

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

Independent Auditor's Report and Financial Statements  
December 31, 2021



## Independent Auditor's Report

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

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Banco Nacional de Crédito, C.A., Banco Universal (the Bank) as at December 31, 2021 and its financial performance and its cash flows for the six-month period then ended, in accordance with the rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN).

### What we have audited

The Bank's financial statements comprise:

- The balance sheet as at December 31, 2021;
- the income statement for the six-month period then ended;
- the statement of changes in equity for the six-month period then ended;
- the cash flow statement for the six-month period then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Venezuela. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Pacheco, Apostólico y Asociados (PricewaterhouseCoopers). Av. Principal de Chuao, Edificio PwC  
Apartado 1789. Caracas 1010-A, Venezuela • Teléfono: (0212) 700 6666 • [www.pwc.com/ve](http://www.pwc.com/ve)



## Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Allowance for losses on loan portfolio</b></p> <p>The estimate of the allowance for losses on loan portfolio requires management's judgment in the preparation of the financial statements at December 31, 2021.</p> <p>In accordance with the accounting rules and instructions of the SUDEBAN, the Bank maintains a minimum general 1% allowance of the loan portfolio balance, and an additional countercyclical allowance equivalent to 0.75% of the gross loan portfolio balance. The Bank may set aside any additional general allowances deemed necessary.</p> <p>Similarly, a specific provision is determined for debtors, which is calculated based on SUDEBAN accounting rules and instructions.</p> <p>As indicated in Note 2-e, the Bank performs a monthly review 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 month, the Bank calculates an allowance for losses on loans not individually reviewed, equivalent to the risk percentage resulting from the specific review of loans.</p>	<p>Our main audit procedures were focused on gaining an understanding and assessing the process conducted by Bank management to estimate the allowance for losses on loan portfolio.</p> <p>Regarding internal control, we have focused on the design and operability of the following processes:</p> <ul style="list-style-type: none"><li>• We assessed the design and tested the operating effectiveness of key controls associated with the loan portfolio cycle.</li><li>• We assessed the Bank's methodology used to determine the allowance for losses on loan portfolio, considering SUDEBAN requirements.</li></ul> <p>For the allowance for losses of the assessed loan portfolio we:</p> <ul style="list-style-type: none"><li>• Conducted a detailed review of the 500 largest debtors (99% of total loans at December 31, 2021), including financial and credit quality information of each debtor, and analysis and quality of guarantees granted on loans.</li><li>• Assessed and recalculated the sufficiency of the countercyclical, general and specific allowances in accordance with SUDEBAN rules and instructions.</li></ul> <p>The results of our audit procedures did not reveal any difference or error out of an established reasonable range.</p>
<p><b>Information systems</b></p> <p>The Bank's financial information is highly dependent on information systems; therefore, adequate control of these systems is key to ensure the correct processing of information.</p> <p>Bank management has defined an information technology structure responsible for the internal control of operations conducted through the information technology systems.</p>	<p>Our work consisted in assessing general controls considered in the areas of technology and information security. We also assessed internal control in connection with automated processing through the use of information systems, servers and applications supporting relevant business processes, with a material impact on the Bank's financial information.</p> <p>To this end, we conducted internal control procedures related to:</p> <ul style="list-style-type: none"><li>• Access control and segregation of functions on applications and servers that process and generate relevant financial information, as well as segregation of development, testing and production environments.</li><li>• Change management and software development.</li><li>• Effective operation of the technological infrastructure and assessment of availability, integrity and safeguarding of financial information.</li><li>• Assessment of automated controls on relevant processes through control tests and support with computer assisted audit tests (CAAT).</li></ul> <p>The results of our audit procedures did not reveal any relevant observation on these matters.</p>



### **Emphasis on matters**

We draw attention to Note 2 of the accompanying financial statements, indicating that the rules and instructions of the SUDEBAN differ in certain material respects from accounting principles generally accepted in Venezuela (VEN NIF).

We draw attention to Note 27 of the accompanying financial statements, indicating that in accordance with the Central Bank of Venezuela (BCV) at December 31, 2021, banks are required to maintain a minimum legal reserve on net obligations and investments assigned. This measure may limit the Bank's financial intermediation.

We draw attention to Note 1 of the accompanying financial statements, indicating that due to the current global pandemic declared by the World Health Organization (WHO), the Bank is unable to assess the future impact that measures taken by local and foreign authorities to contain the spread of COVID-19 may have on its future financial position or results of operations; however, Bank management is aware that this event may have a future negative impact on the Company's financial statements.

These matters have no impact on our audit opinion.

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the rules and instructions of SUDEBAN, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Pacheco, Apostólico y Asociados  
**(PricewaterhouseCoopers)**

A handwritten signature in black ink, appearing to read 'Reinaldo', is written over a large, stylized signature graphic that resembles a signature.

Reinaldo Emilio Alvarado Ch.  
CPC 54341  
CP 790  
SNV 22

February 18, 2022

**Banco Nacional de Crédito, C.A., Banco Universal**  
**Balance sheet**  
**December 31 and June 30, 2021**

	December 31, 2021	June 30, 2021 (•)
	(In bolivars)	
<b>Assets</b>		
<b>Cash and due from banks</b>	<u>975,013,612</u>	<u>491,700,161</u>
Cash (Notes 3 and 4)	682,144,684	278,047,850
Central Bank of Venezuela (Notes 3, 4 and 27)	37,386,113	26,281,322
Venezuelan banks and other financial institutions	389,610	30,934
Foreign and correspondent banks (Notes 2-p and 4)	255,061,150	187,327,638
Pending cash items (Note 3)	32,055	12,417
<b>Investment securities</b> (Note 5)	<u>35,294,855</u>	<u>16,900,432</u>
Deposits with the BCV and overnight deposits	9,150,000	-
Investments in available-for-sale securities	497	473
Investments in held-to-maturity securities	10,083,277	5,648,682
Restricted investments	16,061,081	11,251,273
Investments in other securities	-	4
<b>Loan portfolio</b> (Note 6)	<u>182,555,774</u>	<u>129,937,934</u>
Current	180,267,874	125,739,295
Overdue	11,990,902	9,815,687
(Allowance for losses on loan portfolio)	(9,703,002)	(5,617,048)
<b>Interest and commissions receivable</b> (Note 7)	<u>532,627</u>	<u>547,417</u>
Interest receivable on investment securities	13,070,004	8,064,784
Interest receivable on loan portfolio	675,227	795,740
Commissions receivable	8,309	2,189
(Provision for interest receivable and other)	(13,220,913)	(8,315,296)
<b>Investments in affiliates</b> (Note 9)	<u>509,271</u>	<u>373,248</u>
<b>Available-for-sale assets</b> (Note 10)	<u>5,901,565</u>	<u>1,157,783</u>
<b>Property and equipment</b> (Note 11)	<u>49,942,121</u>	<u>9,712,178</u>
<b>Other assets</b> (Note 12)	<u>105,570,985</u>	<u>43,169,626</u>
<b>Total assets</b>	<u>1,355,320,810</u>	<u>693,498,779</u>
<b>Memorandum accounts</b> (Note 21)		
Contingent debtor accounts	3,313,022	2,305,646
Assets received in trust	4,801,703	1,260,521
Debtor accounts from other special trust services	12,475	2,006
Other debtor memorandum accounts	<u>805,932,262</u>	<u>478,145,184</u>
	<u>814,059,462</u>	<u>481,713,357</u>

The notes on pages 6 to 64 are an integral part of the financial statements  
(•) Balances converted to the new monetary unit for comparative purposes (Note 1)

**Banco Nacional de Crédito, C.A., Banco Universal**  
**Balance sheet**  
**December 31 and June 30, 2021**

	<b>December 31, 2021</b>	<b>June 30, 2021 (*)</b>
	(In bolivars)	
<b>Liabilities and Equity</b>		
<b>Customer deposits</b> (Note 13)	<u>974,878,925</u>	<u>493,592,867</u>
Demand deposits	<u>881,347,545</u>	<u>420,881,520</u>
Non-interest-bearing checking accounts	104,325,639	42,413,029
Checking accounts as per the Free Convertibility Exchange Market System	739,871,342	367,751,403
Interest-bearing checking accounts	11,395,088	8,941,803
Checking accounts under Exchange Agreement No. 20 (Note 3)	17,506	12,264
Demand deposits and certificates	25,737,970	1,763,021
Other demand deposits	1,150,551	549,184
Savings deposits	80,531,826	65,437,282
Time deposits	11,849,003	4,820,001
Restricted customer deposits	-	1,904,880
<b>Borrowings</b> (Note 14)	<u>22,899,929</u>	<u>1,695,662</u>
Venezuelan financial institutions, up to one year	22,653,946	1,525,595
Foreign financial institutions, up to one year	245,983	170,067
<b>Interest and commissions payable</b> (Note 15)	<u>1,937,261</u>	<u>134,643</u>
Expenses payable on customer deposits	1,147,997	116,666
Expenses payable on borrowings	789,264	17,977
<b>Accruals and other liabilities</b> (Note 16)	<u>64,937,190</u>	<u>38,381,016</u>
<b>Total liabilities</b>	<u>1,064,653,305</u>	<u>533,804,188</u>
<b>Equity</b> (Note 23)		
Capital stock	28,960	28,960
Capital reserves	29,278	29,133
Retained earnings	23,764,268	19,900,556
Exchange gain from holding foreign currency assets and liabilities	265,521,380	137,693,131
Net unrealized loss on investments in available-for-sale securities (Note 5-b)	(2,359)	(1,618)
Variation of commercial loans granted through Credit Value Unit (UVC) (Note 6)	<u>1,325,978</u>	<u>2,044,429</u>
<b>Total equity</b>	<u>290,667,505</u>	<u>159,694,591</u>
<b>Total liabilities and equity</b>	<u>1,355,320,810</u>	<u>693,498,779</u>

