 180,000,000, 9.10% annual yield, maturing between April and July 2017 (Note 6)	191,063,990	180,689,485	188,940,540	(1) - (a)
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US$900, annual yield between 5.35% and 5.5%, maturing between Abril 2027 and 2037 (Note 4)	4,510	5,629	3,384	(1) - (b)
	6,278,099,191	6,267,725,805	6,275,974,615	
Certificates of deposit with foreign financial institutions				
Certificates of deposit with Banco Do Brasil, S.A., with a par value of US$13,000,000, annual yield between 0.58% and 1.89%, maturing between January and May 2017	129,675,000	129,675,000	129,675,000	(3) - (c)
Certificates of deposit with Itaú Unibanco, S.A., with a par value of US$6,000,000, annual yield between 1.03% and 1.12%, maturing between January and February 2017	59,850,000	59,850,000	59,850,000	(3) - (d)
	189,525,000	189,525,000	189,525,000	
	10,186,844,216	9,887,516,770	10,033,816,533	

	June 30, 2016			
	Acquisition cost	**Amortized cost**	**Fair value**	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIFs), with a par value of Bs 2,037,603,085, annual yield between 9.88% and 18%, maturing between September 2016 and January 2026	2,481,566,642	2,277,166,317	2,293,486,042	(1) - (a)
Vebonos, with a par value of Bs 1,130,391,993, annual yield between 9.84% and 16.20%, maturing between December 2016 and February 2025	1,526,153,032	1,435,887,993	1,330,957,536	(1) - (a)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US$14,327,848, annual yield between 5.25% and 6.25%, maturing between Abril 2017 and March 2019 (Note 4)	142,319,762	140,701,585	144,182,078	(2) - (a)
Sovereign Bonds in foreign currency, with a par value of US$100, 8.25% annual yield, maturing in October 2024 (Note 4)	765	812	419	(1) - (b)
	4,150,040,201	3,853,756,707	3,768,626,075	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
Dematerialized Certificates of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 1,883,890,472, 6.05% annual yield, maturing between June 2023 and July 2024	1,883,890,472	1,883,890,472	1,883,890,472	(2) - (a)
Agriculture Bonds issued by Fondo de Desarrollo Nacional FONDEN, S.A., with a par value of Bs 210,000,000, 9.10% annual yield, maturing between July 2016 and 2017 (Note 6)	221,475,080	211,874,094	219,351,630	(1) - (a)
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US$900, annual yield between 5.38% and 5.5%, maturing between Abril 2027 and 2037 (Note 4)	4,510	5,530	3,137	(1) - (b)
	2,105,370,062	2,095,770,096	2,103,245,239	
Certificates of deposit with foreign financial institutions				
Certificates of deposit with Banco Do Brasil with a par value of US$7,500,000, annual yield at between 0.78% and 1.65%, maturing between July and December 2016	74,812,500	74,812,500	74,812,500	(2) - (c)
	6,330,222,763	6,024,339,303	5,946,683,814	

(1) Estimated fair value is determined from trading operations on the secondary market per valuation screens, the present value of estimated future cash flows or yield curves.

(2) Value is determined based on the present value of estimated future cash flows in conformity with the Accounting Manual. The fair value of TICCs is their equivalent amount in bolivars at the official exchange rate.

(3) Shown at par value, which is considered as fair value.

Custodians of investments
(a) Central Bank of Venezuela

(b) Euroclear Bank, S.A.

(c) Banco Do Brasil

(d) Itaú Unibanco, S.A.

Below is the classification of held-to-maturity securities according to maturity:

	December 31, 2016		June 30, 2016	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
		(In bolivars)		
Less than 1 year	783,692,595	810,826,285	476,476,211	473,743,446
1 to 5 years	771,636,994	844,273,550	1,449,782,693	1,569,321,543
5 to 10 years	8,332,181,552	8,378,713,306	4,098,076,149	3,903,615,268
Over 10 years	5,629	3,392	4,250	3,557
	9,887,516,770	10,033,816,533	6,024,339,303	5,946,683,814

The Accounting Manual establishes that all sales of held-to-maturity securities for reasons other than those indicated in the Accounting Manual must be authorized by SUDEBAN.

At December 31, 2016, the Bank has agriculture bonds issued by Fondo Nacional de Desarrollo Nacional FONDEN, S.A. for Bs 180,689,485 (Bs 211,874,094 at June 30, 2016). Through Notice SIB-II-CCD-06140 of March 1, 2013, SUDEBAN informed the Bank that the maximum amount of agriculture bonds that may be included in the agricultural loan portfolio is Bs 473,381,100, which may be computed as part of the agricultural loans that the Bank is required to grant (Note 6).

At December 31 and June 30, 2016, the Bank has Dematerialized Certificates of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 6,087,030,691 and Bs 1,883,890,472, respectively, which may be deducted from the legal reserve amount required of financial institutions (Note 26).

The Bank has the ability and intention to hold these securities to maturity.

At December 31 and June 30, 2016, the Bank has an account in the name of the BCV at the Euroclear Bank to hold in custody all foreign currency securities held by other foreign financial institutions, as set out in Article No. 51 of the Law on Banking Sector Institutions. Pershing LLC, Morgan Stanley Smith Barney and Morgan Stanley Private Wealth Management only hold in custody securities of the Branch; and Banco Do Brasil, S.A. and Itaú Unibanco, S.A. only have deposits and certificates of deposit.

At December 31, 2016, unrealized losses of Bs 2,615 on held-to-maturity securities issued by the Bolivarian Republic of Venezuela are considered temporary since management believes that from the standpoint of the issuer's credit risk, interest rate risk and liquidity risk, the decrease in these securities' fair value is temporary. In addition, the Bank has the intention and ability to hold these securities to maturity. Accordingly, the Bank has identified no impairment in the value of these investments.

c) Deposits with the Central Bank of Venezuela and overnight deposits

These investments are recorded at realizable value, representing cost or par value and comprise the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Certificate of deposit with the Central Bank of Venezuela, with a par value of Bs 1,768,517,000, annual yield between 6% and 7%, maturing between January and February 2017	1,768,517,000	-
Overnight deposit with Banco Do Brasil, S.A., with a par value of US$27,500,000, 0.33% annual yield, maturing in July 2016	-	274,312,500
	1,768,517,000	274,312,500

d) Restricted investments

These investments are shown at par value, which is considered as fair value, and comprise the following:

	December 31, 2016		June 30, 2016		
	Amortized cost	Fair value	Amortized cost	Fair value	
	(In bolivars)				
Other restricted investments					
Certificates of deposit					
Social Contingency Fund (Note 22)	47,629,861	47,629,861	37,505,752	37,505,752	(1)
Trust fund with Mercantil, C.A., Banco Universal	35,114,508	35,114,508	33,361,395	33,361,395	(1)
PNC Bank, with a par value of US$1,631,753 (Note 4)	16,276,734	16,276,734	16,248,722	16,248,722	(1)
JP Morgan Chase Bank, with a par value of US$1,597,022 (Note 4)	15,930,298	15,930,298	15,916,193	15,916,193	(1)
	114,951,401	114,951,401	103,032,062	103,032,062	

(1) Par value is used as fair value. Securities denominated in foreign currency are shown at the official exchange rate.

At December 31 and June 30, 2016, the certificates of deposit with JP Morgan Chase Bank and PNC Bank are used as collateral to guarantee VISA and MasterCard credit card operations, respectively.

At December 31 and June 30, 2016, the certificate of deposit in a trust fund with Mercantil, C.A., Banco Universal is used as collateral to guarantee Maestro debit card operations.

e) Investments in other securities
These investments are shown at par value and comprise the following:

	December 31, 2016	June 30, 2016	
	(In bolivars)		
Other liabilities			
Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 7,554,130,244, annual yield between 4.66% and 6.48%, maturing between June 2017 and February 2028	7,554,130,244	7,554,130,244	(1) - (a)
Special mortgage securities issued by Banco Nacional de Vivienda y Hábitat (BANAVIH), with a par value of Bs 73,525,000 (Bs 80,877,500 at June 30, 2016), 2% annual yield, maturing in November 2021	73,525,000	80,877,500	(1) - (a)
	7,627,655,244	7,635,007,744	

(1) Par value is considered as fair value. These securities may be sold to the BCV through a resale agreement at 100% of their par value.

Custodian of investments
(a) Central Bank of Venezuela

At December 31 and June 30, 2016, the Bank has Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 7,554,130,244. In addition, at December 31 and June 30, 2016, the Bank has Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 251,289,000, which corresponds to the substitution of Dematerialized Certificates of Participation issued by BANDES. These investments were computed for the construction mortgage loan portfolio until the year ended December 31, 2015.

At December 31 and June 30, 2016, the Bank maintains special mortgage securities for Bs 73,525,000 and Bs 80,877,500, respectively, which were computed in the construction mortgage loan portfolio at December 31, 2011 (Note 6).

The Bank has the intention and ability to hold the investments in other securities to maturity.

The Bank's control environment includes policies and procedures to determine investment risks by entity and economic sector. At December 31, 2016, the Bank has investment securities issued or guaranteed by the Venezuelan government of Bs 36,752,066,892, representing 99.12% of its investment securities portfolio (Bs 16,992,220,943, representing 99.30% of its investment securities portfolio at June 30, 2016).

6. Loan portfolio

The loan portfolio is classified by economic activity, guarantee, maturity and type of loan as follows:

	December 31, 2016			
	Current	Rescheduled	Overdue	Total
	(In bolivars)			
Economic activity				
Wholesale and retail trade, restaurants and hotels	186,287,414,167	-	1,973,052	186,289,387,219
Agriculture, fishing and forestry	18,151,943,876	37,897,004	-	18,189,840,880
Financial businesses, insurance, real estate and services	18,093,290,917	-	80,709,095	18,174,000,012
Manufacturing	13,440,509,491	-	68,539,626	13,509,049,117
Communal, social and consumer services	7,640,444,621	500,216	2,495,410	7,643,440,247
Construction	4,126,069,823	-	-	4,126,069,823
Transportation, warehousing and communications	3,644,950,425	-	-	3,644,950,425
Utilities	1,491,495,710	-	-	1,491,495,710
Mining and oil	1,207,183,733	-	31,756,982	1,238,940,715
	254,083,302,763	38,397,220	185,474,165	254,307,174,148
Allowance for losses on loan portfolio, includes US$20.822.105				(5,439,305,913)
				248,867,868,235
Guarantee				
Collateral	82,450,591,016	122,625	2,308,927	82,453,022,568
Endorsement	46,655,027,657	824,883	1,970,451	46,657,822,991
Real property mortgage	15,471,769,311	1,033,724	2,361,262	15,475,164,297
Written instruments	14,623,233,497	-	-	14,623,233,497
Other guarantees	445,545,432	-	46,929	445,592,361
Pledge	5,080,642,369	78,125	-	5,080,720,494
Chattel mortgage	1,827,100,600	590,000	-	1,827,690,600
Non-possessory pledge	3,971,706,248	290,500	-	3,971,996,748
Unsecured	83,557,686,633	35,457,363	178,786,596	83,771,930,592
	254,083,302,763	38,397,220	185,474,165	254,307,174,148
Maturity				
Overdue	-	-	185,474,165	185,474,165
Up to 30 days	51,486,736,254	18,724	-	51,486,754,978
31 to 60 days	49,203,494,429	186,667	-	49,203,681,096
61 to 90 days	44,160,450,622	-	-	44,160,450,622
91 to 180 days	34,940,951,365	104,750	-	34,941,056,115
181 to 360 days	28,375,199,796	566,133	-	28,375,765,929
Over 360 days	45,916,470,297	37,520,946	-	45,953,991,243
	254,083,302,763	38,397,220	185,474,165	254,307,174,148

	June 30, 2016			
	Current	Rescheduled	Overdue	Total
	(In bolivars)			
Economic activity				
Wholesale and retail trade, restaurants and hotels	75,498,808,308	-	19,478,206	75,518,286,514
Agriculture, fishing and forestry	14,776,424,962	40,124,844	7,572,407	14,824,122,213
Financial businesses, insurance, real estate and services	11,965,191,812	-	12,815,335	11,978,007,147
Communal, social and consumer services	9,700,230,591	8,281,481	254,378	9,708,766,450
Manufacturing	4,755,314,180	-	-	4,755,314,180
Construction	1,684,608,131	-	-	1,684,608,131
Utilities	639,825,271	-	-	639,825,271
Transportation, warehousing and communications	77,007,469	-	-	77,007,469
Mining and oil	17,443,679	-	31,756,982	49,200,661
	119,114,854,403	48,406,325	71,877,308	119,235,138,036
Allowance for losses on loan portfolio, includes US$21,067,215				(2,801,547,904)
				116,433,590,132

	June 30, 2016			
	Current	Rescheduled	Overdue	Total
	(In bolivars)			
Guarantee				
Endorsement	32,989,476,560	6,608,194	7,157,361	33,003,242,115
Collateral	28,243,544,361	187,500	9,923,620	28,253,655,481
Real property mortgage	21,987,890,514	1,197,440	1,322,972	21,990,410,926
Written instruments	4,381,455,136	-	-	4,381,455,136
Pledge	2,876,321,645	78,125	-	2,876,399,770
Non-possessory pledge	1,051,373,337	348,400	-	1,051,721,737
Chattel mortgage	718,039,564	712,222	82,196	718,833,982
Other guarantees	187,663,021	-	-	187,663,021
Unsecured	26,679,090,265	39,274,444	53,391,159	26,771,755,868
	119,114,854,403	48,406,325	71,877,308	119,235,138,036
Maturity				
Overdue	-	-	31,756,982	31,756,982
Up to 30 days	17,689,483,862	-	19,312,465	17,708,796,327
31 to 60 days	12,867,916,582	-	768,040	12,868,684,622
61 to 90 days	11,669,434,542	62,750	217,867	11,669,715,159
91 to 180 days	16,857,358,216	148,499	916,340	16,858,423,055
181 to 360 days	19,486,798,740	361,500	13,143,477	19,500,303,717
Over 360 days	40,543,862,461	47,833,576	5,762,137	40,597,458,174
	119,114,854,403	48,406,325	71,877,308	119,235,138,036

Below is a breakdown of the loan portfolio by type of loan:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Type of loan		
Fixed term, includes US$4,864,328 (US$5,530,362 at June 30, 2016) (Note 4)	129,248,358,187	44,294,560,379
Installment, includes US$1,380,000 (US$520,000 at June 30, 2016) (Note 4)	58,615,757,822	31,904,148,097
Agriculture	18,189,840,880	14,824,122,213
Mortgage	6,121,599,400	5,332,364,427
Credit cards	13,891,029,884	9,863,816,514
Manufacturing	13,361,687,242	4,755,314,180
Tourism	3,576,822,738	2,557,258,138
Microcredits	4,476,492,907	2,897,444,547
Factoring and discounts, includes US$10,003,123 (US$10,290,024 at June 30, 2016) (Note 4)	5,769,721,557	1,769,525,313
Financial leases	390,281,339	532,259,176
Vehicles	418,353,849	270,090,006
Letters of credit, equivalent to US$16,961,498 and €1,514,873 (US$16,961,498 and €1,514,873 at June 30, 2016) (Note 4)	185,096,651	185,954,978
Employee loans	61,148,453	48,034,399
Checking accounts	983,239	245,669
	254,307,174,148	119,235,138,036

Through Resolution No. 332.11 of December 22, 2011, SUDEBAN established the parameters to set aside provisions for loans or microcredits granted to individuals or corporations whose assets were subject to expropriation, occupation or intervention by the Venezuelan government, effective from December 1, 2011 to November 30, 2013. A modification of this Resolution was published in Official Gazette No. 40,304 of November 28, 2013, extending the effective period until November 30, 2014. In addition, through Circular SIB-II-GGR-GNP-21051 of June 30, 2015, SUDEBAN established the indefinite application of measures provided in Resolution No. 332.11. At December 31 and June 30, 2016, the Bank applied the aforementioned Resolution to loans amounting to Bs 567,577,915 and Bs 280,687,833, respectively. Through Resolution No. 310.11 of December 1, 2011, SUDEBAN allows banks that granted mortgage loans to housing constructors, whose projects have been expropriated, occupied or intervened by the Venezuelan government and that assumed work completion, to defer the expenses, charges or losses that may arise from work completion for a term of no less than 10 years and no more than 15 years. During the first six-month period of 2016, the Bank requested SUDEBAN to defer the estimated losses from the execution of these projects that will not be recovered through the sale of housing units. Through Notice SIB-II-GGIBPVGIBPV4-154476 of May 27, 2016, SUDEBAN authorized the deferral for up to 15 years. At December 31, 2016, the Bank maintains Bs 431,848,227 (Bs 454,778,221 at June 30, 2016) in this connection within other assets (Note 11).

At December 31, 2015, the Branch had an overdue loan for US$3,300,000 with the debtor Siderúrgica del Turbio, S.A. (SIDETUR), in regard to which the Bank initiated legal actions. On April 14, 2016, the Branch received a Resolution of the First Instance Court of Curacao in regard to file No. EJ 74192/2015, in which it is established that the Branch may apply the collateral security of Bs 38,068,799 (which includes the amount of the deposit and interest generated by the deposit) held with the debtor for the portion of the overdue loan equivalent to the SIMADI rate, thereby recording a partial collection of the loan amounting to US$116,343 and income from exchange difference arbitration for US$3,700,078, equivalent to Bs 36,908,282, included in the income statement during the six-month period ended June 30, 2016 under other operating income (Note 17). In addition, during the six-month period ended June 30, 2016, the Branch contracted the professional services of two external legal advisors for the purpose of receiving advisory on the trial filed against the debtor. At June 30, 2016, the Bank has recorded an expense of Bs 52,640,000 from said legal advisory services, shown in the income statement under general and administrative expenses (Note 19).

In accordance with SUDEBAN rules, at December 31 and June 30, 2016, the Bank maintains a general allowance of Bs 3,094,960,077 and Bs 1,507,544,707, respectively, for losses on the loan portfolio, and a countercyclical allowance of Bs 1,907,303,806 and Bs 894,263,535, respectively, (Note 2-e).

Below is the movement in the allowance for losses on the loan portfolio:

	Six-month periods ended	
	December 31, 2016	**June 30, 2016**
	(In bolivars)	
Balance at the beginning of the period	2,801,547,904	1,815,593,419
Provided in the period	2,667,782,775	949,265,400
Release of allowance for losses on loan portfolio	(2,116,639)	-
Increase from exchange differences	-	17,249,388
Write-offs of uncollectible loans	(45,428,314)	(22,739,835)
Reclassification to provision for interest receivable (Note 7)	16,921,337	(11,027,302)
Reclassification from (to) provision for contingent loans (Note 16)	598,850	53,206,834
Balance at the end of the period	5,439,305,913	2,801,547,904

At December 31, 2016, overdue loans on which interest is no longer accrued amount to Bs 185,474,165 (Bs 71,877,308 at June 30, 2016). In addition, at December 31, 2016, memorandum accounts include Bs 64,195,774 (Bs 42,504,598 at June 30, 2016) in respect of interest not recognized as income from loans on which interest is no longer accrued (Note 20).

During the six-month periods ended December 31 and June 30, 2016, the Bank wrote off loans of Bs 45,428,314 and Bs 22,739,835, respectively, against the allowance for losses on the loan portfolio.

During the six-month period ended December 31, 2016, the Bank recovered loans written off in previous periods of Bs 26,817,812, shown in the income statement within income from financial assets recovered (Bs 43,041,157 during the six-month period ended June 30, 2016).

Through Notice SIB-II-GGR-GA-26598 of October 4, 2016 and Notice SIB-II-GGIBPV-GIBPV4-33192 of December 2, 2016, SUDEBAN authorized the Branch to release excess allowances for losses on loan portfolio for US$176,611 and US$35,584, respectively, equivalent to Bs 1,761,690 and Bs 354,949, respectively, and recorded income, shown within income from financial assets recovered.

At December 31 and June 30, 2016, the Bank has collection and extension processing fees, for a maximum percentage of up to 3% of the extended balance, Bs 731,104,072 and Bs 175,061,824, respectively, which are part of service fees under other income (Note 17). Through Notice SIB-II-GGIBPV-GIBPV4-29952 of November 2, 2016, SUDEBAN requested the Bank to suspend the aforementioned fee collection, considering that the table authorized by the BCV does not include within current fees and commissions any group associated with processing and collection expenses for extended loans.

Universal banks should earmark a minimum nominal percentage to finance loans for agriculture, small businesses, mortgage, manufacturing and tourism as follows:

	December 31, 2016					
Activity	**Balance maintained in bolivars**	**Earmarked %**	**Required %**	**Number of debtors**	**Maximum annual interest rate %**	**Calculation basis**
Agriculture (a)	18,370,560,3(	29.84	26	332	13	Average gross loan portfolio balance at December 31, 2015 and 2014
Small businesses	4,476,492,907	3.76	3	3,365	24	Gross loan portfolio at June 30, 2016
Mortgages	812,929,729	0.93	20	3,150	24	Gross loan portfolio at December 31, 2015 to be applied according to the borrower's monthly household income
Tourism (b)	3,596,394,138	5.84	5.25	27	11.62	Average balance of the gross loan portfolio at December 31, 2015 and 2014
Manufacturing	13,361,687,242	15.31	10	66	18	Gross loan portfolio at December 31, 2015

	June 30, 2016					
Activity	**Balance maintained in bolivars**	**Earmarked %**	**Required %**	**Number of debtors**	**Maximum annual interest rate %**	**Calculation basis**
Agriculture (a)	15,036,026,307	24,42	24	596	13	Average gross loan portfolio balance at December 31, 2015 and 2014
Small businesses	2,897,444,547	3.22	3	3,343	24	Gross loan portfolio at December 31, 2015
Mortgages	142,167,887	0,16	-	2,830	Between 9.66 and 10.66	Gross loan portfolio at December 31, 2015 to be applied according to the borrower's monthly household income
Tourism (b)	2,576,829,538	4,18	2,5	44	7.12 or 12.76	Average balance of the gross loan portfolio at December 31, 2015 and 2014
Manufacturing	4,755,314,180	5,45	-	101	16.20 or 18.00	Gross loan portfolio at December 31, 2015

(a) At December 31, 2016, the Bank maintains an agricultural loan portfolio for Bs 18,189,840,880, agriculture bonds issued by the Venezuelan government for Bs 180,689,485 and Bs 30,000 in Class "B" shares from Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines, S.A. (SOGARSA). These shares are imputable to the agricultural loan portfolio compliance (Bs 14,824,122,213, Bs 211,874,094 and Bs 30,000, respectively, at June 30, 2016) (Note 5-a and b).

(b) At December 31 and June 30, 2016, the Bank maintains a tourism loan portfolio for Bs 3,576,822,738 and Bs 2,557,258,138, respectively, and Bs 19,571,400 in Class "B" shares from Sociedad de Garantías Recíprocas para la Pequeña y Mediana Empresa del Sector Turismo, S.A. (SOGATUR). These shares are imputable to the tourism loan portfolio compliance (Note 5-a).

7. Interest and commissions receivable

Interest and commissions receivable comprise the following:

	December 31, 2016	June, 30 2016
	(In bolivars)	
Interest receivable on investment securities		
Deposits with the BCV and overnight deposits	5,980,361	-
Available for sale, includes US$228,542 (US$176,878 at June 30, 2016)	222,738,822	61,337,504
Held to maturity, includes US$254,415 (US$225,963 at June 30, 2016)	169,957,952	120,021,677
Other securities	88,305,003	99,562,953
	486,982,138	280,922,134
Interest receivable on loan portfolio		
Current, includes US$2,389,318 (US$2,101,055 at June 30, 2016)	1,773,931,624	997,579,893
Rescheduled	800,573	888,645
Overdue, includes US$32,001 (US$12,769 at June 30, 2016)	17,678,634	17,486,907
Microcredits	41,772,425	24,411,166
Agricultural	71,415	442,401
	1,834,254,671	1,040,809,012
Commissions receivable		
Trust fund (Note 20)	6,806,482	4,463,152
Interest and commissions receivable on other accounts receivable		
Interest receivable on resale agreements	-	14,183,346
	2,328,043,291	1,340,377,644
Provision for interest receivable and other, includes US$32,001 (US$12,769 at June 30, 2016)	(17,978,845)	(21,296,987)
	2,310,064,446	1,319,080,657

The Bank has provisions for interest and commissions receivable that meet the minimum requirements set by SUDEBAN.

Below is the movement in the provision for interest receivable and other:

	Six-month periods ended	
	December 31, 2016	June 30, 2016
	(In bolivars)	
Balance at the beginning of the period	21,296,987	9,389,749
Provided in the period	17,430,500	2,528,487
Increase from exchange differences	-	485,626
Write-off of interest receivable on loans	(3,775,555)	(1,927,196)
Reclassification to provision for other assets (Note 11)	(51,750)	(206,981)
Reclassification from allowance for losses on loan portfolio (Note 6)	(16,921,337)	11,027,302
Balance at the end of the period	17,978,845	21,296,987

During the six-month periods ended December 31 and June 30, 2016, the Bank wrote off interest receivable of Bs 3,775,555 and Bs 1,927,196, respectively, against the provision for interest receivable and other.

During the six-month period ended December 31, 2016, the Bank collected interest of Bs 3,538,860 written off in previous periods, shown in the income statement within income from financial assets recovered (Bs 9,087,785 during the six-month period ended June 30, 2016).

8. Investments in subsidiaries, affiliates and branches

In October 2008, the Bank requested authorization from SUDEBAN to open a branch in Willemstad, Curacao. SUDEBAN, through Notice SBIF-DSB-II-GGTE-GEE-07154 of May 18, 2009, and the Central Bank of Curacao and St. Maarten, through Communication Lcm/ni/2009-001159 of November 5, 2009, authorized the opening of this branch.

At a Board of Directors' meeting held on November 25, 2009, it was resolved to contribute US$1,000,000 to the new branch's capital stock. This amount was fully paid in January 2010.

On January 13, February 10 and April 13, 2016, the Bank resolved to contribute US$6,599,462 to restore lost capital. The Bank paid this amount in cash between January and April 2016.