The notes on pages 6 to 64 are an integral part of the financial statements  
 (\*) Balances converted to the new monetary unit for comparative purposes (Note 1)

**Banco Nacional de Crédito, C.A., Banco Universal**  
**Income statement**  
**Six-month periods ended December 31 and June 30, 2021**

	December 31, 2021	June 30, 2021 (•)
	(In bolivars)	
<b>Interest income</b>	<u>22,627,686</u>	<u>23,261,945</u>
Income from cash and due from banks	9,441	2,798
Income from investment securities (Note 5-a and 5-c)	3,469,409	1,522,104
Income from loan portfolio (Note 6)	18,307,185	20,484,608
Income from other accounts receivable (Note 13)	841,651	1,252,435
<b>Interest expense</b>	<u>(44,725,750)</u>	<u>(15,585,475)</u>
Expenses from customer deposits	(8,089,602)	(1,468,466)
Expenses from borrowings	(6,782,914)	(2,823,431)
Other interest expense (Note 27)	(29,853,234)	(11,293,578)
<b>Gross financial margin</b>	<u>(22,098,064)</u>	<u>7,676,470</u>
Income from financial assets recovered (Note 6)	3,211,675	8
Expenses from uncollectible loans and other accounts receivable (Notes 6, 7 and 16)	(6,229,326)	(1,392,904)
<b>Net financial margin</b>	<u>(25,115,715)</u>	<u>6,283,574</u>
Other operating income (Note 18)	94,649,484	30,924,625
Other operating expenses (Note 19)	(7,653,858)	(3,337,105)
<b>Financial intermediation margin</b>	<u>61,879,911</u>	<u>33,871,094</u>
<b>Operating expenses</b>	<u>(61,355,204)</u>	<u>(24,443,621)</u>
Salaries and employee benefits (Note 2-j)	(11,113,130)	(3,552,759)
General and administrative expenses (Note 20)	(47,744,265)	(19,829,621)
Fees paid to the Social Bank Deposit Protection Fund (Note 25)	(395,847)	(126,022)
Fees paid to the Superintendency of Banking Sector Institutions (Note 26)	(2,101,962)	(935,219)
<b>Gross operating margin</b>	<u>524,707</u>	<u>9,427,473</u>
Sundry operating income	2,545,359	171,693
Expenses from available-for-sale assets (Note 10)	(1,915,472)	(414,605)
Sundry operating expenses (Note 19)	(1,323,431)	(1,975,794)
<b>Net operating margin</b>	<u>(168,837)</u>	<u>7,208,767</u>
Extraordinary expenses	(135,918)	(574,364)
Extraordinary income (Notes 11 and 17)	4,952,047	13,083,444
<b>Gross income before tax</b>	<u>4,647,292</u>	<u>19,717,847</u>
Wealth tax (Note 17)	(200,043)	(341,868)
Income tax (Note 17)	(583,392)	(2,545,432)
<b>Net income</b>	<u>3,863,857</u>	<u>16,830,547</u>
<b>Appropriation of net income</b>		
Legal reserve	-	23,168
Retained earnings	<u>3,863,857</u>	<u>16,807,379</u>
	<u>3,863,857</u>	<u>16,830,547</u>
Provision for the Antidrug Law (Notes 1 and 19)	<u>-</u>	<u>72,284</u>

The notes on pages 6 to 64 are an integral part of the financial statements  
(•) Balances converted to the new monetary unit for comparative purposes (Note 1)

**Banco Nacional de Crédito, C.A., Banco Universal**  
**Statement of changes in equity**  
**Six-month periods ended December 31 and June 30, 2021**

	Paid-in capital stock	Capital reserves	Retained earnings				Total	Exchange gain from holding foreign currency assets and liabilities	Net unrealized loss on investments in available-for-sale securities (Note 5-b)	Variation of loans granted through UVC (Note 6)	Total equity
			Unappropriated surplus	Restricted surplus	Non-distributable surplus	Cumulative loss					
						(In bolivars)					
<b>Balances at December 31, 2020 (*)</b>	5,792	5,820	1,300,203	1,300,551	515,738	(2)	3,116,490	37,755,178	(563)	1,469,507	42,352,224
Capital stock increase (Note 23)	23,168	-	(17,000)	(6,168)	-	-	(23,168)	-	-	-	-
Adjustment of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	(1,055)	-	(1,055)
Exchange gain, net (Note 4)	-	-	-	-	-	-	-	99,937,953	-	-	99,937,953
Increase resulting from the variation of principal of commercial loans granted through UVC (Note 6)	-	-	-	-	-	-	-	-	-	15,157,091	15,157,091
Income charged to the income statement from the variation of loans collected and granted through UVC (Note 6)	-	-	-	-	-	-	-	-	-	(14,582,169)	(14,582,169)
Net income	-	-	16,830,547	-	-	-	16,830,547	-	-	-	16,830,547
Legal reserve increase	-	23,168	(23,168)	-	-	-	(23,168)	-	-	-	-
Creation of the Social Contingency Fund (Note 23)	-	145	(145)	-	-	-	(145)	-	-	-	-
Reclassification of net income of the Curacao Branch (Notes 8 and 23)	-	-	(596,566)	-	596,566	-	-	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 23)	-	-	<u>(8,105,407)</u>	<u>8,105,407</u>	-	-	-	-	-	-	-
<b>Balances at June 30, 2021 (*)</b>	<u>28,960</u>	<u>29,133</u>	<u>9,388,464</u>	<u>9,399,790</u>	<u>1,112,304</u>	<u>(2)</u>	<u>19,900,556</u>	<u>137,693,131</u>	<u>(1,618)</u>	<u>2,044,429</u>	<u>159,694,591</u>
Adjustment of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	(741)	-	(741)
Exchange gain, net (Note 4)	-	-	-	-	-	-	-	127,828,249	-	-	127,828,249
Increase resulting from the variation of principal of commercial loans granted through UVC (Note 6)	-	-	-	-	-	-	-	-	-	6,224,732	6,224,732
Income charged to the income statement from the variation of loans collected and granted through UVC (Note 6)	-	-	-	-	-	-	-	-	-	(6,943,183)	(6,943,183)
Net income	-	-	3,863,857	-	-	-	3,863,857	-	-	-	3,863,857
Creation of the Social Contingency Fund (Note 23)	-	145	(145)	-	-	-	(145)	-	-	-	-
Reclassification of net income of the Curacao Branch (Notes 8 and 23)	-	-	(5,044,660)	-	5,044,660	-	-	-	-	-	-
Reclassification of net income from operations in Venezuela to accumulated loss (Note 23)	-	-	<u>1,180,803</u>	-	-	<u>(1,180,803)</u>	-	-	-	-	-
<b>Balances at December 31, 2021</b>	<u>28,960</u>	<u>29,278</u>	<u>9,388,319</u>	<u>9,399,790</u>	<u>6,156,964</u>	<u>(1,180,805)</u>	<u>23,764,268</u>	<u>265,521,380</u>	<u>(2,359)</u>	<u>1,325,978</u>	<u>290,667,505</u>

**Net income per share (Note 2-n)**

	Six-month periods ended	
	December 31, 2021	June 30, 2021
Weighted average of outstanding shares	<u>28,959,650,000</u>	<u>16,824,177,619</u>
Income per share	<u>0.0001</u>	<u>0.001</u>

The notes on pages 6 to 64 are an integral part of the financial statements  
 (\*) Balances converted to the new monetary unit for comparative purposes (Note 1)