Below is a summary of the financial statements of the Branch included in the Bank's financial statements:

Balance sheet

	December 31, 2016		June 30, 2016	
	US$	Equivalent in bolivars	US$	Equivalent in bolivars
Assets				
Cash and due from banks	23,095,577	230,378,380	16,812,500	167,704,688
Investment securities	25,144,037	250,811,769	33,714,354	336,300,681
Loan portfolio	2,227,774	22,222,045	2,089,283	20,840,598
Interest and commissions receivable	2,645,389	26,387,755	2,128,103	21,227,827
Property and equipment	26,457	263,909	7,507	74,882
Other assets	21,692	216,378	16,370	163,291
	53,160,926	530,280,236	54,768,117	546,311,967
Liabilities and Equity				
Liabilities				
Customer deposits	49,366,440	492,430,239	51,620,762	514,917,101
Interest and commissions payable	7,914	78,942	12,139	121,087
Accruals and other liabilities	2,397,438	23,914,444	2,112,380	21,070,991
	51,771,792	516,423,625	53,745,281	536,109,179
Equity				
Capital assigned	7,599,462	75,804,633	7,599,462	75,804,633
Capital reserves	1,617,129	16,130,862	1,552,639	15,487,574
Retained earnings	(7,729,292)	(77,099,688)	(7,987,251)	(79,672,829)
Unrealized loss on investments in available-for-sale securities	(98,165)	(979,196)	(142,014)	(1,416,590)
	1,389,134	13,856,611	1,022,836	10,202,788
	53,160,926	530,280,236	54,768,117	546,311,967

Income statement

	Six-month periods ended			
	December 31, 2016		June 30, 2016	
	US$	Equivalent in bolivars	US$	Equivalent in bolivars
Interest income	334,634	3,337,973	721,113	7,193,093
Interest expense	(59,122)	(589,742)	(259,807)	(2,591,577)
Expenses from uncollectible loans	(5,188)	(51,750)	(9,423,346)	(93,997,875)
Creation of provision and adjustment of cash and due from banks	-	-	(168,607)	(1,681,855)
Other operating income	263,036	2,623,783	3,957,801	39,479,069
Other operating expenses	(65,172)	(650,091)	(1,490,063)	(14,863,383)
Operating expenses	(146,508)	(1,461,417)	(5,428,711)	(54,151,384)
Sundry operating income	2,769	27,621	5,757	57,421
Income tax expense	(2,000)	(19,950)	(1,916)	(19,110)
Net loss for the period	322,449	3,216,427	(12,087,779)	(120,575,601)

At December 31 and June 30, 2016, the Branch's assets, liabilities and results were consolidated in the Bank's financial statements.

The equivalent amounts in bolivars shown in the above financial statements at December 31 and June 30, 2016 have been translated at the official exchange rate of Bs 9.975/US$1 (Note 2-b).

9. Available-for-sale assets

At December 31 and June 30, 2016, the Bank has withdrawn available-for-sale assets for Bs 17,662,247, respectively, shown in other memorandum accounts under personal and real property written off since they are overdue for more than three years (Note 20).

During the six-month period ended June 30, 2016, the Bank sold idle assets at a gain of Bs 27,803,675, shown in the income statement under income from available-for-sale assets.

10. Property and equipment

Property and equipment comprises the following:

	Useful life (years)	December 31, 2016			June 30, 2016		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
				(In bolivars)			
Land		109,582,657	-	109,582,657	109,582,657	-	109,582,657
Buildings and facilities	40	7,532,125,059	(214,626,697)	7,317,498,362	5,988,152,162	(130,811,385)	5,857,340,777
Computer hardware, includes US$19,665 at December 31, 2016 (Note 4)	4	3,048,467,358	(709,494,363)	2,338,972,995	2,172,169,066	(404,372,454)	1,767,796,612
Furniture and equipment, includes US$6,792 (US$7,507 at June 30, 2016) (Note 4)	Between 4 and 10	2,586,688,306	(380,419,813)	2,206,268,493	1,636,329,218	(264,809,335)	1,371,519,883
Vehicles	5	118,200,983	(17,083,991)	101,116,992	81,439,383	(7,261,146)	74,178,237
Equipment for Chip project	10	8,700,969	(4,281,056)	4,419,913	8,700,969	(3,846,008)	4,854,961
Construction in progress		502,865,975	-	502,865,975	66,853,529	-	66,853,529
		13,906,631,307	(1,325,905,920)	12,580,725,387	10,063,226,984	(811,100,328)	9,252,126,656
Other property		16,482,413	-	16,482,413	16,482,413	-	16,482,413
		13,923,113,720	(1,325,905,920)	12,597,207,800	10,079,709,397	(811,100,328)	9,268,609,069

At December 31 and June 30, 2016, the balance of construction in progress is in respect of construction and remodeling work to the Bank's main office and to existing and new agencies, which is in compliance with the Accounting Manual.

Below is the movement in property and equipment for the six-month periods ended December 31 and June 30, 2016:

	Balances at June 30, 2016	Additions	Disposals	Capitalizations	Balances at December 31, 2016
			(In bolivars)		
Cost					
Land	109,582,657	-	-	-	109,582,657
Buildings and facilities	5,988,152,162	1,240,974,410	-	302,998,487	7,532,125,059
Computer hardware	2,172,169,066	887,235,963	(10,937,671)	-	3,048,467,358
Furniture and equipment	1,636,329,218	953,462,958	(3,103,870)	-	2,586,688,306
Vehicles	81,439,383	37,600,000	(838,400)	-	118,200,983
Equipment for Chip project	8,700,969	-	-	-	8,700,969
Construction in progress	66,853,529	745,824,761	(6,813,828)	(302,998,487)	502,865,975
Other property	16,482,413	-	-	-	16,482,413
	10,079,709,397	3,865,098,092	(21,693,769)	-	13,923,113,720
Accumulated depreciation					
Buildings and facilities	130,811,385	83,815,312	-	-	214,626,697
Computer hardware	404,372,454	312,197,616	(7,075,707)	-	709,494,363
Furniture and equipment	264,809,335	116,681,349	(1,070,871)	-	380,419,813
Vehicles	7,261,146	10,374,525	(551,680)	-	17,083,991
Equipment for Chip project	3,846,008	435,048	-	-	4,281,056
	811,100,328	523,503,850	(8,698,258)	-	1,325,905,920
	9,268,609,069				12,597,207,800

	Balances at December 31, 2015	Additions	Disposal	Capitalizations	Balances at June 30, 2016
			(In bolivars)		
Cost					
Land	109,582,657	-	-	-	109,582,657
Buildings and facilities	2,617,586,761	3,132,650,223	-	237,915,178	5,988,152,162
Computer hardware	1,040,939,795	1,131,638,024	(408,753)	-	2,172,169,066
Furniture and equipment	1,232,878,234	403,661,728	(210,744)	-	1,636,329,218
Vehicles	16,249,580	65,410,400	(220,597)	-	81,439,383
Equipment for Chip project	8,364,969	336,000	-	-	8,700,969
Construction in progress	220,800,222	83,968,485	-	(237,915,178)	66,853,529
Other property	16,482,413	-	-	-	16,482,413
	5,262,884,631	4,817,664,860	(840,094)	-	10,079,709,397
Accumulated depreciation					
Buildings and facilities	73,653,512	57,157,873	-	-	130,811,385
Computer hardware	217,332,030	187,449,177	(408,753)	-	404,372,454
Furniture and equipment	182,569,498	82,450,581	(210,744)	-	264,809,335
Vehicles	5,815,545	1,666,198	(220,597)	-	7,261,146
Equipment for Chip project	3,427,759	418,249	-	-	3,846,008
	482,798,344	329,142,078	(840,094)	-	811,100,328
	4,780,086,287				9,268,609,069

During the six-month period ended December 31, 2016, the Bank recorded depreciation expense of Bs 523,503,850 (Bs 329,142,078 during the six-month period ended June 30, 2016), shown in the income statement under general and administrative expenses (Note 19).

11. Other assets

Other assets comprise the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Deferred expenses		
Leasehold improvements, net of amortization	1,200,633,418	310,755,240
Chip project expenses (Note 2)	-	19,510
Licenses, includes US$25,769 (US$7,577 at June 30, 2016) (Note 4)	189,605,854	43,716,027
Operating system (software), includes US$34,218 (US$11,695 at June 30, 2016) (Note 4)	26,933,343	18,983,936
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government (Note 6)	431,848,227	454,778,221
Other deferred expenses	1,249,516	4,939,266
	1,850,270,358	833,192,200
Advances on purchase options on premises owned by the Bank	6,670,447,034	5,156,094,914
Advances to suppliers	1,935,954,880	1,031,681,707
Prepaid taxes and subscriptions (Note 16)	897,996,414	885,540,078
Stationery and sundry supplies	749,879,528	396,339,267
Other prepaid expenses, includes US$146,244 (US$368,768 at June 30, 2016) (Note 4)	467,284,572	188,928,754
Deferred tax asset (Note 16)	440,908,026	-
Pending items	250,378,281	168,117,706
Other sundry accounts receivable, includes US$191,707 (US$8,154 at June 30, 2016) (Note 4)	133,372,706	38,242,683
Contribution required under the Law for the Advancement of Science, Technology and Innovation (Note 1)	-	41,305,440
Bank insurance	176,943,805	38,674,407
Credit card-related accounts receivable and balance offsettings	173,516,641	35,373,358
Inventories of chip credit and debit cards	187,116,358	28,740,039
Accounts receivable from employees	18,612,296	10,841,520
Guarantee deposits, includes US$4,675 (Note 4)	9,346,582	9,346,582
Matured financial instruments receivable, equivalent to US$25,938 (US$20,750 at June 30, 2016) (Note 4)	258,727	206,981
Accounts receivable from the Mandatory Housing Savings Fund	18,841	18,841
Debt items pending reconciliation, includes US$1,037 (Note 4)	-	10,349
	13,962,305,049	8,862,654,826
Provision for other assets, includes US$25,938 (US$21,789 at June 30, 2016)	(92,368,067)	(68,553,904)
	13,869,936,982	8,794,100,922

At December 31, 2016, advances for purchase options on premises owned by the Bank were granted to purchase administrative offices and bank agencies for Bs 6,136,824,915 and Bs 533,622,119, respectively (Bs 5,061,094,914 and Bs 95,000,000 to purchase administrative offices and bank agencies at June 30, 2016).

At December 31 and June 30, 2016, advances to suppliers of Bs 1,935,954,880 and Bs 1,031,681,707, respectively, relate mainly to purchases of equipment, teller machines and remodeling of agencies and the administrative headquarters.

At December 31, 2016, stationery and sundry supplies include stationery for Bs 366,887,567, office supplies for Bs 335,577,408 and cleaning and other supplies for Bs 47,414,553 (Bs 274,474,601, Bs 80,295,273 and Bs 41,569,393, respectively, at June 30, 2016).

At December 31, 2016, other prepaid expenses include Bs 305,901,259 for advertising and marketing, Bs 23,056,957 for purchase of software licenses, Bs 44,795,419 for insurance policies and Bs 93,530,937 for other prepaid expenses (Bs 11,200,271, Bs 11,497,874, Bs 35,066,091 and Bs 52,722,947, respectively, at June 30, 2016). In addition, at June 30, 2016, the Bank has Bs 77,896,189 in respect of prepaid expenses for transportation of valuables and Bs 545,382 in respect of leasing of premises for agencies.

At December 31 and June 30, 2016, other sundry accounts receivable relate mainly to accounts receivable from employees in connection with insurance policies and reimbursable expenses of Bs 37,868,071 and Bs 7,484,481, respectively; claims and in-transit operations for debit and credit card transactions of Bs 51,868,723 and Bs 24,118,842, respectively, and other accounts receivable for Bs 1,105,853 and Bs 2,173,393, respectively. Furthermore, at December 31 and June 30, 2016, other sundry accounts receivable include Bs 4,878,459 and Bs 4,465,967, respectively, in connection with tax on financial transactions reimbursed to tax exempt clients, withheld by the Bank and paid to the Tax Authorities, and taxes withheld from third parties, for which the Bank maintains a provision of Bs 2,219,293 at December 31, 2016 (Bs 2,377,255 at June 30, 2016), shown as part of the provision for other assets. In addition, at December 31, 2016, other sundry accounts receivable include Bs 37,651,600 for recovery processing of assets to be submitted to the insurance company.

Through a joint resolution issued on July 29, 2011, the People's Power Ministry for Planning and Finance and the People's Power Ministry for Communes and Social Protection established the mechanisms to assign resources for financing projects developed by communal councils or other forms of social organization. In accordance with this Resolution, banks will earmark 5% of their gross pre-tax income to the National Communal Council Fund (SAFONACC) within 30 days of period end. On August 22, 2011, SUDEBAN issued Resolution No. 233.11 to require banks to record this social contribution as a prepaid expense forming part of other assets and to amortize it at a rate of 1/6 per month in the income statement within sundry operating expenses beginning in January or July, as appropriate to each six-month period. In July and January 2016, the Bank paid Bs 116,584,361 and Bs 109,717,506, respectively, in this connection (Note 18).