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

## Cash flow statement

### Six-month periods ended December 31 and June 30, 2021

	December 31, 2021	June 30, 2021 (*)
	(In bolivars)	
<b>Cash flows from operating activities</b>		
Net income	3,863,857	16,830,547
Adjustments to reconcile net income to net cash used in operating activities		
Gain on sale of Torre Sur, San Bernardino	-	(13,059,297)
Income from amortization of discounts on investments in held-to-maturity securities (Notes 5-c and 18)	(1,830,548)	(989,791)
Allowance for losses on loan portfolio (Note 6)	4,667,749	571,405
Provision for interest receivable (Notes 7 and 12)	1,557,072	821,499
Provision for other assets (Notes 12 and 19)	2,860	199,004
Depreciation of property and equipment (Notes 11 and 20)	661,341	149,020
Amortization of deferred charges (Notes 12 and 20)	826,436	171,034
Accrual for length-of-service benefits	325,020	219,803
Transfers to trust fund and payment of length-of-service benefits	(32,502)	(22,535)
Income tax provision (Note 17)	435,945	3,180,165
Deferred income tax (Note 17)	147,447	(634,733)
Wealth Tax (Note 17)	200,043	341,868
Net change in		
Overnight deposits	(9,150,000)	72,090
Interest and commissions receivable	(1,302,674)	(849,199)
Other assets	(71,898,855)	(27,595,463)
Accruals and other liabilities	31,512,178	(15,716,822)
Unrealized gain on investments in available-for-sale-securities	(741)	-
Net cash used in operating activities	<u>(40,015,372)</u>	<u>(36,311,405)</u>
<b>Cash flows from financing activities</b>		
Net change in		
Customer deposits	412,902,944	113,328,561
Borrowings	(3,957,648)	(980,241)
Interest and commissions payable	1,787,146	110,375
Net cash provided by financing activities	<u>410,732,442</u>	<u>112,458,695</u>
<b>Cash flows from investing activities</b>		
Loans granted during the period	(248,035,955)	(42,828,265)
Loans collected during the period	132,507,847	23,608,777
Net change in		
Investments in available-for-sale securities	(75)	(1,064)
Investments in held-to-maturity securities	(705,721)	41,963
Restricted investments	(4,809,639)	(304)
Investments in other securities	6	-
Investments in affiliates	4,470,769	8,922
Sale price - Torre Sur, San Bernardino	-	(5,204,273)
Property and equipment (Note 11)	<u>(40,771,952)</u>	<u>13,059,298</u>
Net cash used in investing activities	<u>(157,344,720)</u>	<u>(11,314,946)</u>
<b>Cash and due from banks</b>		
Net change in cash and cash equivalents	213,372,350	64,832,344
Exchange gain	269,941,101	292,290,121
At the beginning of the period	<u>491,700,161</u>	<u>134,577,696</u>
At the end of the period	<u>975,013,612</u>	<u>491,700,161</u>
<b>Supplementary information on non-cash activities</b>		
Write-off of uncollectible loans (Note 6)	(17,465)	(8)
Write-off of uncollectible loans (interest) (Note 7)	2,368,915	17
Interest receivable from allowance for losses on loan portfolio	155,508	1
Interest receivable from other assets	605,855	646,966
Interest receivable from contingent loans	10,350	2,907
Loan portfolio to contingent loans	3,211,794	(8,034)
Change in net unrealized loss on investments in available-for-sale securities (Note 5-b)	(741)	(1,055)
Increase from measurement of commercial loans receivable granted through UVC	6,224,732	15,157,090
Decrease from collection of commercial loans receivable granted through UVC	(6,943,183)	(14,582,169)
Exchange gain, net, recorded in equity	<u>127,828,249</u>	<u>99,937,953</u>
Cash and due from banks	269,941,101	292,290,121
Loan portfolio	(56,496,361)	68,157,319
Investment securities		
Investments in available-for-sale securities	(51)	175
Investments in held-to-maturity securities	1,898,326	3,254,524
Restricted investments	169	7,383,099
Investments in affiliates	4,606,792	249,320
Interest and commissions receivable	239,609	358,231
Other assets	(8,668,200)	6,310,513
Property and equipment (Note 11)	119,332	109,187
Available-for-sale assets	3,716,076	579,730
Customer deposits	(68,383,115)	(244,054,726)
Accruals and other liabilities	6,031,958	(33,920,496)
Interest and commissions payable	(15,472)	(1,765)
Borrowings	(25,161,915)	(777,279)

The notes on pages 6 to 64 are an integral part of the financial statements  
 (\*) Balances converted to the new monetary unit for comparative purposes (Note 1)

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

#### **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 and its legal address at December 31, 2021 is Avenida Francisco de Miranda, between Avenida Los Cortijos, Torre BNC, Urbanización Campo Alegre and Los Campos de Golf del Caracas Country Club, Municipio Chacao, Miranda State, Caracas.

Most of the Bank's assets are located in the Bolivarian Republic of Venezuela. At December 31 and June 30, 2021, the Bank has 141 and 129 agencies and external counters, respectively, a branch in Curacao, and a main office (Note 11), and 1,670 and 1,532 employees, respectively.

The Bank's shares are traded on the Caracas Stock Exchange (Note 23).

The Bank conducts transactions with a related company (Note 24).

The Bank's financial statements at December 31, 2021 were approved for issue by the Board of Directors on January 12, 2022. The Bank's financial statements at June 30, 2021 were approved for issue by the Board of Directors and the Shareholders' Meeting on July 14 and September 15, 2021, respectively.

#### **Branch in Curacao**

In October 2008, the Bank requested authorization from the Superintendency of Banking Sector Institutions (SUDEBAN) to open a branch in Willemstad, Curacao (hereinafter the Branch). 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.

The Branch's activities are ruled by the Law on Banking Sector Institutions and the Law of Banks of Curacao and St. Maarten, regulations issued by the Central Bank of Curacao and St. Maarten, as well as the prudential rules and other instructions of SUDEBAN, the Higher Authority of the National Financial System (OSFIN) and the Central Bank of Venezuela (BCV). The Branch is not an economically independent entity and conducts transactions following the Bank's guidelines. The Branch operates under an offshore 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).

#### **Trust fund**

In August 2003, SUDEBAN issued Resolution No. 202-03 dated August 4, 2003, published in Official Gazette No. 37,748 of the Bolivarian Republic of Venezuela on August 7, 2003, authorizing the Bank's fiduciary operations.

#### **Regulatory environment**

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 OSFIN, the BCV and the Venezuelan Securities Superintendency (SNV), as well as the prudential rules and other instructions of SUDEBAN.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

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.

#### **Law on Banking Sector Institutions**

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; limits the bank's assets and transactions with a single debtor, and defines "debtor" in relation to this limitation; regulates the formation and functions of the Board of Directors; establishes disqualification instances to act as directors; regulates the formation of financial groups; establishes a social contribution to finance projects developed by communal councils and establishes prohibitions.

#### **Law of the National Financial System**

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.

#### **Single National Productive Portfolio**

On January 29, 2020, the National Constituent Assembly issued a Decree to create the single national productive portfolio to finance the agrifood, manufacturing, tourism, health and mortgage sectors. A Steering Committee for the Single National Productive Portfolio was also created, which will be responsible for approving the policy, allocation, regulation and assessment of resources available to finance the portfolio, and its impact on the materialization of productive plans and establishment of performance requirements. Furthermore, this committee shall set the value and other parameters for calculating the monthly single national productive portfolio, which will be equivalent to a minimum and maximum mandatory percentage of 10% and 25%, respectively, as well as performance requirements, conditions, terms and amounts. This Decree repeals all previous regulations on mandatory loan portfolios, except for the microcredit portfolio.

#### **Central Bank of Venezuela (BCV)**

Deposit and lending rates are regulated by the BCV. The BCV sets maximum and minimum interest rates for deposits and credit operations based on reference rates. In this regard, the annual interest rate for credit card transactions shall range from 17% to 38% at December 31 and June 30, 2021, the maximum rate to be charged on amounts overdue from cardholders shall be 3% per annum.

At December 31 and June 30, 2021, annual interest rates on savings deposits, including liquid asset accounts, shall not fall below 32%, calculated on daily balances. Annual interest rates on time deposits and transactions for the issue of certificates of participation shall not fall below 36% (Note 13).

At December 31 and June 30, 2021, the BCV set at 12% the annual interest rate to be charged on its discount, rediscount and advance operations.

The BCV regulates service fees charged by banks to customers in respect of savings and checking accounts, leasing, international, and credit and debit card transactions.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

On January 7, 2021, the BCV issued Resolution No. 21-01-02, which repeals Resolution No. 20-02-01. The main changes established in this Resolution include:

- Loans formerly expressed in terms of Commercial Credit Value Unit (UVCC) and Productive Credit Value Unit (UVCP) shall be expressed in terms of the Credit Value Unit (UVC), thereby unifying the value unit for all loan portfolios.
- The annual interest rate for loans granted within the framework of the Single National Productive Portfolio shall be 2% on the resulting balance in UVC.
- Annual interest rates for commercial loans and microcredits shall not exceed 10% or fall below 4%.
- A uniform interest rate is set for loans to employees and directors of banking institutions, which is equivalent to 90% of the credit card interest rate.
- The maximum default rates for UVC loans was increased to 0.8%.
- Consumer and commercial loans in installments granted to individuals (payroll loans and credit cards) below 20,400 UVC are excluded from this resolution.

#### **Subsequent event**

Through Resolution No. 22-01-02 of January 27, 2022, published in the Official Gazette on February 4, 2022, the BCV set interest rates for the following bank transactions:

- 2% per annum for loans granted within the framework of the Single National Productive Portfolio.
- An annual rate that shall not exceed 16% or fall below 8% for commercial loans and microcredits expressed in UVC.
- 10% per annum for credit card loans whose line of credit is equal to or greater than 20,900 UVC.
- An annual rate that shall not fall below 32% and 36% for savings deposits and time deposits, respectively, included under customer deposits.
- The annual interest rate to be charged by the BCV on discount, rediscount and advance operations was set at 19%.

At December 31 and June 30, 2021, the official investment index is Bs 0.0224/IDI1 and Bs 0.0157/IDI1, respectively.

#### **Currency redenomination**

On August 5, 2021, the BCV issued an official notice announcing that the new monetary unit of the Bolivarian Republic of Venezuela would be effective as from October 1, 2021, which eliminates 6 zeros from the currency. Accordingly, all amounts expressed in local currency at the currency redenomination date will be divided by one million (1,000,000). The bolivar resulting from this redenomination will continue to be represented with the symbol "Bs." The financial statements at June 30, 2021 were converted to the new monetary unit for comparative purposes.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

#### **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 to investments in science, technology and innovation, and their applications. Contributions must be paid and declared within the second quarter after the closing of the period in which gross income was generated. During the six-month periods ended December 31 and June 30, 2021, the Bank recorded expenses of Bs 30,388 in this connection, included under sundry operating expenses (Note 19).

#### **Antidrug Law**

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. These contributions will be used to finance plans and projects for the prevention of illegal drug trafficking. Companies belonging to economic groups will make contributions on a consolidated basis. During the six-month period ended June 30, 2021, the Bank recorded expenses of Bs 72,284 in this connection, shown under sundry operating expenses (Note 19).

#### **Sports and Physical Education Law**

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. During the six-month periods ended December 31 and June 30, 2021, the Bank recorded expenses in this connection of Bs 39,200 and Bs 172,882, respectively, included within sundry operating expenses (Note 19).