Deferred expenses comprise the following:

	December 31, 2016			June 30, 2016		
	Cost	Accumulated amortization	Book value	Cost	Accumulated amortization	Book value
			(In bolivars)			
Leasehold improvements	1,319,301,591	(118,668,173)	1,200,633,418	405,783,600	(95,028,360)	310,755,240
Chip project expenses (Note 2)	-	-	-	468,236	(448,726)	19,510
Licenses, includes US$25,769 (US$7,577 at June 30, 2016) (Note 4)	301,268,799	(111,662,945)	189,605,854	106,462,104	(62,746,077)	43,716,027
Operating system (software), includes US$34,218 (US$11,695 at June 30, 2016) (Note 4)	53,344,129	(26,410,786)	26,933,343	44,566,593	(25,582,657)	18,983,936
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	458,599,887	(26,751,660)	431,848,227	458,599,887	(3,821,666)	454,778,221
Other deferred expenses	9,315,566	(8,066,050)	1,249,516	9,315,566	(4,376,300)	4,939,266
	2,141,829,972	(291,559,614)	1,850,270,358	1,025,195,986	(192,003,786)	833,192,200

Below is the movement in deferred expenses for the six-month periods ended December 31 and June 30, 2016:

	Balances at June 30, 2016	Additions	Disposals	Balances at December 31, 2016
		(In bolivars)		
Cost				
Leasehold improvements	405,783,600	928,290,550	(14,772,559)	1,319,301,591
Chip project expenses	468,236	-	(468,236)	-
Licenses	106,462,104	238,283,853	(43,477,158)	301,268,799
Operating system (software)	44,566,593	28,608,092	(19,830,556)	53,344,129
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	458,599,887	-	-	458,599,887
Other deferred expenses	9,315,566	-	-	9,315,566
	1,025,195,986	1,195,182,495	(78,548,509)	2,141,829,972

	Balances at June 30, 2016	Additions	Disposals	Balances at December 31, 2016
		(In bolivars)		
Accumulated amortization				
Leasehold improvements	95,028,360	38,412,372	(14,772,559)	118,668,173
Chip project expenses	448,726	19,510	(468,236)	-
Licenses	62,746,077	92,394,026	(43,477,158)	111,662,945
Operating system (software)	25,582,657	20,658,685	(19,830,556)	26,410,786
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	3,821,666	22,929,994	-	26,751,660
Other deferred expenses	4,376,300	3,689,750	-	8,066,050
	192,003,786	178,104,337	(78,548,509)	291,559,614
	833,192,200			1,850,270,358

	Balances at December 31, 2015	Additions	Disposals	Balances at June 30, 2016
		(In bolivars)		
Cost				
Leasehold improvements	238,993,668	180,249,237	(13,459,305)	405,783,600
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	-	(25,957,670)	-
Chip project expenses	1,642,556	-	(1,174,320)	468,236
Licenses	108,582,225	15,006,567	(17,126,688)	106,462,104
Operating system (software)	36,884,575	13,691,481	(6,009,463)	44,566,593
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	-	458,599,887	-	458,599,887
Other deferred expenses	2,519,518	6,796,048	-	9,315,566
Deferred expenses of Stanford Bank				
General and administrative expenses	32,613,131	-	(32,613,131)	-
Expenses from uncollectible loans	18,059,289	-	(18,059,289)	-
Salaries and employee benefits	9,621,462	-	(9,621,462)	-
Other operating expenses and sundry operating expenses	5,648,964	-	(5,648,964)	-
	480,523,058	674,343,220	(129,670,292)	1,025,195,986
Accumulated amortization				
Leasehold improvements	78,959,638	28,501,602	(12,432,880)	95,028,360
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	11,392,533	14,565,137	(25,957,670)	-
Chip project expenses	1,564,517	58,529	(1,174,320)	448,726
Licenses	37,862,576	42,010,189	(17,126,688)	62,746,077
Operating system (software)	13,502,032	17,999,040	(5,918,415)	25,582,657
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	-	3,821,666	-	3,821,666
Other deferred expenses	1,187,072	3,189,228	-	4,376,300
Deferred expenses of Stanford Bank				
General and administrative expenses	13,045,252	19,567,878	(32,613,130)	-
Expenses from uncollectible loans	7,223,715	10,835,574	(18,059,289)	-
Salaries and employee benefits	3,848,586	5,772,876	(9,621,462)	-
Other operating expenses and sundry operating expenses	2,259,584	3,389,380	(5,648,964)	-
	170,845,505	149,711,099	(128,552,818)	192,003,786
	309,677,553			833,192,200

Leasehold improvements include additions in the second semester of 2016 for Bs 933,692,452 (Bs 180,249,237 during the six-month period ended June 30, 2016) mainly in respect of improvements to the Bank's agencies.

The additions to licenses are mainly in respect of purchases of licenses for administration of credit card operations.

During the six-month period ended December 31, 2016, the Bank recorded amortization of deferred expenses of Bs 178,104,337 (Bs 149,711,099 during the six-month period ended June 30, 2016), shown in the income statement under general and administrative expenses (Note 19).

The balance of pending items comprises the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
In-transit operations (MasterCard credit card)	192,690,188	-
In-transit operations (internet deposit remittances)	46,215,387	154,785,398
In-transit operations (teller machines and remittances in foreign currency)	166,392	3,038,487
Difference in exchange for credit cards	7,137,408	9,263,561
Cash shortages	3,805,138	853,819
Other pending items	363,768	176,441
	250,378,281	168,117,706

In transit operations in respect of the MasterCard credit card correspond to the use of Banks' points of sale by customers from other financial institutions. Most of these transactions clear in the month following period closing.

At December 31 and June 30, 2016, in-transit operations for Bs 46,215,387 and Bs 154,785,398, respectively, relate to in-transit cash remittances from customer deposits, which clear in the first days of January 2017 and July 2016, respectively.

Below is the movement in the provision for other assets:

	Six-month periods ended	
	December 31, 2016	June 30, 2016
	(In bolivars)	
Balance at the beginning of the period	68,553,904	59,769,079
Provided in the period (Note 18)	28,950,000	9,984,436
Reclassification of interest receivable (Note 7)	51,750	206,981
Write-offs of unrecoverable accounts	(5,187,587)	(1,406,592)
Balance at the end of the period	92,368,067	68,553,904

12. Customer deposits

Customer deposits comprise the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Checking account deposits and certificates		
Non-interest-bearing checking accounts	259,209,188,703	107,943,260,589
Interest-bearing checking accounts	38,480,601,119	20,150,622,811
Checking accounts under Exchange Agreement No. 20, equivalent to US$1,974,751 (US$4,295,463 at June 30, 2016) (Note 4)	19,698,142	42,847,241
Demand deposits and certificates		
Public, State and Municipal Administration	3,136,130,676	3,791,129,363
Non-negotiable demand deposits, bearing annual interest between 1% and 9%, maturing in January 2017	33,057,180,357	20,017,267,183
	333,902,798,997	151,945,127,187
Other demand deposits		
Cashier's checks	3,315,421,836	1,176,207,395
Advance collections from credit card holders	75,880,092	20,086,153
Advance deposits for letters of credit	565	1,164,638,034
Trust fund liabilities (Note 20)	1,504,365,388	167,649,667
Housing Savings Fund liabilities (Note 20)	2,676,717	5,484,244
	4,898,344,598	2,534,065,493
Savings deposits, bearing 16% annual interest for savings deposits for individuals with daily balances under Bs 20,000, 12.50% for other deposits in bolivars, and 0.125% for deposits in U.S. dollars, includes US$41,245,709 and €1,609,516 (US$46,298,327 and €588,228 at June 30, 2016) (Note 4)	74,466,214,997	29,674,737,049
Time deposits, bearing 14.50% annual interest for deposits in bolivars and between 0.02% and 3.50% for deposits in U.S. dollars, includes US$4,990,313 (US$8,262,898 at June 30, 2016), with the following maturities (Note 4)		
Up to 30 days	4,798,584,279	8,427,786,241
31 to 60 days	1,672,519,758	3,333,993,619
61 to 90 days	2,371,770,635	1,324,849,609
91 to 180 days	209,603,657	319,901,288
181 to 360 days	11,998,000	24,511,475
Over 361 days	2,650,000	3,850,000
	9,067,126,329	13,434,892,232
Securities issued by the Bank	-	187,309,688
Restricted customer deposits, equivalent to US$1,355,000	13,516,125	13,516,125
	422,348,001,046	197,789,647,774

At December 31 and June 30, 2016, restricted customer deposits correspond to guarantee deposits for loans granted by the Branch. At December 31 and June 30, 2016, the Bank has a guarantee on these deposits, which has been correctly set up.

Deposits from the Venezuelan government and government agencies comprise the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Non-interest-bearing checking accounts	8,752,518,467	7,242,265,226
Interest-bearing checking accounts, at 0.25% annual interest	3,527,930,120	3,489,986,753
Savings deposits, at 12.5% annual interest	4,584,061,702	1,355,404,271
Non-negotiable demand deposits	3,136,130,676	3,791,129,363
Time deposits, at 14.5% annual interest	253,233,690	2,731,822,745
	20,253,874,655	18,610,608,358

At a Special Shareholders' Meeting held on March 26, 2014, the Board of Directors was authorized to issue commercial papers with a par value of Bs 200,000,000 and fixed maturities ranging from 15 to 360 days as from the date each series is issued. These commercial papers may not be paid in advance and shall mature within the deadline set in the SNV's authorization. This issue was approved by SUDEBAN on July 1, 2014 through Notice SIB-II-GGIBPV-GIBPV2-22407. On October 2, 2015, through Resolution No. 063, the SNV authorized the public offering of bearer commercial papers (Note 22). All commercial papers were placed during January 2016. In December 2016, the Bank paid these commercial papers to the investors. At June 30, 2016, securities held by the Bank amount to Bs 187,309,688.

13. Borrowings

Borrowings comprise the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Borrowings from Venezuelan financial institutions, up to one year		
Demand deposits		
Certificates of deposit with Banco de Comercio Exterior (BANCOEX), maturing in January 2017, with annual interest between 6% and 7.5% (maturing in July 2016, with annual interest between 7.5% and 8.5% at June 30, 2016)	78,502,079	111,742,055
Certificates of deposit with Banco del Alba, maturing in July 2016, with 5.5% annual interest	-	10,772,742
Non-interest-bearing checking account with Mi Banco, Banco Microfinanciero, C.A.	4,102,454	760,073
Non-interest-bearing checking account with Banplus, Banco Universal, C.A.	41,777	43,434
	82,646,310	123,318,304
Borrowings from foreign financial institutions, up to one year		
Demand deposits		
Checking account with BNC International Banking Corporation, at 0.25% per annum (Note 23)	144,102	943,046
Checking account with Bancaribe Curacao Bank, N.V.	626,694	626,694
	770,796	1,569,740
	83,417,106	124,888,044

Through Resolution No. 113.14 of August 13, 2014, SUDEBAN set interbank deposit limits, which should be the lower amount resulting from comparing 10% of the total equity of the placing financial institution at the previous month end with 10% of the total equity of the receiving financial institution at the previous month end.

14. Interest and commissions payable

Interest and commissions payable comprise the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Expenses payable on customer deposits		
Deposits in interest-bearing checking accounts	1,169,897	1,112,405
Non-negotiable demand deposits	90,758,925	115,275,474
Time deposits, includes US$7,914 (US$12,140 at June 30, 2016) (Note 4)	87,548,376	191,001,110
	179,477,198	307,388,989
Expenses payable on borrowings		
Expenses payable on borrowings	123,393	451,773
	179,600,591	307,840,762

15. Accruals and other liabilities

Accruals and other liabilities comprise the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Pending items, includes US$21,000 (US$23,453 at June 30, 2016) (Note 4)	4,957,767,294	2,590,460,299
Income tax provision, includes US$4,175 (US$2,175 at June 30, 2016) (Notes 4 and 16)	3,115,881,331	636,149,596
Deferred interest income, includes US$2,385,882 (US$2,084,725 at June 30, 2016) (Notes 2-k and 4)	1,115,863,278	463,480,543
Accrual for length-of-service benefits (Notes 1 and 2-j)	840,775,191	504,150,724
Withholding tax, includes US$1,416 (Note 4)	748,221,711	373,469,901
Suppliers and other sundry payables, includes US$1,559 (US$17,206 at June 30, 2016) (Note 4)	726,414,793	335,320,592
Tax on economic activities and other taxes payable (Note 16)	442,012,978	159,186,477
Cashier's checks	166,179,719	169,397,587
Dividends payable (Note 22)	-	140,000,000
Vacations and vacation bonus payable, includes US$3,148 (US$4,565 at June 30, 2016) (Notes 2-j and 4)	186,074,465	139,182,382
Profit sharing (Note 2-j)	-	138,958,910
Fees for credit and debit card services	293,273,831	123,936,568
Contribution for the prevention of money laundering and terrorism financing	97,009,917	22,202,276
Leases	74,861,449	83,422,892
Accounts payable in foreign currency, equivalent to US$3,234,885 (US$3,637,431 at June 30, 2016) (Note 4)	32,267,984	36,283,376
Professional fees payable	64,815,863	29,647,474
Labor contributions and withholdings payable, includes US$1,258 (US$1,260 at June 30, 2016) (Note 4)	48,555,494	27,912,052
Deferred tax liability (Note 16)	-	24,526,483
Other personnel expenses	5,061,094	18,310,556
Sports and Physical Education Law (Note 1)	62,022,156	13,139,082
Ezequiel Zamora Fund withholdings	7,476,608	6,419,129
Provision for contingent loans (Note 20)	2,067,662	2,653,400
Advertising payable	497,162	3,073,798
Other provisions	82,420,650	76,784,923
Other	21,529,148	11,052,951
	13,091,049,778	6,129,121,971

Deferred interest income mainly relates to loan interest collected in advance and yield on loan portfolio with a collection term over 6 months, commissions and gain on sale of deferred securities.

At December 31 and June 30, 2016, other provisions include Bs 14,962,500, equivalent to US$1,500,000, in connection with accounts payable to CADIVI on credit card transactions abroad from 2006 to 2009 and the first 10 days of January 2010, recorded in conformity with CADIVI Notice PREVECPGSCO-00001 of January 2, 2012. On May 28 and November 9, 2012, May 22 and September 30, 2013, June 5, 2015 and October 24, 2016, the Bank has reiterated its request to the BCV for renewal of the authorization to sell foreign currency. At December 31, 2016, the Bank is awaiting for the respective authorizations from the BCV to sell foreign currency.

At December 31 and June 30, 2016, other provisions include a provision for municipal taxes, fines and interest of Bs 7,971,586 and Bs 7,969,453, respectively; Bs 12,294,482 and Bs 9,192,626, respectively, in connection with other provisions; Bs 4,668,346 and Bs 2,136,608, respectively, for money laundering prevention projects. Through Notice SIB-II-GGIBPV-GIBPV4-10112 of April 6, 2016, SUDEBAN reminded the Bank to cease its practice to pay interest on contributions pending capitalization; however, to avoid reversals in the aforementioned accrual, SUDEBAN ordered to maintain this liability, which at January 2016 amounted to Bs 47,146,007, to cover possible future contingencies. At December 31 and June 30, 2016, the Bank maintains Bs 42,523,736 in this connection.