#### **Labor Law (LOTTT)**

The most relevant aspects of this Law include 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.

#### **Global pandemic**

In early 2020, the World Health Organization (WHO) declared COVID-19 a pandemic. This situation has affected economic activities worldwide and locally, representing potential economic impacts on entities' financial statements. To date, Bank management has determined that this situation has not significantly affected the Bank's financial statements; however, it is not possible to determine the future impact of measures taken by local and foreign authorities to contain the spread of COVID-19. Despite this fact, Bank management is aware that this event may have a future negative impact on its financial statements. Regulatory entities have not established additional requirements in terms of capital, liquidity, or legal and other aspects affecting the Bank.

On March 23, 2020, within the framework of the state of alarm in response to the COVID-19 health emergency, the Venezuelan government enacted economic protection measures. These measures include the implementation of a special regime for repayment of current loans in the national banking system that allows debtors to alleviate their financial situation to confront the extraordinary impact resulting from the world crisis generated by the COVID-19 spread. Furthermore, through Resolution No. 008.20, SUDEBAN issued rules regarding special conditions for loans granted before the aforementioned protection measures became effective. At December 31 and June 30, 2021, the Bank's loan portfolio does not include loans granted before the protection measures, enacted by the Venezuelan government, became effective.

#### **Acquisition of Citibank N.A. (Venezuelan Branch) operations**

On July 12, 2021, the Bank announced the acquisition of Citibank N.A. (Venezuelan Branch) operations, in conformity with SUDEBAN authorization dated July 7, 2021, through Notice SIB-II-GGR-GA-05132, which allows the Bank to continue expanding, increasing its market share and its depositor and client portfolio, offering quality employment and business opportunities, and supporting its clients' objectives. During September 2021, the Bank completed the transfer of rights and obligations from Citibank N.A.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

(Venezuelan Branch) for US\$2,822,000, equivalent to Bs 11,637,822 at the exchange rate effective at the transaction date. The Bank received two properties located on the ground floor and mezzanine of the Seguros Venezuela Building, on Avenida Francisco de Miranda, Urbanización Campo Alegre, Municipio Chacao, Miranda State, and 49 premises located in floors 13, 14, 15, 16, 17, 18 and PH of the Centro Comercial El Recreo North Tower, on Avenida Solano, Urbanización El Recreo, Municipio Libertador, Capital District. These properties were recorded by the Bank as buildings and facilities under property and equipment (Note 11).

## **2. Basis of preparation**

The accompanying financial statements at December 31 and June 30, 2021 have been prepared based on the accounting rules and instructions of SUDEBAN included in the Accounting Manual for Banks (the Accounting Manual), which differ in certain material respects from accounting principles generally accepted in Venezuela (VEN NIF) published by the Venezuelan Federation of Public Accountants (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, the valuation of foreign currency assets and liabilities and recognition of deferred tax 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 until December 31, 2007 (VEN GAAP). Through Circular SIB-II-GGR-GNP-00045 of January 7, 2022, SUDEBAN deferred presentation of the supplementary financial statements at December 31, 2021, prepared under generally accepted accounting principles, effective at December 31, 2007 (VEN GAAP), and inflation-adjusted financial statements; this supplementary information will be presented for purposes of comparison with the information at the end of the first semester of 2022.

At December 31 and June 30, 2021, 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) Functional and presentation currency**

In accordance with the Accounting Manual, balances in banks' financial statements shall be measured and presented in bolivars. According to VEN NIF, financial statements must be prepared using the banks' functional currency, which is the currency of the primary economic environment in which the entity operates. VEN NIF also require entities to determine functional currency considering, among others, the following elements: a) the currency that mainly influences revenue and costs (frequently, the currency used to collect and pay such revenue and costs, respectively); b) the currency of the country whose competitive forces and regulations determine prices; and c) the currency in which funds from financing activities are generated.

### **2) Inflation-adjusted financial statements**

In accordance with the Accounting Manual, the financial statements of banking institutions are shown in nominal bolivars. VEN NIF require that the effects of inflation on the financial statements be recognized, provided that inflation for the year exceeds one digit.

### **3) Other comprehensive income**

In accordance with the Accounting Manual, the financial statements comprise the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the set of notes that include a summary of significant accounting policies and other explanatory information. According to VEN NIF, the statement of other comprehensive income is also shown as part of the financial statements, either as part of the income statement or in the form of a stand-alone section.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

#### **4) Cash equivalents**

For purposes of the cash flow statement, in accordance with the Accounting Manual, the Bank considers as cash equivalents cash and due from banks. VEN NIF consider as cash equivalents investments and deposits maturing within 90 days.

#### **5) Premium or discount on held-to-maturity investments**

In accordance with the Accounting Manual, discounts or premiums on held-to-maturity investments are amortized over the term of the security with a debit or credit to gains or losses for the period under other income and other operating expenses, respectively. According to VEN NIF, the amortization of the premium or discount of investments carried at amortized cost, is part of income from effective interest of securities; therefore, it would be recorded as part of interest income.

#### **6) Permanent losses on investment securities**

In accordance with the Accounting Manual, subsequent recoveries of permanent losses arising from impairment in the fair value of investment securities do not affect the new cost basis. For VEN NIF, impairment losses recognize expected credit losses over the life of the assets for all financial instruments in respect of which credit risk has significantly increased since initial recognition; therefore, impairment losses in respect of this financial instrument will be adjusted at an amount equal to credit losses expected over the next 12 months.

#### **7) Investments in other securities**

Investments in other securities include investment trusts, as well as investments not classified under any of the categories defined in the Accounting Manual. Under VEN-NIF, financial assets are measured at amortized cost or fair value based on the entity's business model to manage financial assets and based on the characteristics of contractual cash flows of financial assets.

#### **8) Investments in matured securities**

According to the Accounting Manual, investment securities and yields receivable, which have not been collected 30 days after maturity of principal, shall be reclassified to other assets and shall be fully provided for. Under VEN-NIF, investments may be reclassified only when such reclassification is due to a change in their original intended use not qualified, among others, as an isolated, external, nonrecurring or unusual event affecting the Bank; they must be measured at fair value.

#### **9) Valuation of reclassified securities**

##### **a) From investments in held-to-maturity securities to available-for-sale securities**

According to VEN NIF, when investments measured at amortized cost are reclassified to investments at fair value and such transfer is due to a change in their original intended use not qualified as an isolated, external, nonrecurring or unusual event affecting the Bank, all investments remaining in this category must be reclassified to investments at fair value. According to SUDEBAN rules, reclassifications of held-to-maturity securities must be approved by SUDEBAN.

##### **b) From investments in available-for-sale securities to held-to-maturity securities**

The Accounting Manual establishes that available-for-sale investments reclassified to the held-to-maturity category must be 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. Under 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-maturity investments will remain in equity until the asset is sold or otherwise disposed of, when they shall be recognized in profit or loss.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

#### **10) Overdue loan portfolio**

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 in the income statement, taking into account the effective interest rate applied to future cash flows for determining impairment losses.

#### **11) Rescheduled loan portfolio**

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. 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. VEN NIF do not establish specific accounting criteria; however, any measurement of expected credit losses from a financial instrument shall reflect: a) an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes; b) the time value of money; and c) reasonable and supportable information, that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

#### **12) Allowance for losses on loan portfolio**

Allowances for losses on the loan portfolio are determined based on a collectibility assessment for individual loans, a global risk assessment for loans not assessed individually and a general allowance of 1% over loan balances at month end, except for microcredits, which are subject to a general 2% allowance. In addition to the minimum general and specific allowances required for the loan portfolio, SUDEBAN established a general countercyclical allowance equivalent to 0.75% of the gross loan portfolio balance. VEN NIF require the allowance for uncollectible loans to be determined based on expected credit losses, considering the fair value of guarantees, and do not provide for a general allowance, which would have to be accounted for as a reduction of retained earnings in the statement of changes in equity.

#### **13) Commissions collected and deferred income**

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. According to VEN NIF, these commissions should be initially recognized as part of the loan value and should be amortized as income over the term of the loan forming part of income from effective loan interest.

#### **14) Property and equipment**

Under SUDEBAN accounting rules, revaluation of property and equipment should be recorded in equity by increasing the value of the asset as an adjustment from revaluation of property and equipment; this value should not exceed the Bank's primary equity (Tier 1). According to VEN NIF, when an item of property and equipment is revalued, all other assets in the same class should also be revalued, and such increase should be recognized in other comprehensive income.

Under VEN NIF, depreciation is recorded in the results based on the remaining useful life of the revalued asset. Depreciation expense may subsequently be reclassified to unappropriated earnings. Under SUDEBAN rules and instructions, depreciation is recorded in the results for the period.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

**15) Leases**

The Accounting Manual establishes that leases are classified as either capital or operating leases. Capital leases are those that transfer to the Bank substantially all risks and rewards related to the ownership of assets, which are recorded in the balance sheet at cost, and the related liability, which is equivalent to the present value of future lease payments. Operating leases are recorded as expenses in the results for the period. According to VEN NIF, the lessee shall record leases in the balance sheet as an asset, which conveys the right to control the use of an identified asset, not limited to the right of ownership, except for short-term contracts or those where the underlying asset is of low value.

**16) Leasehold improvements**

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) Provisions**

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.

**18) Deferred tax**

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 high risk or unrecoverable loans, which generate a deferred tax asset, and surplus from revaluation of property and equipment, exchange gain, and variation of commercial loans granted through UVC, recorded in equity, since they are recorded according to SUDEBAN rules and instructions. 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 any deductible temporary difference between the carrying amount of assets and liabilities and their tax bases, provided that its realization is assured beyond any reasonable doubt. Furthermore, a deferred tax liability is recognized in respect of any taxable temporary difference, unless such difference arises from:

- a. The initial recognition of a goodwill; or
- b. The initial recognition of an asset or a liability in a transaction that:
  - i. Is not a business combination, and
  - ii. At the time of the transaction affects neither gross accounting profit or loss, nor taxable income (loss).