At December 31 and June 30, 2016, fees for credit and debit card services of Bs 293,273,831 and Bs 123,936,568, respectively, mainly correspond to fees for the use of the VISA, Maestro, MasterCard and Suiche 7B trademarks and to point-of-sale and teller machine transactions. At December 31 and June 30, 2016, the Bank recorded expenses in this connection of Bs 1,173,083,817 and Bs 355,898,778, respectively, included within service fees under other operating expenses (Note 18).

At December 31 and June 30, 2016, accounts payable in foreign currency are mainly in respect of interest payable to clients for intermediation of securities in foreign currency. The Bank pays interest to customers on a monthly basis. In case customer information available is not sufficient to complete the transfers, the Bank issues an annual press release informing such customers of the situation.

At December 31 and June 30, 2016, suppliers and other sundry payables are mainly in respect of accounts payable for services of Bs 508,686,646 and Bs 235,852,969, respectively, pending claims, returns and credit cards of Bs 204,238,767 and Bs 81,223,389, respectively, and other accounts payable of Bs 13,489,380 and Bs 18,244,234, respectively.

Below is the movement in the provision for contingent loans:

	Six-month periods ended	
	December 31, 2016	June 30, 2016
	(In bolivars)	
Balances at the beginning of the period	2,653,400	55,860,234
Provided for the period	13,112	-
Reclassification to allowance for losses on loan portfolio (Note 6)	(598,850)	(53,206,834)
Balances at the end of the period	2,067,662	2,653,400

The balance of pending items comprises the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Point-of-sale transactions payable	4,219,932,755	1,034,330,467
Suiche 7B transactions payable	162,490,648	152,785,182
Collection of government and municipal taxes	437,191,936	318,564,312
Cash surplus	11,324,371	12,415,114
Other pending items, includes US$1,416 at June 30, 2016 (Note 4)	85,960,406	9,153,838
Commissions to the Central Bank of Venezuela	32,769,783	4,664,700
Difference in exchange for credit cards	7,222,711	-
In-transit operations through SICAD, equivalent to US$21,000 (Note 4)	209,475	209,475
Automatic voucher differences	665,209	-
Credit items pending reconciliation	-	1,058,323,863
In-transit operations	-	3,000
Other credit items pending reconciliation, equivalent to US$1,037 at June 30, 2016 (Note 4)	-	10,348
	4,957,767,294	2,590,460,299

Point-of-sale transactions payable correspond to the use of points of sale of other financial institutions by Bank customers. Most of these transactions clear in the month following period closing.

At June 30, 2016, credit items pending reconciliation mainly include clearinghouse balances of Bs 1,053,996,085, which clear the next working day after their recording.

At December 31 and June 30, 2016, collection of government and municipal taxes includes national and municipal taxes paid by individuals and corporations to the Tax Authorities on January 2, 2017 and July 6 and 7, 2016, respectively.

Suiche 7B transactions payable correspond to cash withdrawals from teller machines of other financial institutions by Bank customers. Most of these transactions clear in the month following period closing.

At December 31 and June 30, 2016, in-transit operations through SICAD for Bs 209,475 relate to foreign currency trading pending liquidation to individuals awarded in BCV's auctions.

16. Taxes

a) Income tax

The Bank's tax year ends on December 31. The main differences between income/loss recognized for accounting and tax purposes arise from provisions and accruals that are normally tax deductible in subsequent periods, tax-exempt income from National Public Debt Bonds and other securities issued by the Venezuelan government.

Venezuelan Income Tax Law of February 16, 2007 allowed tax losses to be carried forward for 3 years to offset taxable income, except those arising from the annual inflation adjustment, which could be carried forward for only one year. The Reform of the Income Tax Law was published in the Extraordinary Official Gazette on November 18, 2014. The Law establishes, among other things, that net operating losses may be carried forward for 3 years provided that they do not exceed 25% of annual income in each period, whereas uncompensated losses arising from the annual inflation adjustment may not be carried forward to future years. In addition, the Law excludes banking institutions from the tax inflation adjustment provided in it.

The Reform of the Income Tax Law was published in Official Gazette No. 6,210 of December 30, 2015. The main changes of the new Law are: it modifies the availability of income, indicating when income becomes taxable, limiting the requirement of being solely paid to salaries and fortuitous gains; investment tax credits are eliminated; income tax must be withheld when the amount is paid or credited to the account, which is understood as the simple recording of said amount in the payer's accounting records; a tax rate of 40% is established for income derived from banking, financial, insurance or reinsurance activities. This Reform applies to tax years beginning January 1, 2016.

At December 31 and June 30, 2016, the Bank has prepaid income tax of Bs 874,049,476 and Bs 873,852,597, respectively, which is part of other assets and is included under prepaid taxes and subscriptions (Note 11).

Below is a reconciliation between book income and net tax loss for the six-month period ended December 31, 2016:

	(In bolivars)
Statutory tax rate (%)	40
Book income for 2016 before tax	9,272,248,268
Difference between book income and taxable income	
Effect of the annual inflation adjustment	(426,521,394)
Other provisions	130,166,017
Nondeductible provisions	36,150,415
Loan portfolio, net	80,850,187
Interest on loan portfolio and other	9,449,169
Other assets	(245,990,352)
Tax-exempt income, net of related expenses	471,864,934
Investment securities	182,101,076
Tax-exempt interest on investment securities	(2,209,622,452)
Social contributions	24,279,792
Municipal taxes	314,880,612
Exchange gain	140,147,178
Operating loss carryforwards	(7,706,023)
Other effects, net	(72,920,314)
Territorial tax income	7,699,377,113
Extraterritorial tax gain	3,079,750,845

For the year ended December 31, 2016, the Bank recorded current income tax expense of Bs 3,079,750,845, of which Bs 600,000,000 was recorded for the six-month period ended June 30, 2016, according to management bank estimates at that date.

During the six-month period ended December 31, 2016, the Branch recorded estimated income tax expense of US$2,000 (US$1,916 during the six-month period ended June 30, 2016). On June 27, 2013, the Curacao Tax Authorities approved the extension of Tax Ruling No. UR 15-1483 until December 31, 2016; according to this ruling, the Branch must calculate tax payable on the basis of 7% of the costs of its activities since the commencement of Branch operations, except for disbursement costs and interest on debt with a tax rate of 22%. Disbursements include costs of services provided by third parties which are not considered part of the Branch's activities, except for service fees, office and equipment leasing and telecommunication expenses, among others (Note 8).

The tax expense comprises the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Income tax		
Current	2,479,731,735	600,019,110
Deferred	(465,434,509)	133,661,932
	2,014,297,226	733,681,042

At December 31 and June 30, 2016, the Bank maintains an income tax provision of Bs 3,115,881,331 and Bs 636,149,596, which includes US$4,175 and US$2,175, respectively, in connection with the Branch (Note 15).

b) Deferred income tax

Bank management recognizes a deferred tax asset in its financial statements when there is reasonable expectation that future tax results will allow its realization. Furthermore, the Accounting Manual establishes, among other things, that the Bank may not recognize a deferred tax asset for any amount exceeding taxable income (Note 2-i).

Bank management determined and evaluated the deferred tax recorded. The main differences between the tax base and the carrying amount at December 31 and June 30, 2016 relate to the provision for high-risk and uncollectible loans and interest receivable, property and equipment, deferred expenses and sundry provisions. At December 31, 2016, the Bank maintains a deferred tax asset of Bs 440,908,026, included under other assets (Note 11) (deferred tax liability of Bs 24,526,483 at June 30, 2016, shown under accruals and other liabilities (Note 15)).

The components of the deferred tax asset (liability) are as follows:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Assets		
Inflation adjustment for tax purposes pending amortization on property and equipment	379,888,306	-
Other provisions and accruals	275,810,847	116,196,997
Allowance for losses on loan portfolio and provision for interest receivable	30,505,364	7,803,968
	686,204,517	124,000,965
Liabilities		
Deferred losses on mortgage loans	143,658,521	136,160,599
Prepaid expenses	101,637,970	12,366,849
	245,296,491	148,527,448
Deferred income tax asset (liability)	440,908,026	(24,526,483)

The movements in the deferred income tax asset (liability) accounts for the six-month periods ended December 31 and June 30, 2016 are summarized below:

	Inflation adjustment for tax purposes pending amortization on property and equipment	Other provisions and accruals	Allowance for losses on loan portfolio and provision for interest receivable	Deferred losses on mortgage loans	Prepaid expenses	Total deferred tax asset (liability)
			(In bolivars)			
At December 31, 2015	-	104,570,226	4,565,223	-	-	109,135,449
Charged (credited) to the income statement	-	11,626,771	3,238,745	(136,160,599)	(12,366,849)	(133,661,932)
At June 30, 2016	-	116,196,997	7,803,968	(136,160,599)	(12,366,849)	(24,526,483)
Charged (credited) to the income statement	379,888,306	159,613,850	22,701,396	(7,497,922)	(89,271,121)	465,434,509
At December 31, 2016	379,888,306	275,810,847	30,505,364	(143,658,521)	(101,637,970)	440,908,026

c) Transfer pricing

According to transfer-pricing regulations, taxpayers that conduct transactions with related parties abroad are required to calculate income, costs and deductions applying the methodology set out in the Law. The Bank conducts transactions with related parties abroad. At December 31, 2015, the Bank made the transfer-pricing study and determined no impact on taxable income for the year then ended; the study for the year ended December 31, 2016 is currently underway.

d) Tax on economic activities

The Constitution of the Bolivarian Republic of Venezuela and the Municipal Public Power Law set the tax on economic activities that levies gross income from any for-profit economic, industrial and commercial activities or similar services regularly or occasionally performed in the jurisdiction of a municipality in a business establishment, office or physical location.

At December 31 and June 30, 2016, the Bank recorded a tax expense of Bs 586,024,307 and Bs 340,370,920, respectively, in connection with the economic activities conducted in its offices nationwide, shown under general and administrative expenses (Note 19). At December 31, 2016, the balance pending payment in this connection amounts to Bs 424,852,847 (Bs 156,299,509 at June 30, 2016), and is shown under accruals and other liabilities within tax on economic activities and other taxes payable (Note 16).

e) Law on Tax on Large Financial Transactions

On December 30, 2015, the Venezuelan government enacted the Law on Tax on Large Financial Transactions, whose tax rate is 0.75% applicable to operations made by incorporated and unincorporated entities that have been qualified by Seniat's System for Liquidation and Self-liquidation of Customs Duties as special taxpayers and by incorporated and unincorporated entities legally bound to them or that make payments on their behalf. Similarly, Venezuelan banks and financial institutions also pay this tax based on the transactions laid down in the aforementioned Law that give rise to such payment. This tax is effective as from February 1, 2016. During the six-month period ended December 31, 2016, the Bank recognized expenses of Bs 150,999,562 in this connection (Bs 93,910,262 during the six-month period ended June 30, 2016), shown under general and administrative expenses (Note 19).

17. Other operating income

Other operating income comprises the following:

	Six-month periods ended December 31, 2016	Six-month periods ended June 30, 2016
	(In bolivars)	
Service fees (Notes 2-k and 6)	5,002,368,599	1,800,641,242
Gain on sale of investments in available-for-sale securities (Note 5-a)	130,584,560	149,426,979
Gain on foreign currency arbitrage (Note 6)	-	36,908,282
Commissions on trust funds (Note 20)	36,706,163	24,633,743
Exchange gain (Note 4)	666,724	2,175,692
Income from amortization of discount on held-to-maturity investments	857,844	779,060
	5,171,183,890	2,014,564,998

Sundry operating income comprises the following:

	Six-month periods ended December 31, 2016	Six-month periods ended June 30, 2016
	(In bolivars)	
Income from expenses recovered	12,252,802	33,036,802
Other	16,508,320	6,681,003
	28,761,122	39,717,805

18. Other operating expenses

Other operating expenses comprise the following:

	Six-month periods ended December 31, 2016	Six-month periods ended June 30, 2016
	(In bolivars)	
Service fees (Notes 2-k and 16)	1,173,083,817	355,898,778
Amortization of premiums on held-to-maturity investments	58,203,253	64,484,455
Loss on sale of investments in available-for-sale securities (Note 5-a)	30,280,021	37,904,718
Exchange loss (Note 4)	2,648,323	10,922,994
	1,264,215,414	469,210,945

Sundry operating expenses comprise the following:

	Six-month periods ended December 31, 2016	Six-month periods ended June 30, 2016
	(In bolivars)	
Contribution to the National Fund for Communal Councils (Note 11)	116,584,361	109,717,506
Contribution for the Antidrug Law (Note 1)	74,807,642	22,202,276
Contribution for the Law for the Advancement of Science, Technology and Innovation (Note 1)	41,305,440	41,305,440
Contribution for the Sports and Physical Education Law (Note 1)	49,701,959	17,252,809
Provision for other contingencies	-	48,060,136
Provision for other assets (Note 11)	28,950,000	9,984,436
Provision for pending vacation	14,177,211	21,973,203
Other	5,519,818	6,103,617
	331,046,431	276,599,423

19. General and administrative expenses

General and administrative expenses comprise the following:

	Six-month periods ended	
	December 31, 2016	June 30, 2016
	(In bolivars)	
Transportation of valuables and surveillance	2,136,729,519	1,096,026,439
Stationery and office supplies	730,198,756	667,421,641
Maintenance and repairs	989,732,016	478,447,090
Outsourced services	765,330,491	428,549,295
Leases	578,674,017	343,341,491
Tax on economic activities (Note 16)	586,024,307	340,370,920
Depreciation and impairment of property and equipment (Note 10)	523,503,850	329,142,078
Consulting and external audit	586,759,473	301,965,021
Transportation and communications	845,471,762	169,627,913
Amortization of deferred expenses (Note 11)	178,104,337	149,711,099
Infrastructure expenses	153,070,094	124,801,156
Advertising	190,236,086	111,101,516
Tax on Large Financial Transactions (Note 16)	150,999,562	93,910,262
Sundry general expenses	350,064,812	76,866,487
Legal advice	92,896,065	73,397,196
Insurance	71,683,146	46,867,668
Public relations	22,330,904	21,005,130
Utilities	15,868,777	6,926,764
Other taxes and contributions	1,308,051	5,154,446
Other	13,294,419	9,069,673
	8,982,280,444	4,873,703,285

20. Memorandum accounts

Memorandum accounts comprise the following:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Contingent debtor accounts		
Credit card lines of credit (Note 21)	11,647,415,283	10,039,333,770
Purchases of financial futures (Note 5-c)	1,768,517,000	-
Guarantees granted, includes US$4,790,873 (Note 21)	242,907,069	235,513,600
Letters of credit issued but not negotiated, includes US$346,072 (US$2,927,917 at June 30, 2016) (Note 21)	4,072,461	29,826,362
Lines of credit for discounts and factoring (Note 21)	30,290,805	22,563,205
	13,693,202,618	10,327,236,937
Assets received in trust (Note 2)	8,152,252,855	5,020,694,030
Debtor accounts from other special trust services (Housing Loan System)	3,395,569,053	2,175,397,376

	December 31, 2016	June 30, 2016
	(In bolivars)	
Other debtor memorandum accounts		
Guarantees received, includes US$88,214,482 (US$90,346,312 at June 30, 2016)	504,375,474,112	275,232,815,322
Lines of credit available, includes US$500,000 at December 31, 2016	56,482,467,241	32,588,779,844
Assets held in custody, includes US$140,299,976 (US$258,723,415 at June 30, 2016)	6,271,734,927	7,167,923,977
Uncollectible accounts written off	352,403,443	328,885,895
Deferred interest receivable on loans overdue and in litigation, includes US$127,069 (US$92,503 at June 30, 2016) (Note 6)	64,195,774	42,504,598
Collections in foreign currency, equivalent to US$1,664,007 (US$6,810,323 at June 30, 2016) (Note 4)	16,598,470	67,932,968
Guarantees on collateral granted	67,544,339	103,132,668
Guarantees in foreign currency, equivalent to US$3,753,293 (US$7,221,259 at June 30, 2016)	37,439,103	72,032,060
Performance bonds from suppliers	12,116,800	70,161,159
Securities held by other financial institutions, includes US$11,378,024 (US$13,854,500 at June 30, 2016)	113,495,787	138,198,638
Debt reconciling and written off items, includes US$537,238 and €9,047 (US$368,631 and €9,047 at June 30, 2016)	102,891,978	99,059,142
Personal and real property written off (Note 9)	17,662,247	17,662,247
Taxes receivable	1,616,964	1,616,964
Currency awarded through SICAD, equivalent to US$23,684	236,250	236,250
Other, includes US$79,255 at December 31, 2016	3,089,872	2,207,156
	567,918,967,307	315,933,148,888
	593,159,991,833	333,456,477,231

At December 31 and June 30, 2016, securities in custody of other financial institutions of Bs 113,495,787 and Bs 138,198,638, respectively, are held in Commerzbank, A.G.

At December 31, 2016, in accordance with the Accounting Manual, the Bank has set aside a general and specific provision for contingent debtor accounts of Bs 2,067,662 (Bs 2,653,400 at June 30, 2016), shown under accruals and other liabilities (Note 15).

Below is a breakdown of assets received in trust:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Type of trust fund		
Length-of-service benefits	7,545,261,475	4,321,376,837
Administration	353,356,723	447,003,051
Investment	253,634,657	252,314,142
	8,152,252,855	5,020,694,030

At December 31, 2016, combined trust fund assets include Bs 3,082,454,997 in respect of trust funds opened by government agencies, representing 37.81% of total assets received in trust (Bs 2,276,275,732, representing 45.34% at June 30, 2016).

Combined trust fund accounts include the following balances, according to the financial statements of the trust:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Assets		
Cash and due from banks (Note 12)	1,504,365,388	167,649,667
Investment securities	3,436,855,918	2,684,461,426
Loan portfolio	3,072,138,814	2,075,656,863
Loans and advances to beneficiaries of length-of-service benefits	3,072,132,387	2,075,650,134
Loans receivable	6,427	6,729
Interest receivable on investment securities	63,482,710	47,146,785
Other assets	75,410,025	45,779,289
Total assets	8,152,252,855	5,020,694,030
Liabilities and Equity		
Liabilities		
Other liabilities	10,440,339	8,129,469
Total liabilities	10,440,339	8,129,469
Equity		
Capital assigned to trusts	7,819,469,400	4,831,933,752
Retained earnings	322,343,116	180,630,809
Total equity	8,141,812,516	5,012,564,561
Total liabilities and equity	8,152,252,855	5,020,694,030

At December 31 and June 30, 2016, cash and due from banks includes Bs 1,504,365,388 and Bs 167,649,667, respectively, related to funds received from trust fund operations that are managed through checking accounts with the Bank and are used to receive or pay all funds, they earn 6% annual interest (Note 12). During the six-month period ended December 31 and June 30, 2016, the Bank's trust fund earned income of Bs 12,074,775 and Bs 7,408,320, respectively, from cash and due from banks.

Investment securities included in trust fund accounts, recorded at amortized cost, comprise the following:

	December 31, 2016			
	Acquisition cost	Amortized cost	Fair value	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Vebonos, with a par value of Bs 1,016,867,000, annual yield between 9.4% and 15.79%, maturing between March 2017 and July 2033	1,152,630,799	1,117,861,128	1,243,672,193	(1) - (a)
Fixed Interest Bond (TIFs), with a par value of Bs 984,415,750, annual yield between 14.5% and 18%, maturing between April 2018 and March 2033	937,476,903	921,293,388	1,015,488,157	(1) - (a)
	2,090,107,702	2,039,154,516	2,259,160,350	
Debt securities issued by Venezuelan non-financial private-sector companies				
Debenture bonds				
Corporación Grupo Químico, C.A., with a par value of Bs 350,000,000, 18% annual yield, maturing in September 2019	350,000,000	350,000,000	350,000,000	(2) - (b)
Inelectra, S.A.C.A., with a par value of Bs 300,000,000, 19% annual yield, maturing in December 2019	300,000,000	300,000,000	300,000,000	(2) - (b)
Cerámica Carabobo, S.A., with a par value of Bs 250,000,000, 15% annual yield, maturing in February 2019	250,000,000	250,000,000	250,000,000	(2) - (b)
Toyota Services de Venezuela, C.A., with a par value of Bs 120,000,000, 18.5% annual yield, maturing in October 2021	120,000,000	120,000,000	120,000,000	(2) - (b)
Corporación Digitel, C.A., with a par value of Bs 90,284,000, annual yield between 16.55% and 17.03%, maturing between November 2017 and 2018	90,436,840	90,319,736	90,284,000	(2) - (b)
FVI Fondo de Valores Inmobiliarios, with a par value of Bs 70,000,000, annual yield between 8.71% and 8.62%, maturing between September 2017 and May 2022	70,000,000	70,000,000	70,000,000	(2) - (b)
Netuno, C.A., with a par value of Bs 5,000,000, 14% annual yield, maturing in January 2018	5,000,000	5,000,000	5,000,000	(2) - (b)
	1,185,436,840	1,185,319,736	1,185,284,000	

	December 31, 2016			
	Acquisition cost	**Amortized cost**	**Fair value**	
		(In bolivars)		
Debt securities issued by Venezuelan financial private-sector companies				
Banco Caroní, C.A. Banco Universal, with a par value of Bs 106,926,437, 13.5% annual yield, maturing in January 2017	106,926,437	106,926,437	106,926,437	(2) - (d)
Banco Occidental de Descuento, Banco Universal, C.A., with a par value of Bs 73,727,453, 14.5% annual yield, maturing in August 2016	73,727,453	73,727,453	73,727,453	(2) - (c)
100% Banco, C.A., Banco Universal, with a par value of Bs 31,727,776, 14.5% annual yield, maturing in January 2017	31,727,776	31,727,776	31,727,776	(2) - (e)
	212,381,666	212,381,666	212,381,666	
	3,487,926,208	3,436,855,918	3,656,826,016	

	June 30, 2016			
	Acquisition cost	**Amortized cost**	**Fair value**	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Vebonos, with a par value of Bs 1,016,867,000, annual yield at between 9.84% and 16.20%, maturing between March 2017 and June 2032	1,052,166,028	1,025,629,190	1,078,093,595	(1) (a)
Fixed Interest Bond (TIFs), with a par value of Bs 984,415,750, annual yield between 9.88% and 18.00%, maturing between September 2016 and March 2032	1,091,603,198	1,074,523,371	1,125,938,442	(1) (a)
	2,143,769,226	2,100,152,561	2,204,032,037	
Debt securities issued by Venezuelan non-financial private-sector companies				
Debenture bonds				
FVI Fondo de Valores Inmobiliarios, with a par value of Bs 70,000,000, annual yield between 9.12% and 12%, maturing between September 2017 and May 2022	70,000,000	70,000,000	70,000,000	(2) (b)
Netuno, C.A. with a par value of Bs 5,000,000, 14% annual yield, maturing in January 2018	5,000,000	5,000,000	5,000,000	(2) (b)
Corporación Digitel, C.A., with a par value Bs 90,284,000, annual yield between 15.77% and 16.20%, maturing between November 2017 and 2018	90,436,840	90,339,529	90,284,000	(2) (b)
Cerámica Carabobo, S.A., with a par value Bs 250,000,000, 15% annual yield, maturing in February 2019	250,000,000	250,000,000	250,000,000	(2) (b)
	415,436,840	415,339,529	415,284,000	
Debt securities issued by Venezuelan financial private-sector companies				
Banco Occidental de Descuento, Banco Universal, C.A., with a par value of Bs 63,808,284, 14.5% annual yield, maturing in August 2016	68,643,086	68,643,086	68,643,086	(2) (c)
Banco Caroní, Banco Universal, with a par value of Bs 100,326,250, 13.5% annual yield, maturing in July 2016	100,326,250	100,326,250	100,326,250	(2) (d)
	168,969,336	168,969,336	168,969,336	
	2,728,175,402	2,684,461,426	2,788,285,373	

(1) Fair value determined from trading operations on the secondary market or from the present value of estimated future cash flows.

(2) Corresponds to par value, which is considered as fair market value.

Custodians of investments
(a) Banco Central de Venezuela
(b) Caja Venezolana de Valores, S.A.
(c) Banco Occidental de Descuento, Banco Universal, C.A.
(d) Banco Caroní, C.A. Banco Universal
(e) 100% Banco, C.A., Banco Universal

Below is the classification of investment securities according to maturity:

	December 31, 2016		June 30, 2016	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
		(In bolivars)		
Up to 6 months	215,935,278	215,994,112	240,551,754	241,687,242
6 months to 1 year	39,319,736	39,665,252	7,095,292	7,465,894
1 to 5 years	1,626,495,945	1,694,531,413	1,021,997,281	1,088,624,240
Over 5 years	1,555,104,959	1,706,635,239	1,414,817,099	1,450,507,997
	3,436,855,918	3,656,826,016	2,684,461,426	2,788,285,373

At December 31, 2016, interest receivable on investment securities amounts to Bs 63,482,710 (Bs 47,146,785 at June 30, 2016).

At December 31 and June 30, 2016, loans and advances to beneficiaries of the length-of-service benefit trust fund are in respect of loans and advances granted to employees guaranteed by their length-of-service benefits deposited in the trust fund. These interest-free and short-term loans are in respect of length-of-service benefit trust fund plans of public and private-sector companies.

At December 31, 2016, loans and advances to beneficiaries of the length-of-service benefit trust fund include Bs 262,227,081 (Bs 169,157,173 at June 30, 2016) from Bank employees; Bs 1,603,622,241 from private length-of-service benefit trust funds, and Bs 1,206,283,065 from government agencies (Bs 974,659,551 and Bs 931,833,410, respectively, at June 30, 2016).

At December 31 and June 30, 2016, fiduciary remuneration payable to the Bank amounts to Bs 6,806,482 and Bs 4,463,152, respectively, and is included under other liabilities. This remuneration is calculated on the monthly average capital of the trust fund and is deducted from the product or capital, depending on the terms of the contract (Note 7). Furthermore, the commission paid by the trust fund and the trustors to the Bank during the six-month period ended December 31, 2016 amounted to Bs 36,706,163 (Bs 24,633,743 during the six-month period ended June 30, 2016) (Note 17).

At December 31, 2016, length-of-service benefit trust funds in favor of Bank employees amount to Bs 638,303,688 (Bs 427,147,595 at June 30, 2016).

The National Treasury Office published in Official Gazette No. 40,172 of May 22, 2013, Resolution No. 0010 “Administrative Ruling regulating the refund to the Treasury of amounts credited to trust funds set up by the Venezuelan government and its decentralized agencies that have been inactive for over four months.” This Resolution establishes that bodies and agencies of the Venezuelan government that have set up trust funds with budgetary resources at public or private banks without having made the corresponding disbursements or payments for periods equal or over four months, with the exception of labor trust funds, shall refund to the National Treasury account both the trust fund capital and the dividends generated. At December 31 and June 30, 2016, the Venezuelan government or its decentralized agencies have not set up trust funds at the Bank.