**19) Foreign currency and UVC**

Foreign currency transactions and UVC loans are recorded at the investment index effective at the transaction date, and balances are adjusted at the official exchange rate or investment index, respectively, in effect at each period end. The assets, liabilities and equity of the Branch are translated at the effective exchange rate. Income accounts are translated at the closing official exchange rate. VEN NIF establish two options for measuring foreign currency transactions and balances: a) at the official exchange rates established in the exchange agreements issued by the BCV, or b) on the basis of best estimates of future cash flows in bolivars expected to be obtained using the exchange or settlement mechanisms permitted under Venezuelan law.

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

## Notes to the financial statements

### December 31 and June 30, 2021

---

Under SUDEBAN rules and instructions, gains or losses resulting from official exchange rate fluctuations or the investment index for loans expressed in terms of UVC upon measurement at period end shall 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.

#### 20) Reconciling items

Under SUDEBAN rules and instructions, debt reconciling items in local and foreign currency over 30 and 60 days old should be recorded under other assets with a credit to an item under accruals and other liabilities when the documentation required to record them is not available. Furthermore, they must be fully provided for 30 and 60 days, respectively, following recording, if the required documentation continues to be unavailable. This provision should be maintained over time until the entity obtains the documentation required for reconciliation purposes. In addition, credit items in local and foreign currency, for which the documentation required to record them is not available, may be recorded under other assets with a credit to an item under accruals and other liabilities. These items should be maintained over time until the entity obtains the documentation required for reconciliation purposes. VEN NIF does not set specific accounting criteria; however, an entity should measure the expected credit losses of a financial instrument.

The accounting policies followed by the Bank are:

#### a) Presentation currency and foreign currency transactions

Balances in the Bank's financial statements are measured and presented in bolivars, as per the Accounting Manual. Foreign currency balances and transactions are recorded at the official exchange rate in effect at the transaction date. Foreign currency balances are shown at the official exchange rates shown below:

	December 31, 2021	June 30, 2021
	(In bolivars)	
US\$1	4.5857	3.2126
€1	5.1985	3.8100

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.

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) and increase capital stock (Note 23), 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 18 and 19).

#### b) Integration and translation of Branch's financial statements in foreign currency

The accompanying financial statements include the accounts of the Bank and the Branch. Assets, liabilities and results of the Branch were integrated with 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.

The Branch's assets and liabilities and income statement accounts, expressed in U.S. dollars, were translated into bolivars at the official exchange rate at period end (Note 8).

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

#### **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 (Note 5-a).

#### **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 fluctuation 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-b).

#### **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, respectively. The book value of investments denominated in foreign currency is adjusted at the exchange rate in effect at period end. Gain and losses from fluctuation 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, 2021, the Bank has identified no unrecorded permanent impairment in the fair value of its investments (Note 5-c).

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.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

#### **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 (Note 5-d).

#### **Investments in other securities**

Investments in other securities include investment trusts, as well as investments not classified under any of the aforementioned categories (Note 5-e).

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. Furthermore, when any related installment is more than 120 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.

SUDEBAN established that variation of commercial loans and the Single National Productive Portfolio expressed in terms of UVC shall be recorded in equity. It also established the rules to record benefits obtained from increases in principal of commercial loans as a result of the application of the investment index to measure and record operations in UVC. According to these rules, these benefits must be used to create general and countercyclical allowances; excess balances not required to be used to create the provisions may be recorded in the income statement (Note 6).

Furthermore, SUDEBAN instructed that once commercial loans expressed in terms of UVC are overdue, variations in principal resulting from changes in the investment index shall not be recorded under loan portfolio or net benefit under equity. These variations shall be recorded under memorandum accounts.

SUDEBAN established the guidelines to record loans of the Single National Productive Portfolio expressed in terms of UVC. These loans must be recorded within the loan portfolio under their different categories. An additional 20% of the loan must also be recorded upon loan settlement, as per Resolution No. 20-02-02, issued by the BCV, under loan portfolio with a credit to income from loan portfolio in the income statement.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

#### **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.

Securities and yield not collected after 30 days of maturity are fully provided for and reclassified to other assets.

#### **Allowance for losses on loan portfolio**

The Bank performs a monthly review 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 month 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 collectability 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 sufficient and reasonably quantifiable based on experience and 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, 2021 will be favorable to the Bank (Note 28). 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 1 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.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

#### **g) Property and equipment**

Property and equipment is recorded at cost, construction cost or revalued amount, as applicable, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets and is recognized in the results for the period. 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.

#### **i) Income tax**

The Bank's tax year ends on December 31. 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, except for the allowance for losses on loan portfolio, for which only the provisions for losses on high risk or unrecoverable loans generate a deferred tax asset and surplus from revaluation of property and equipment, exchange gain, and variation of commercial loans granted through UVC, recorded in equity (Note 17).

#### **j) Employee benefits**

The Collective Labor Agreement was renewed on November 13, 2020, which was effective until July 1, 2020, with the review and extension of the clauses of the previously approved collective agreement; this agreement will be effective until a new agreement is entered into between the parties. The Collective Labor Agreement was effective until June 30, 2021 and was renewed on July 23, 2021, with the review of the clauses of the previous agreement, with no significant changes. The new Collective Labor Agreement will be effective for 3 years as from July 1, 2021.

#### **Accrual for length-of-service benefits**

Based on the provisions of the LOTT and the Bank's Collective Labor Agreement, length-of-service benefits are a vested right of employees. Under the LOTT, the Bank transfers guaranteed length-of-service benefits monthly to a trust fund on behalf of each employee. In addition, the LOTT establishes that length-of-service benefits will be calculated retrospectively upon termination of employment considering the last salary earned by the employee and length of service. The LOTT requires the payment to employees at employment termination of the higher of retrospective length-of-service benefits and total amounts accrued in the employee's trust fund. During the six-month periods ended December 31 and June 30, 2021, the effect of the retrospective scheme was determined using a non-actuarial calculation, which consisted in determining length-of-service benefits according to Article No. 142 b) of the LOTT. 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.

Employees' last salary at 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, 2021, employee salaries may differ from future salaries due to changes in salaries, bonuses and other payments.

Under the LOTT, if an employee is terminated for reasons other than justified dismissal, the employee will be entitled to receive an additional indemnity equal to his or her accrued length-of-service benefits. This amount is recorded within salaries and employee benefits upon termination of employment.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

At December 31 and June 30, 2021, the method used by the Bank to calculate length-of-service benefits comply with the provisions set out by SUDEBAN, the LOTT and the prevailing Collective Labor Agreement.

The Bank does not offer 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, payable in April and July, and the remaining amount in November of every year. During the six-month periods ended December 31 and June 30, 2021, the Bank recorded expenses of Bs 312,788 and Bs 173,219, respectively, in this connection, shown under salaries and employee benefits. At December 31 and June 30, 2021, the Bank has an accrual of Bs 6 and Bs 56,265, respectively, in this connection (Note 16).

#### **Vacation leave and vacation bonus**

According to the LOTT and the Collective Labor Agreement, the Bank grants each employee a minimum of 15 days of vacation leave each year and a vacation bonus of 23 days of salary based on length of service. For the six-month periods ended December 31 and June 30, 2021, the Bank recorded expenses of Bs 311,985 and Bs 118,677, respectively, in this connection, shown under salaries and employee benefits. At December 31 and June 30, 2021, the Bank maintains accruals of Bs 371,986 and Bs 145,957, respectively, to cover expenses in this connection (Note 16).

#### **k) Recognition of revenue and expenses**

The variation of commercial loans and the Single National Productive Portfolio granted and expressed in terms of UVC is recorded as interest income upon loan collection, considering the increases in principal of commercial loans as a result of the variation of the investment index (Note 2-d). 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 is recorded as income when collected.

Interest collected in advance is included under accruals and other liabilities as deferred financial income and recorded as income when earned (Note 16).

Interest on current and rescheduled loan portfolios collectible after 6 months or more is recorded as part of deferred financial income under accruals and other liabilities when earned and as income when collected (Note 16).

Commissions from loans granted are recorded as part of 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 (Notes 18 and 19).

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.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

**l) Investments in affiliates**

Investments in shares of 20% to 50%-owned affiliates are shown using the equity method and are recorded under investments in affiliates (Note 9).

Investments in companies less than 20% owned that the Bank has the intention of holding, and over whose administration it has significant influence, are recorded under the equity method or at cost.

Investments in shares denominated in foreign currency will be adjusted at the closing exchange rate.

**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, 2021, no permanent losses were identified.

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 assets received in trust are not included in the Bank's assets. At December 31, 2021, assets received in trust amount to Bs 4,801,703 (Bs 1,260,521 at June 30, 2021), shown under memorandum accounts (Note 21).

**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) Financial risk management**

The Bank is mainly exposed to credit and market risks (price risk, foreign exchange and interest rate risk), 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 and mortgage guarantees, and collateral on certificates of deposit and other securities after assessing specific borrower characteristics.