Debtor accounts from other special trust services (Housing Loan System) and Housing Savings Fund comprise the following:

	December 31, 2016	**June 30, 2016**
	(In bolivars)	
Assets		
Cash and due from banks (Note 13)	2,676,717	5,484,244
Investment securities	3,236,309,831	2,003,811,369
Loan portfolio	156,137,974	165,639,975
Interest receivable	332,336	349,593
Other assets	112,195	112,195
Total assets	3,395,569,053	2,175,397,376
Liabilities		
Contributions to the Housing Savings Fund	3,099,971,482	1,886,251,817
Liabilities to BANAVIH	241,413,362	238,532,215
Total liabilities	3,341,384,844	2,124,784,032
Income	54,184,209	50,613,344
Total liabilities and income	3,395,569,053	2,175,397,376

Housing programs, direct subsidies, eligibility schemes, the Guarantee Fund and the Rescue Fund are subject to the Housing Loan Law. They are aimed mostly at families applying for housing loans through the Housing Mutual Fund. Financial institutions authorized by BANAHIV to act as financial operators receive monthly contributions from employers, employees and workers in the private and public sectors to be deposited in a Housing Mutual Fund account on behalf of each employee. These funds will be used to grant short and long-term mortgages for acquisition, construction or improvement of primary residences.

At December 31, 2016, the Bank has an investment trust in BANAVIH for Bs 3,236,309,831 (Bs 2,003,811,369 at June 30, 2016) in respect of funds from deposits under the Housing Loan Law collected and transferred by the Bank, shown as investment securities in conformity with the Accounting Manual.

According to the Housing Loan Law, monthly mortgage loan repayments will represent between 5% and 20% of the monthly family income. In addition, these loans will bear interest at the social interest rate set by the People's Power Ministry for Housing.

At December 31, 2016, the Bank has granted loans out of BANAVIH resources of Bs 156,137,974 (Bs 165,639,975 at June 30, 2016). These loans bear annual interest between 4.66% and 8.55%.

At December 31, 2016, the Housing Savings Fund has 1,589 debtors (1,649 debtors at June 30, 2016).

During the six-month period ended December 31, 2016, the Bank recorded income of Bs 680,424 (Bs 578,207 during the six-month period ended June 30, 2016) from commissions charged to BANAVIH for the administration of resources related to the Mandatory Housing Savings Fund, shown under interest income.

21. Financial instruments with off-balance sheet risk

Credit-related financial instruments

The Bank has outstanding commitments related to letters of credit, guarantees granted and lines of credit to meet the needs of its customers. Since many of its credit commitments may expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements. Commitments to extend credit, letters of credit and guarantees granted by the Bank are recorded under memorandum accounts.

a) Guarantees granted

After conducting a credit risk analysis, the Bank provides guarantees to certain customers within their line of credit; they are issued to a beneficiary who may execute the guarantee if the customer fails to comply with the terms of the agreement. At December 31 and June 30, 2016, these guarantees earned annual commissions of 1%. These commissions are recorded monthly while the guarantees are in force.

At December 31, 2016, Bank guarantees amount to Bs 242,907,069 (Bs 235,513,600 at June 30, 2016) (Note 20).

b) Credit limits

Credit limit contractual agreements are granted to customers subject to prior credit risk assessments and, if needed, obtention of any guarantee required by the Bank to cover risk for each customer. These agreements are for specific periods, provided that customers do not default on the terms set forth therein (Note 20). The Bank may exercise its option to cancel a credit commitment with a particular customer.

c) Letters of credit
Letters of credit usually mature within 90 days, and are renewable. They are generally issued to finance a trade agreement for the shipment of goods from a seller to a buyer. At December 31 and June 30, 2016, the Bank charged a commission of between 0.5% and 2% on the amount of letters of credit. Unused letters of credit at December 31, 2016 amount to Bs 4,072,461 (Bs 29,826,362 at June 30, 2016) (Note 20).

The Bank's exposure to credit loss in the event of noncompliance by customers with terms for extended credit, letters of credit and written guarantees is represented by the notional contractual amounts of these credit-related instruments. The credit policies applied by the Bank for these commitments are the same as those for granting loans.

In general, the Bank evaluates customer eligibility before granting credit. The amount of collateral provided, if required by the Bank, is based on customer credit assessment. The type of collateral varies, but may include accounts receivable, property and equipment and investment securities.

22. Equity

a) Capital stock and authorized capital
At December 31 and June 30, 2016, the Bank's paid-in capital amounts to Bs 2,471,930,372 and Bs 1,621,930,372, respectively, represented by 2,471,930,372 and 1,621,930,372 non-convertible common shares of the same class with a par value of Bs 1 each, fully subscribed and paid-in. The Bank complies with the minimum capital required under the current legislation.

At a Regular Shareholders' Meeting held on March 25, 2015, it was resolved to declare and pay dividends, and to increase capital to up to Bs 300,000,000 as stock dividends with a charge to restricted surplus. On October 20, 2015, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-33311 authorizing the aforementioned capital increase. Through Resolution No. 010/2016 of February 15, 2016, the SNV authorized the public offering and listing of shares in the National Securities Registry.

At a Special Shareholders' Meeting held on March 25, 2015, it was resolved to increase capital to up to Bs 400,000,000, through the public offering of non-convertible common shares with a par value of Bs 1 at a premium. On October 5, 2015, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-32006 authorizing the capital increase. On November 18, 2015, through Notice DSNV-CJU-3250, the SNV issued a statement and clarification in response to the Bank's request and allowed the reception of the voluntary contributions made by the shareholders before receiving its authorization. On May 23, 2016, through Resolution No. 016/2016, the SNV authorized the public offering and listing of shares in the National Securities Registry. During the six-month periods ended December 31 and June 30, 2016, the Bank received contributions in this connection from its shareholders for Bs 1,923,320,878 and Bs 1,178,979,459, respectively, shown under contributions pending capitalization.

At a Regular Shareholders' Meeting held on September 28, 2015, it was resolved to declare and pay dividends, and to increase capital to up to Bs 450,000,000 as stock dividends with a charge to restricted surplus. On July 28, 2016, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-21534 authorizing the capital increase. On November 16, 2016, through Resolution No. 035/2016, the SNV authorized the public offering and listing of shares in the National Securities Registry.

At a Regular Shareholders' Meeting held on March 30, 2016, it was resolved to declare and pay dividends for Bs 560,000,000, to be distributed as follows: Bs 140,000,000 payable in cash with a charge to unappropriated surplus, and Bs 420,000,000 through a stock dividend payable with a charge to restricted surplus. Through Notice SIB-II-GGIBPV-GIBPV4-13040 dated April 29, 2016, SUDEBAN instructed the Bank to record a cash dividend payable. At June 30, 2016, the Bank recorded cash dividends payable of Bs 140,000,000 under accruals and other liabilities (Note 15). On October 5, 2016, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-26867 authorizing the capital increase. Additionally, in the aforementioned Notice, SUDEBAN authorized the Bank to record a cash dividend payable of Bs 140,000.000 in equity under share premium and paid-in surplus, taking into consideration that at the aforementioned Regular Shareholders' Meeting it was unanimously resolved to provide the resources to increase the Bank's capital stock. On January 26, 2017, through Resolution No. 003/2017, the SNV authorized the public offering and listing of shares in the National Securities Registry.

At a Regular Shareholders' Meeting held on September 28, 2016, it was resolved to declare and pay dividends for Bs 660,000,000, to be distributed as follows: Bs 165,000,000 payable in cash with a charge to unappropriated surplus, and Bs 495,000,000 through a stock dividend payable with a charge to restricted surplus. On October 28, 2016, through Notice SIB-II-GGIBPV-GIBPV4-29452, SUDEBAN authorized the Bank to record the cash dividend of Bs 165,000,000 in equity under share premium and paid-in surplus, taking into consideration that at the aforementioned Regular Shareholders' Meeting it was unanimously resolved to provide the resources to increase the Bank's capital stock. To date, the Bank is awaiting a response from SUDEBAN and the SNV.

Subsequent event
At a Special Shareholders' Meeting held on January 25, 2017, it was resolved to increase capital to up to Bs 200,000,000, through the public offering of non-convertible common shares with a par value of Bs 1 at a premium. To date, the Bank is awaiting a response from SUDEBAN and the SNV.

Shares subscribed by shareholders for the six-month periods ended December 31 and June 30, 2016 are identified as non-convertible common shares as follows:

	December 31, 2016		June 30, 2016	
	Number of shares	Equity %	Number of shares	Equity %
Shareholders				
Nogueroles García, Jorge Luis	236,065,374	9.5498	154,823,604	9.5456
Valores Torre Casa, C.A.	175,197,356	7.0875	87,217,524	5.3774
Nogueroles López, José María	160,305,442	6.4850	104,261,563	6.4282
Halabi Harb, Anuar	144,342,476	5.8393	94,640,616	5.8351
Alintio International, S.L.	122,380,563	4.9508	80,230,545	4.9466
Curbelo Pérez, Juan Ramón	97,602,694	3.9484	63,972,814	3.9442
Zasuma Inversiones, C.A.	94,942,085	3.8408	62,227,084	3.8366
De Guruceaga López, Gonzalo Francisco	93,761,644	3.7931	61,452,550	3.7889
Inversiones Clatal, C.A.	76,460,696	3.0932	51,544,625	3.1780
Osio Montiel, Carmen Inés	64,212,448	2.5977	40,093,006	2.4719
Kozma Solymosy, Nicolás A.	52,879,631	2.1392	24,545,236	1.5133
Tamayo Degwitz, Carlos Enrique	46,106,079	1.8652	30,183,867	1.8610
Inversiones Tosuman, C.A.	46,092,824	1.8646	30,175,170	1.8604
Teleacción A.C., C.A.	44,688,956	1.8079	30,175,157	1.8604
Inversiones Grial, C.A.	42,690,584	1.7270	18,871,619	1.1635
García Arroyo, Sagrario	42,273,120	1.7101	27,668,912	1.7059
Puig Miret, Jaime	34,521,751	1.3966	25,018,015	1.5425
Consorcio Toyomarca, S.A. (Toyomarca, S.A.)	34,391,526	1.3913	22,565,629	1.3913
Somoza Mosquera, David	34,032,873	1.3768	16,085,461	0.9917
Kozma Ingenuo, Alejandro Nicolás	31,259,517	1.2646	25,483,968	1.5712
Kozma Ingenuo, Carolina María	31,259,517	1.2646	25,483,968	1.5712
Chaar, Mouada	28,079,647	1.1359	18,424,157	1.1359
Inversiones Fernández, S.A.	27,284,811	1.1038	17,834,496	1.0996
Nogueroles García, María Monstserrat	27,244,507	1.1022	17,808,050	1.0980
Herrera de la Sota, Mercedes de la Concepción	24,549,893	0.9931	16,040,009	0.9889
Eurobuilding Internacional, C.A.	23,436,581	0.9481	15,309,521	0.9439
Valores Agropecuarios La Florida, C.A.	22,846,991	0.9243	-	-
Benacerraf Herrera, Andrés Gonzalo	22,341,775	0.9038	14,591,176	0.8996
Benacerraf Herrera, Mercedes Cecilia	22,341,775	0.9038	14,591,176	0.8996
Benacerraf Herrera, Jorge Fortunato	22,311,567	0.9026	14,571,355	0.8984
Valores Abezur, C.A.	21,878,295	0.8851	14,355,207	0.8851
Grupo Inmobiliario Gonariz, C.A.	17,430,874	0.7052	11,437,080	0.7052
Cedeño, Eligio	17,422,465	0.7048	14,250,811	0.8786
Promociones Ojinaga, C.A.	17,078,646	0.6909	8,386,722	0.5171
Mota Sánchez y Cia., S.A. (MOTASA)	16,122,154	0.6522	10,578,378	0.6522
Other	456,093,235	18.4507	357,031,301	22.0130
	2,471,930,372	100.0000	1,621,930,372	100.0000

b) Capital reserves and retained earnings

Based on the provisions set out in its bylaws and the Law on Banking Sector Institutions, the Bank makes an appropriation to the legal reserve every 6 months equivalent to 20% of its biannual net income until the reserve reaches 50% of its capital stock. Once the legal reserve reaches this amount, the Bank's appropriation to the legal reserve will be 10% of its biannual net income until the reserve covers 100% of its capital stock.

At December 31 and June 30, 2016, capital reserves include Bs 996,124 in respect of voluntary reserves.

On March 30, 2011, through Notice SIB-II-GGIBPV-GIBPV2-07778, SUDEBAN informed the Bank that income from Branch operations should be considered restricted surplus. During the six-month period ended June 30, 2016, the Bank reclassified Branch loss of Bs 120,575,601, corresponding to Branch results for the six-month period then ended.

Resolution No. 305.11 issued by SUDEBAN on November 28, 2011 was published in Official Gazette No. 39,820 on December 14, 2011. This Resolution relates to the "Regulations Governing the Social Contingency Fund" and establishes the guidelines to account for the social fund, in conformity with Article No. 45 of the Law on Banking Sector Institutions.

On March 23, 2012, the Bank created the social fund through an investment trust fund with Banco Exterior, C.A. Banco Universal, in conformity with Resolution No. 305.11. The Bank made the respective accounting entries with a charge to restricted investments (Note 5-d) and a credit to cash maintained with the BCV.

At December 31, 2016, the Bank recorded the social contingency fund of Bs 12,359,652, which includes capital and interest (Bs 9,765,571 at June 30, 2016), with a charge to unappropriated surplus and a credit to capital reserves. On January 10, 2017, the Bank transferred Bs 10,456,397 to the investment trust fund with Banco Exterior, C.A. Banco Universal and made the accounting record with a debit to restricted investments and a credit to cash maintained at the BCV (Bs 8,109,652 on July 7, 2016 during the six-month period ended June 30, 2016). Furthermore, at December 31, 2016, the Bank capitalized Bs 1,903,255 in connection with interest income, net generated by this trust fund (Bs 1,688,919 at June 30, 2016).