The credit quality of the foreign and correspondent banks in which the Bank has cash and due from banks may be assessed based on the following external ratings:

	December 31, 2021	June 30, 2021
	(In bolivars)	
AA+	-	10,660,722
A+	8,897	-
AA	15,084,950	-
A	-	55,652
BBB	21,305,126	29,709,847
BB	1,214,772	-
BBB-	21,775,442	19,785,514
BB-	25,434,280	31,783,979
Unavailable	<u>170,237,683</u>	<u>95,331,924</u>
	<u>255,061,150</u>	<u>187,327,638</u>

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

## Notes to the financial statements

### December 31 and June 30, 2021

---

At December 31 and June 30, 2021, amounts in foreign and correspondent banks whose credit risk is unavailable includes Bs 129,692,415 and Bs 89,569,319, respectively, in the related company BNC International Banking Corporation (Note 24).

#### Market risk

The Bank assumes exposure to market risk. Market risk arises from open positions in interest rates, 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.

Market risk comprises mainly three areas: price, foreign exchange and interest rate risk.

#### 1) Price risk

The Bank's exposure to price risk arises from investment securities. To manage price risk, management diversifies its investment portfolio following limits set by the Bank and those established in current regulations. At December 31, 2021, 29% of the Bank's investment securities relates mainly to securities issued or guaranteed by the Bolivarian Republic of Venezuela listed on stock exchanges (33% June 30, 2021).

Below is a summary of the impact of increases or decreases in the fair value of investment securities by category at December 31, 2021. The analysis is based on the assumption that fair values will increase or decrease by 5% and 3%, respectively, with all other variables remaining constant and that all investment securities will move in line with the indices:

	Increase by 5%	Decrease by 3%
	(In bolivars)	
Securities issued or guaranteed by the Bolivarian Republic of Venezuela	152,218	91,330

#### 2) 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 has significant transactions in U.S. dollars. Furthermore, when the Bank identifies short or medium-term market opportunities, investments might be deposited in foreign currency instruments, mainly in U.S. dollars.

#### 3) 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.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

The result for the period is affected by interest income and expenses derived from financial assets and liabilities, respectively, as a result of possible changes in interest rates. Below is a summary of the possible effects in the event of an increase of 20% or a decrease of 30% in interest rates:

	Increase by 20%	Decrease by 30%
(In bolivars)		
<b>Financial instruments - assets</b>		
Investment securities, except securities issued or guaranteed by the Venezuelan government	240	353
Loan portfolio	110,531	181,143
<b>Financial instruments - liabilities</b>		
Customer deposits	47,054	63,281
Borrowings	13,915	19,950

**Liquidity risk**

Liquidity risk is the risk that the Bank may not be able to meet its obligations with clients and financial market counterparties at any time or in any place or currency. To avoid this risk, the Bank conducts a daily review of its available resources.

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 or guaranteed 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.

**3. Cash and due from banks**

The balances with the BCV included in cash and due from banks comprise the following:

	December 31, 2021	June 30, 2021
(In bolivars)		
Legal reserve (Note 27)	23,953,448	17,832,297
Banknotes in foreign currency under BCV custody, equivalent to US\$2,884,796 and €4 (US\$1,058,800 and €971,004 at June 30, 2021) (Note 4)	13,228,848	7,100,986
Other deposits with the BCV, equivalent to US\$21,000 (Notes 4 and 16)	96,300	67,463
Demand deposits	<u>107,517</u>	<u>1,280,576</u>
	<u>37,386,113</u>	<u>26,281,322</u>

At December 31 and June 30, 2021, the Bank has cash and due from banks under foreign and correspondent banks for US\$3,818, equivalent to Bs 17,506 million and Bs 12,264, respectively, deposited at BNC International Banking Corporation, in respect of deposits received in accordance with Exchange Agreement No. 20 (Notes 13 and 24).

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

At December 31 and June 30, 2021, pending cash items for Bs 32,055 and Bs 12,417, respectively, relate to clearinghouse operations conducted by the BCV and other banks.

On September 5, 2019, the BCV issued Resolution No. 19-09-03, establishing that when deemed pertinent, it may conduct foreign currency sale transactions with financial institutions with a charge to the sole account of these financial institutions with the BCV for the amount of bolivars equivalent to foreign currency sold by the BCV. Furthermore, the total foreign currency amount sold should be used in the trading of foreign currencies that are part of the Exchange Market System, private-sector clients, with the exception of those belonging to banking sectors and the stock market, at the official exchange rate in effect at the date of the transaction. The amount in bolivars, equivalent to the amount of the exchange transaction, will be deducted from the legal reserve as from the transaction date until the last day of the following week. This Resolution also establishes that if banks are unable to use all of the currency sold as a result of exchange transactions, the balance not used in purchase and sale transactions will not be deducted from the legal reserve the following week; banks will be required to pay an annual 138% interest rate for each day of deficit in the reserve. At December 31, 2021, the Bank maintains in custody of the BCV banknotes for US\$2,884,796 and €4 equivalent to Bs 13,228,848 (US\$1,058,800 and €971,004 at June 30, 2021, equivalent to Bs 7,100,986) sold to its customers through this mechanism; these amounts are also part of customer deposits included in checking accounts as per the Fee Convertibility Exchange Market System (Note 13). During the six-month periods ended December 31 and June 30, 2021, the Bank charged commissions to its customers for Bs 3,948,827 and Bs 876,039, in respect of exchange transactions and transportation of banknotes, respectively, recorded under other operating income (Note 18).

In addition, at December 31 and June 30, 2021, the Bank maintains cash in foreign currency mainly in connection with customer deposits, included in checking accounts as per the Free Convertibility Exchange Market System (Notes 4 and 13), as shown below:

	In U.S. dollars	In euros	Total in bolivars
<b>Cash in foreign currency</b>			
December 31, 2021	130,751,039	12,048,668	662,221,452
June 30, 2021	61,388,656	20,869,773	276,728,110

#### **4. Foreign currency assets and liabilities**

##### **a) Exchange control regime**

Exchange Agreement No. 1 was published in Extraordinary Official Gazette No. 6,405 on September 7, 2018. This Agreement repeals all previous exchange agreements and establishes the free convertibility of the currency throughout the country based on the following premises:

1. The BCV centralizes all currency purchases and sales in the country.
2. The existence of a single reference floating exchange rate resulting from foreign currency trading by individuals through authorized exchange dealers.
3. The strengthening of the regime for maintaining foreign currency accounts in the national financial system with funds obtained from legal transactions.
4. The flexibilization of the private-sector foreign exchange regime to create favorable conditions to foster foreign investments, export activities, access to financing programs through specialized institutions, and the provision of services for inbound tourism.

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

## Notes to the financial statements

### December 31 and June 30, 2021

#### Transactions through the Foreign Exchange Market System

On May 2, 2019, the BCV published Resolution No. 19-05-01 to establish that banks authorized to act as exchange brokers on the Foreign Exchange Market System may negotiate through foreign exchange desks, among their customers or through interbank transactions, foreign currency purchase and sale transactions by individuals and private-sector companies. Those interested in submitting foreign currency bids (supply or demand) through exchange desks may do so without restrictions and must comply with due diligence processes established by exchange brokers; they are also required to be customers of the respective banking institution. Those interested in foreign currency trading must contact exchange brokers directly or use the online banking created for such purpose. The BCV shall publish on its web page, on a daily basis, the weighted average exchange rate of operations transacted on foreign exchange desks.

At December 31 and June 30, 2021, the Bank maintains foreign currency purchase and sale in-transit operations under accruals and other liabilities (Note 16), resulting from transactions conducted through foreign exchange desks and from retail transactions being negotiated with customers, as follows:

	In U.S. dollars	In euros	Total in bolivars
<b>Exchange desk transactions</b>			
December 31, 2021	13,521	721,506	3,812,780
June 30, 2021	801	330,492	1,261,753
<b>Retail transactions</b>			
December 31, 2021	498,956	1,646,731	10,848,664
June 30, 2021	102,523	1,483,594	5,981,880

These in-transit operations were recorded with a charge to other assets (Note 12).

During the six-month periods ended December 31 and June 30, 2021, the Bank recorded income from commissions of Bs 13,392,726 and Bs 4,488,115, respectively, for transactions through this system, shown under other operating income (Note 18).

#### b) Net global position in foreign currency

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

	December 31, 2021					December 31, 2021				Equivalent in bolivars
	In U.S. dollars					In euros				
	Bank	Curacao Branch	Eliminations	Total	Bank	Curacao Branch	Eliminations	Total		
<b>Assets</b>										
Cash and due from banks										
Cash (Note 3)	130,751,039	-	-	130,751,039	12,048,668	-	-	12,048,668		662,221,452
Central Bank of Venezuela (Note 3)	2,905,796	-	-	2,905,796	4	-	-	4		13,325,148
Foreign and correspondent banks	40,332,418	18,513,765	(9,364,873)	49,481,310	5,396,942	633,077	(615,418)	5,414,601		255,061,150
Investment securities (Note 5)	5,566,654	134,632	-	5,701,286	-	-	-	-		26,144,428
Loan portfolio (Note 6)										
Gross loan portfolio	8,984,984	15,329,587	-	24,314,571	-	-	-	-		111,499,498
(Allowance for losses on loan portfolio)	(1,043,703)	(747,124)	-	(1,790,827)	-	-	-	-		(8,212,207)
Gross interest and commissions receivable (Note 7)	2,914,799	73,032	-	2,987,831	-	-	-	-		13,701,316
(Provision for interest receivable and other) (Note 7)	(2,868,991)	(13,605)	-	(2,882,596)	-	-	-	-		(13,218,742)
Investments in subsidiaries, affiliates and branches (Note 8)	13,409,414	-	(13,409,414)	-	97,966	-	-	97,966		509,271
Available-for-sale assets (Note 10)	-	1,286,950	-	1,286,950	-	-	-	-		5,901,565
Property and equipment (Note 11)	-	34,495	-	34,495	-	-	-	-		158,185
Other assets (Note 12)										
Other gross assets	1,798,386	186,128	-	1,984,514	2,488,311	-	-	2,488,311		22,035,871
(Provision for other assets)	-	(131,125)	-	(131,125)	-	-	-	-		(601,301)
<b>Total assets</b>	<b>202,750,796</b>	<b>34,666,735</b>	<b>(22,774,287)</b>	<b>214,643,244</b>	<b>20,031,891</b>	<b>633,077</b>	<b>(615,418)</b>	<b>20,049,550</b>		<b>1,088,525,634</b>



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

## Notes to the financial statements

### December 31 and June 30, 2021

exchange rate of the U.S. dollar and the euro, which were included in equity under exchange gain from holding foreign currency assets and liabilities.

During the six-month period ended December 31, 2021, the Bank recorded exchange gains and losses of Bs 2,380 and Bs 143,250, respectively (Bs 86,165 and Bs 164,620, respectively, during the six-month period ended June 30, 2021), arising from exchange rate fluctuations of the U.S. dollar with respect to other foreign currencies (Notes 18 and 19).

#### 5. Investment securities

Investment securities comprise the following:

	December 31, 2021	June 30, 2021
	(In bolivars)	
<b>Investments</b>		
Deposits with the BCV and overnight deposits	9,150,000	-
Available for sale	497	473
Held to maturity	10,083,277	5,648,682
Restricted	16,061,081	11,251,273
Other securities	-	4
	<u>35,294,855</u>	<u>16,900,432</u>

#### a) Deposits with the BCV and overnight deposits

Deposits with the BCV and overnight deposits at December 31, 2021 comprise the following:

	(In bolivars)
<b>Overnight deposits</b>	
Banco Occidental de Descuento, Banco Universal, C.A., 50% annual yield, maturing in January 2022	<u>9,150,000</u> (1)

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

During the six-month periods ended December 31 and June 30, 2021, the Bank has collected and earned yield from overnight deposits of Bs 2,080,112 and Bs 770,509, respectively, included in the income statement as part of income from investment securities.

#### b) Investments in available-for-sale securities

Investments in available-for-sale securities comprise the following:

	December 31, 2021			June 30, 2021		
	Acquisition cost	Net unrealized loss	Book value (equivalent to market value)	Acquisition cost	Net unrealized loss	Book value (equivalent to market value)
	(In bolivars)					
<b>Securities issued or guaranteed by the Venezuelan government</b>						
Vebonos, with a par value of Bs 200, 26.19% annual yield, maturing in February 2022 (par value of Bs 202, maturing between December 2021 and August 2037 at June 30, 2021)	160	-	160	202	-	202
Global Bonds, equivalent to US\$73, with a par value of US\$800, 9.25% annual yield, maturing in September 2027 (equivalent to US\$84 at June 30, 2021) (Note 4)	<u>2,696</u>	<u>(2,359)</u>	<u>337</u>	<u>1,889</u>	<u>(1,618)</u>	<u>271</u>
	<u>2,856</u>	<u>(2,359)</u>	<u>497</u>	<u>2,091</u>	<u>(1,618)</u>	<u>473</u>

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

#### Custodians of investments

- (a) Central Bank of Venezuela.  
(b) Caja Venezolana de Valores, S.A.

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

## Notes to the financial statements

### December 31 and June 30, 2021

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 used these guidelines to measure its available-for-sale investments at December 31 and June 30, 2021.

At period end, fluctuations in the market value of these investments are recorded in equity under net unrealized loss on investments in available-for-sale securities. This unrealized loss comprises the following:

	December 31, 2021	June 30, 2021
	(In bolivars)	
<b>Unrealized loss</b>		
Securities issued or guaranteed by the Venezuelan government in foreign currency	(2,359)	(1,618)

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

	Fair value	
	December 31, 2021	June 30, 2021
	(In bolivars)	
Up to 6 months	160	-
6 months to 1 year	-	202
Over 5 years	<u>337</u>	<u>271</u>
	<u>497</u>	<u>473</u>

#### c) Investments in held-to-maturity securities

Investments in held-to-maturity securities comprise the following:

	December 31, 2021				June 30, 2021			
	Acquisition cost	Amortized cost	Fair value		Acquisition cost	Amortized cost	Fair value	
	(In bolivars)							
<b>Securities issued or guaranteed by the Venezuelan government</b>								
Global Bonds in foreign currency, equivalent to US\$2,198,092, with a par value of US\$7,225,000, 9.25% annual yield, maturing in September 2027 (equivalent to US\$1,757,568 at June 30, 2021) (Note 4)	3,572,621	10,079,804	3,044,139	(1) - (a) and (c)	2,502,827	5,646,269	2,449,188	(1) - (a) and (c)
Vebonos, with a par value of Bs 16, annual yield between 14.42% and 20.34%, maturing between December 2023 and October 2030	-	-	-		16	16	16	(1) - (b)
Sovereign Bonds, equivalent to US\$94, with a par value of US\$100, 8.25% annual yield, maturing in October 2024 (equivalent to US\$93 at June 30, 2021) (Note 4)	<u>352</u>	<u>430</u>	<u>42</u>	(1) - (c)	<u>247</u>	<u>297</u>	<u>32</u>	(1) - (c)
	<u>3,572,973</u>	<u>10,080,234</u>	<u>3,044,181</u>		<u>2,503,090</u>	<u>5,646,582</u>	<u>2,449,236</u>	
<b>Bonds and debt securities issued by Venezuelan non-financial institutions</b>								
PDVSA bonds issued by Petróleos de Venezuela, S.A. equivalent to US\$663, with a par value of US\$900, annual yield between 5.38% and 5.50%, maturing in April 2037 (equivalent to US\$654 at June 30, 2021) (Note 4)	<u>2,073</u>	<u>3,043</u>	<u>182</u>	(1) - (c)	<u>1,452</u>	<u>2,100</u>	<u>119</u>	(1) - (c)
	<u>3,575,046</u>	<u>10,083,277</u>	<u>3,044,363</u>		<u>2,504,542</u>	<u>5,648,682</u>	<u>2,449,355</u>	

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

#### Custodians of investments

- (a) Caja Venezolana de Valores.
- (b) Central Bank of Venezuela.
- (c) Euroclear Bank, S.A.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

During the six-month periods ended December 31 and June 30, 2021, the Bank recorded interest income on Global Bonds in foreign currency maturing in September 2027 for Bs 1,388,503 and Bs 751,083, respectively, included in the income statement as part of income from investment securities.

During the six-month periods ended December 31 and June 30, 2021, the Bank recorded income from amortization of discounts on held-to-maturity investments of Bs 1,830,548 and Bs 989,791, respectively (Note 18).

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

	<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	<u>Amortized cost</u>	<u>Fair value</u>	<u>Amortized cost</u>	<u>Fair value</u>
	(In bolivars)			
1 month to 5 years	430	42	312	47
5 to 10 years	10,080,561	3,044,181	5,646,789	2,449,215
Over 10 years	<u>2,286</u>	<u>140</u>	<u>1,581</u>	<u>93</u>
	<u>10,083,277</u>	<u>3,044,363</u>	<u>5,648,682</u>	<u>2,449,355</u>

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

At December 31 and June 30, 2021, the Bank has an account in the name of the BCV at the Euroclear Bank to hold in custody all foreign currency securities held in other foreign financial institutions, as set out in Article No. 51 of the Law on Banking Sector Institutions.

At December 31, 2021, the market value of held-to-maturity securities issued or guaranteed by the Bolivarian Republic of Venezuela are below their amortized cost. This decrease is considered temporary since management believes there are legal grounds that allow their recoverability at maturity through payment of taxes. Furthermore, the Bank has the ability and intention to hold these securities to maturity. Accordingly, at December 31 and June 30, 2021, the Bank has recognized no impairment on these investments.

**d) Restricted investments**

Restricted investments comprise the following:

	<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	<u>Amortized cost</u>	<u>Fair value</u>	<u>Amortized cost</u>	<u>Fair value</u>
	(In bolivars)			
<b>Certificates of deposit</b>				
Social Contingency Fund (Note 23)	270	270	46	46 (1)
PNC Bank, with a par value of US\$1,825,722 (US\$1,825,634 at June 30, 2021) (Note 4)	8,372,243	8,372,243	5,864,935	5,864,935 (1)
JP Morgan Chase Bank, with a par value of US\$1,676,642 (Note 4)	<u>7,688,568</u>	<u>7,688,568</u>	<u>5,386,292</u>	<u>5,386,292</u> (1)
	<u>16,061,081</u>	<u>16,061,081</u>	<u>11,251,273</u>	<u>11,251,273</u>

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

At December 31 and June 30, 2021, 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.

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

## Notes to the financial statements

### December 31 and June 30, 2021

During the six-month periods ended December 31 and June 30, 2021, the Bank paid commissions for Bs 3,757,359 and Bs 1,634,234, respectively, for the use of trademarks and its technology platform to process VISA and Mastercard credit cards (Note 19). Furthermore, to date, Bank management is making the necessary administrative arrangements to obtain Mastercard International's authorization to use the trademark and technology platform in the Branch. At December 31 and June 30, 2021, the Branch has not granted credit cards to its customers.

#### e) Investments in other securities

Investments in other securities at June 30, 2021 comprise the following:

(In bolivars)

BANDES securities, issued by Banco de Desarrollo Económico y Social de Venezuela, with a par value of Bs 4, 10% annual yield, maturing between August 2022 and 2024	4	(1) - (a)
---	---	-----------

(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.