In compliance with SUDEBAN Resolution No. 329.99, during the six-month period ended December 31, 2016, the Bank reclassified Bs 1,968,889,674 (Bs 719,111,376 at June 30, 2016) to restricted surplus, equivalent to 50% of income for the six-month period, net of appropriations to reserves and Branch income. At December 31 and June 30, 2016, restricted surplus amounts to Bs 3,388,569,935 and Bs 1,869,760,261, respectively. These amounts may be used for capital stock increase, but not for cash dividend distribution.

Below is the movement in restricted surplus balances:

	Resolution No 329.99
	(In bolivars)
Balance at December 31, 2015	1,450,648,885
Capital increase through stock dividends declared	(300,000,000)
Appropriation of 50% of income for the period	719,111,376
Balance at June 30, 2016	1,869,760,261
Capital increase through stock dividends declared	(450,000,000)
Appropriation of 50% of income for the period	1,968,889,674
Balance at December 31, 2016	3,388,649,935

c) Exchange gain from holding foreign currency assets and liabilities
At December 31 and June 30, 2016, exchange gain from holding foreign currency assets and liabilities comprises the following:

	(In bolivars)
Balance at December 31, 2015	2,851,100,572
Net gain on sale of foreign currency assets through DICOM (Note 5)	729,874,147
Net exchange gain	235,306,988
Balance at June 30, 2016	3,816,281,707
Net gain on sale of foreign currency assets through DICOM (Note 5)	1,469,164,622
Balance at December 31, 2016	5,285,446,329

Through Resolution No. 048.14 of April 1, 2014, SUDEBAN established the rules to record net benefits obtained by banking institutions from transactions as bidders in SIMADI (currently DICOM), these benefits shall be recorded in equity under exchange gain from holding foreign currency assets and liabilities.

d) Risk-based capital ratio
Through Resolution No. 305.09 of July 2009, SUDEBAN establishes the following in connection with total risk-based capital ratio: a) contributions pending capitalization and treasury stock are considered as primary equity (Tier 1); b) goodwill and investments in Venezuelan financial subsidiaries or affiliates must be deducted from the primary equity (Tier 1); and c) 50% of pending cash items, overnight deposits and deposits and credits related to microcredits, agriculture, manufacturing and tourism activities must be included into the risk category. Furthermore, this Resolution establishes a new 75% risk weighting applicable to overnight deposits in local currency.

Through Resolution No. 117.14 of August 9, 2014, SUDEBAN established that banking institutions should maintain the capital to risk asset ratio provided in Article No. 6 of Resolution No. 305.09 dated July 9, 2009 in no less than 9%.

Through Circular SIB-II-GGR-GNP-33498 of October 22, 2015, SUDEBAN, allowed the exclusion from total assets of legal reserve balances maintained.

Through Circular SIB-II-GGR-GNP-28283 of October 20, 2016, SUDEBAN informed banking institutions that Agriculture BANDES Certificates of Participation maturing in September 2017 will exceptionally be computed as 0% risk-weighted items to calculate total risk-based capital ratio. Furthermore, to calculate capital to risk asset ratio, the amount of this investment should be deducted from total assets.

Through Circular SIB-II-GGR-GNP-34903 of December 30, 2016, SUDEBAN granted the following regulatory exceptions applicable to indicators for the December 31, 2016 closing: a) to calculate capital to risk asset ratio, pending cash items, as well as the monthly variation of cash under cash and due from banks, will temporarily be deducted from total assets; b) to calculate total risk-based capital ratio, pending cash items will exceptionally be computed as 0% risk-weighted items.

At December 31 and June 30, 2016, the minimum total risk-based capital and equity-to-total assets will be 12% and 9%, respectively.

At December 31 and June 30, 2016, the Bank calculates the total risk-based capital ratio and capital to risk asset ratio in conformity with current regulations.

Ratios required and maintained by the Bank, in accordance with SUDEBAN rules, have been calculated based on its published financial statements, as indicated below:

	December 31, 2016		June 30, 2016	
	Required %	Maintained %	Required %	Maintained %
Total risk-based capital	12	11.13	12	14.18
Equity-to-total assets	9	10.24	9	12.25

23. Balances and transactions with related companies

In the ordinary course of business, the Bank conducts commercial transactions with related companies. Because of those relationships, certain transactions may have taken place on terms other than those that would characterize transactions between unrelated companies.

A breakdown of the Bank's balances and transactions with its related company BNC International Banking Corporation is provided below:

	December 31, 2016	June 30, 2016
	(In bolivars)	
Assets		
Cash and due from banks		
Foreign and correspondent banks, equivalent to US$89,952 (US$20,343 at June 30, 2016)	897,273	202,926
Liabilities		
Borrowings (Note 13)		
Interest-bearing checking accounts, with 0.25% annual interest	144,102	943,046
Expenses for the period		
Interest expense		
Expenses from borrowings	1,056	1,191

24. Social Bank Deposit Protection Fund

The Social Bank Deposit Protection Fund (FOGADE), among other things, aims to guarantee customer deposits with Venezuelan financial institutions up to a given amount per depositor.

The Law on Banking Sector Institutions requires private banks regulated by this Law to pay a special fee to support FOGADE operations.

The biannual fee is equivalent to 0.75% of the total amount of customer deposits at the end of each semester prior to the payment date, calculated in accordance with instructions issued by FOGADE and paid to FOGADE through monthly premiums equivalent to one-sixth of 0.75%. This fee is shown under operating expenses.

25. Special fee paid to the Superintendency of Banking Sector Institutions

The Law on Banking Sector Institutions requires Venezuelan banks and financial institutions regulated by this Law to pay a special fee to support SUDEBAN operations.

At December 31 and June 30, 2016, the biannual fee is 0.08% of the average of the Bank's assets; it is payable monthly. This fee is shown under operating expenses.

Through Resolution No. 114.16 of June 30, 2016, SUDEBAN established that the contribution for the second semester of 2016, payable by private banking institutions subject to the supervision and control of this Superintendency within the first five business days of each month, is 0.08% of the Bank's average assets at the May and June 2016 month-end.

26. Legal reserve

The Law on Banking Sector Institutions requires financial institutions to maintain a minimum legal reserve deposit and the BCV is in charge of monitoring compliance, setting the legal reserve rate and the rules for its constitution, as well as imposing sanctions for noncompliance.

Accordingly, through Resolution No. 14-03-02 of March 13, 2014, the BCV requires financial institutions to maintain a minimum legal reserve deposit at such institute equal to a percentage of their placements, deposits, liabilities and investments assigned, excluding liabilities with the BCV, FOGADE and other financial institutions; liabilities arising from funds received from the Venezuelan government, local or foreign entities to finance special programs in the country (once these funds have been allocated); liabilities arising from funds received from financial institutions to finance and promote exports as required by Law (once these funds have been allocated); and liabilities in foreign currency resulting from its offices abroad and those resulting from transactions with other banks and financial institutions for which the latter have, in turn, created a reserve pursuant to the legal reserve regulations. Liabilities arising from resources provided by Mandatory Housing Savings Funds required under the Venezuelan Housing Loan Law and managed by financial institutions in trust funds will not be computed. In addition, through Resolutions Nos. 12-05-02 and 13-04-01 published in Official Gazettes Nos. 39,933 and 40,155 on May 29, 2012 and on April 26, 2013, respectively, the BCV reduced the legal reserve amount to be allocated by financial institutions that purchased dematerialized certificates of participation issued by the Simón Bolívar Fund by the balance of such certificates. For the six-month periods ended December 31 and June 30, 2016, the Bank maintains Bs 6,087,030,691 and Bs 1,883,890,472, respectively, in this connection (Note 5-b).

The legal reserve must be maintained in legal tender, regardless of the currency of the transactions from which it originated (Note 3).

27. Contingencies

At December 31 and June 30, 2016, the Bank is defendant in the following legal proceedings:

Labor

The Bank has received legal claims from individuals in respect of length-of-service and other labor-related benefits amounting to Bs 58,333,964 and Bs 58,253,965 at December 31 and June 30, 2016, respectively. In the opinion of Bank management and its external legal advisors, these claims are not well grounded in law and, therefore, should not have a material adverse effect on the Bank's financial position and results of operations.

Bank management and its legal advisors believe that most of these assessments are not well grounded in law and, consequently, that the outcome of these claims will be favorable to the Bank. At December 31 and June 30, 2016, the Bank has set aside no provision in this connection.

Except for the aforementioned assessments, management is not aware of any other pending tax, labor or other claim that may have a significant effect on the Bank's financial position or result of operations.

28. Maturity of financial assets and liabilities

Below is a breakdown of the estimated maturity of financial assets and liabilities:

	December 31, 2016							
	Maturity							
	June 30, 2017	December 31, 2017	June 30, 2018	December 31, 2018	June 30, 2019	December 31, 2019	Beyond December 31 2019	Total
	(In bolivars)							
Assets								
Cash and due from banks	145,770,980,498	-	-	-	-	-	-	145,770,980,498
Investment securities	2,858,320,150	10,519,115,440	1,061,369,627	210,613,339	789,025,155	49,979,669	21,588,250,373	37,076,673,753
Loan portfolio	179,977,416,976	28,384,344,430	11,600,644,338	4,710,858,578	7,320,652,898	9,949,701,876	12,363,555,052	254,307,174,148
Interest and commissions receivable	2,328,043,291	-	-	-	-	-	-	2,328,043,291
	330,934,760,915	38,903,459,870	12,662,013,965	4,921,471,917	8,109,678,053	9,999,681,545	33,951,805,425	439,482,871,690
Liabilities								
Customer deposits	422,333,353,046	11,998,000	2,650,000	-	-	-	-	422,348,001,046
Borrowings	83,417,106	-	-	-	-	-	-	83,417,106
Interest and commissions payable	179,600,591	-	-	-	-	-	-	179,600,591
	422,596,370,743	11,998,000	2,650,000	-	-	-	-	422,611,018,743

	June 30, 2016							
	Maturity							
	December 31, 2016	June 30, 2017	December 31, 2017	June 30, 2018	December 31, 2018	June 30, 2019	Beyond June 30, 2019	Total
	(In bolivars)							
Assets								
Cash and due from banks	67,106,037,756	-	-	-	-	-	-	67,106,037,756
Investment securities	901,479,161	777,291,680	126,799,856	480,590,638	215,618,036	322,276,883	14,640,391,701	17,464,447,955
Loan portfolio	70,373,748,670	19,797,840,015	4,350,647,067	5,112,601,131	2,249,388,016	7,669,486,665	9,681,426,472	119,235,138,036
Interest and commissions receivable	1,340,377,644	-	-	-	-	-	-	1,340,377,644
	139,721,643,231	20,575,131,695	4,477,446,923	5,593,191,769	2,465,006,052	7,991,763,548	24,321,818,173	205,146,001,391
Liabilities								
Customer deposits	147,276,378,735	25,432,475	-	2,650,000	-	-	-	147,304,461,210
Borrowings	124,888,044	-	-	-	-	-	-	124,888,044
Interest and commissions payable	307,840,762	-	-	-	-	-	-	307,840,762
	147,709,107,541	25,432,475	-	2,650,000	-	-	-	147,737,190,016

29. Fair value of financial instruments

The estimated fair value of the Bank's financial instruments, their book value, and the main assumptions and methodology used to estimate their fair values are shown below:

	December 31, 2016		June 30, 2016	
	Book value	Estimated fair value	Book value	Estimated fair value
	(In bolivars)			
Assets				
Cash and due from banks	145,770,980,498	145,770,980,498	67,106,037,756	67,106,037,756
Investment securities, net	37,076,572,473	37,222,973,516	17,464,347,955	17,112,479,966
Loan portfolio, net	248,867,868,235	248,867,868,235	116,433,590,132	116,433,590,132
Interest and commissions receivable, net	2,310,064,446	2,310,064,446	1,319,080,657	1,319,080,657
	434,025,485,652	434,171,886,695	202,323,056,500	201,971,188,511
Liabilities				
Customer deposits	422,348,001,046	422,348,001,046	197,789,647,774	197,789,647,774
Borrowings	83,417,106	83,417,106	124,888,044	124,888,044
Interest and commissions payable	179,600,591	179,600,591	307,840,762	307,840,762
	422,611,018,743	422,611,018,743	198,222,376,580	198,222,376,580

Short-term financial instruments
Short-term financial instruments, both assets and liabilities, are shown in the balance sheet at book value, which does not significantly differ from fair value due to their short-term maturity. These instruments include cash and due from banks, customer deposits with no fixed maturity and short-term maturity, short-term borrowings, other liabilities from financial intermediation with short-term maturity, and interest receivable and payable.

Investment securities
The fair value of investments in available-for-sale and held-to-maturity securities was determined using quoted market prices, reference prices determined from trading operations on the secondary market, the present value of estimated future cash flows and quoted market prices of financial instruments with similar characteristics (Note 5-a and b). Investments in other securities are shown at par value, which is considered as fair value (Note 5-e). The equivalent fair value in bolivars of securities in foreign currency is calculated using the official exchange rate.

Loan portfolio
The Bank's loan portfolio earns interest at variable rates that are reviewed regularly. In addition, allowances are made for loans with some risk of recovery. Therefore, in management's opinion, the book value of the loan portfolio approximates its fair value.

Customer deposits and long-term liabilities
Customer deposits and long-term liabilities bear interest at variable rates, which are reviewed regularly. Therefore, management considers fair value to be equivalent to book value.

30. Legally established limits for loans and investments

At December 31 and June 30, 2016, the Bank does not have loans with debtors that individually exceed 10% of its equity or with economic groups exceeding 20% of the Bank's equity, and does not maintain investments or loans exceeding the limits established in the Law on Banking Sector Institutions.