The Bank's control environment includes policies and procedures to determine investment risks by entity and economic sector. At December 31, 2021, the Bank has investment securities issued or guaranteed by the Venezuelan government of Bs 10,083,774, representing 29% of its investment securities portfolio (Bs 5,649,339 at June 30, 2021, representing 33%).

## 6. Loan portfolio

The loan portfolio is classified as follows:

	December 31, 2021			June 30, 2021		
	Current	Overdue	Total	Current	Overdue	Total
	(In bolivars)					
<b>Economic activity - operations in Venezuela</b>						
Manufacturing, includes US\$2,483,055 (US\$5,398,766 at June 30, 2021) (Note 4)	40,108,640	-	40,108,640	21,542,486	-	21,542,486
Agriculture, fishing and forestry, includes US\$2,740,364 (US\$5,555,900 at June 30, 2021) (Note 4)	29,974,982	10,038,374	40,013,356	18,744,068	-	18,744,068
Wholesale and retail trade, restaurants and hotels, includes US\$2,644,526 (US\$2,855,673 at June 30, 2021) (Note 4)	26,251,575	388,925	26,640,500	12,066,882	1,218	12,068,100
Financial businesses, insurance, real estate and services, includes US\$649,166 (US\$537,500 at June 30, 2021) (Note 4)	6,874,316	179,436	7,053,752	10,178,908	-	10,178,908
Communal, social and consumer services, includes US\$69,541 (US\$131,340 at June 30, 2021) (Note 4)	5,310,838	8,457	5,319,295	1,927,797	139	1,927,936
Mining and oil, equivalent to US\$374,999 (US\$43,750 at June 30, 2021) (Note 4)	1,719,638	-	1,719,638	140,549	-	140,549
Transportation, warehousing and communications includes US\$23,333 at December 31, 2021 (Note 4)	762,482	-	762,482	755,301	-	755,301
Construction, includes US\$69,000 at June 30, 2021 (Note 4)	344,226	-	344,226	747,995	-	747,995
Utilities, equivalent to US\$70,000 (Note 4)	-	-	-	224,878	-	224,878
	<u>111,346,697</u>	<u>10,615,192</u>	<u>121,961,889</u>	<u>66,328,864</u>	<u>1,357</u>	<u>66,330,221</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

	December 31, 2021			June 30, 2021		
	Current	Overdue	Total	Current	Overdue	Total
	(In bolivars)					
<b>Economic activity - operations in the Curacao Branch</b>						
Manufacturing, equivalent to US\$9,515,208 (US\$12,755,500 at June 30, 2021) (Note 4)	43,633,936	-	43,633,936	37,122,585	3,855,056	40,977,641
Agriculture, fishing and forestry, equivalent to US\$1,944,500 (US\$1,500,000 at June 30, 2021) (Note 4)	8,916,887	-	8,916,887	4,818,822	-	4,818,822
Communal, social and consumer services, equivalent to US\$1,013,045 (US\$1,034,141 at June 30, 2021) (Note 4)	4,645,518	-	4,645,518	2,503,027	819,199	3,322,226
Mining and oil, equivalent to US\$900,000 (US\$1,300,000 at June 30, 2021)	4,127,126	-	4,127,126	-	4,176,311	4,176,311
Wholesale and retail trade, restaurants and hotels, equivalent to US\$800,000 (US\$2,668,109 at June 30, 2021) (Note 4)	3,668,553	-	3,668,553	8,571,425	-	8,571,425
Financial businesses, insurance, real estate and services, equivalent to US\$776,000 (US\$1,658,000 at June 30, 2021) (Note 4)	3,558,499	-	3,558,499	5,326,403	-	5,326,403
Utilities, includes US\$47,500 (US\$307,500 at June 30, 2021)	217,811	-	217,811	987,858	-	987,858
Transportation, warehousing and communications, equivalent to US\$333,334 (US\$325,000 at June 30, 2021)	152,847	1,375,710	1,528,557	80,311	963,764	1,044,075
	<u>68,921,177</u>	<u>1,375,710</u>	<u>70,296,887</u>	<u>59,410,431</u>	<u>9,814,330</u>	<u>69,224,761</u>
	<u>180,267,874</u>	<u>11,990,902</u>	<u>192,258,776</u>	<u>125,739,295</u>	<u>9,815,687</u>	<u>135,554,982</u>
Allowance for losses on loan portfolio, includes US\$1,790,827 (US\$1,639,734 at June 30, 2021) (Note 4)			<u>(9,703,002)</u>			<u>(5,617,048)</u>
			<u>182,555,774</u>			<u>129,937,934</u>
<b>Guarantee - operations in Venezuela</b>						
Pledge, includes US\$5,574,497 (US\$9,406,166 at June 30, 2021) (Note 4)	44,099,053	10,500,531	54,599,584	32,288,427	-	32,288,427
Collateral, includes US\$670,446 (US\$2,135,846 at June 30, 2021) (Note 4)	23,700,440	-	23,700,440	7,552,724	-	7,552,724
Unsecured	17,925,778	8,638	17,934,416	7,605,424	1,357	7,606,781
Real property mortgage, includes US\$2,365,042 (US\$2,986,667 at June 30, 2021) (Note 4)	13,460,069	-	13,460,069	10,294,552	-	10,294,552
Endorsement, includes US\$49,500 at June 30, 2021) (Note 4)	10,441,719	106,023	10,547,742	8,318,687	-	8,318,687
Non-possessory pledge, equivalent to US\$374,999	1,719,638	-	1,719,638	-	-	-
Chattel mortgage includes US\$83,750 (Note 4)	-	-	-	269,050	-	269,050
	<u>111,346,697</u>	<u>10,615,192</u>	<u>121,961,889</u>	<u>66,328,864</u>	<u>1,357</u>	<u>66,330,221</u>
<b>Guarantee - operations in the Curacao Branch</b>						
Pledge, equivalent to US\$8,588,334 (US\$5,451,750 at June 30, 2021) (Note 4)	39,383,562	-	39,383,562	17,514,002	-	17,514,002
Collateral, equivalent to US\$3,159,708 (US\$5,791,858 at June 30, 2021) (Note 4)	14,489,474	-	14,489,474	13,611,105	4,995,511	18,606,616
Unsecured, equivalent to US\$1,966,545 (US\$3,854,642 at June 30, 2021) (Note 4)	7,642,266	1,375,710	9,017,976	11,419,453	963,763	12,383,216
Endorsement, equivalent to US\$1,597,500 (US\$6,450,000 at June 30, 2021) (Note 4)	7,325,646	-	7,325,646	16,865,871	3,855,056	20,720,927
Other guarantees, equivalent to US\$17,500	80,229	-	80,229	-	-	-
	<u>68,921,177</u>	<u>1,375,710</u>	<u>70,296,887</u>	<u>59,410,431</u>	<u>9,814,330</u>	<u>69,224,761</u>
	<u>180,267,874</u>	<u>11,990,902</u>	<u>192,258,776</u>	<u>125,739,295</u>	<u>9,815,687</u>	<u>135,554,982</u>
<b>Maturity - operations in Venezuela</b>						
Overdue	8,243,246	10,614,678	18,857,924	1	1	2
Up to 30 days	32,559,394	-	32,559,394	16,921,892	1,219	16,923,111
31 to 60 days	9,370,950	-	9,370,950	22,488,615	-	22,488,615
61 to 90 days	10,609,302	-	10,609,302	4,776,030	-	4,776,030
91 to 180 days	17,084,262	-	17,084,262	11,091,713	-	11,091,713
181 to 360 days	30,364,757	-	30,364,757	8,571,523	-	8,571,523
Over 360 days	3,114,786	514	3,115,300	2,479,090	137	2,479,227
	<u>111,346,697</u>	<u>10,615,192</u>	<u>121,961,889</u>	<u>66,328,864</u>	<u>1,357</u>	<u>66,330,221</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

	December 31, 2021			June 30, 2021		
	Current	Overdue	Total	Current	Overdue	Total
	(In bolivars)					
<b>Maturity - operations in the Curacao Branch</b>						
Overdue	4,585,692	1,375,710	5,961,402	-	4,818,820	4,818,820
Up to 30 days	1,770,068	-	1,770,068	4,764,207	-	4,764,207
Up to 60 days	11,519,281	-	11,519,281	11,732,221	-	11,732,221
61 to 90 days	12,374,515	-	12,374,515	5,903,136	-	5,903,136
91 to 180 days	33,014,021	-	33,014,021	28,169,776	-	28,169,776
181 to 360 days	2,615,668	-	2,615,668	6,900,549	4,995,510	11,896,059
Over 360 days	3,041,932	-	3,041,932	1,940,542	-	1,940,542
	<u>68,921,177</u>	<u>1,375,710</u>	<u>70,296,887</u>	<u>59,410,431</u>	<u>9,814,330</u>	<u>69,224,761</u>
	<u>180,267,874</u>	<u>11,990,902</u>	<u>192,258,776</u>	<u>125,739,295</u>	<u>9,815,687</u>	<u>135,554,982</u>
<b>Type of loan - operations in Venezuela</b>						
Commercial loans granted through UVC, equivalent to 3,237,941,781 UVC (1,122,188,724 UVC at June 30, 2021) (Note 1)	70,683,352	200,827	70,884,179	17,578,604	-	17,578,604
Loans in foreign currency, equivalent to US\$8,984,984 (US\$14,661,929 at June 30, 2021) (Note 4)	30,796,783	10,405,727	41,202,510	47,102,134	-	47,102,134
Loans of the Single National Productive Portfolio, granted through UVC, equivalent to 156,880,000 UVC (8,800,000 UVC at June 30, 2021) (Note 1)	3,520,199	-	3,520,199	137,848	-	137,848
Employee loans	2,401,794	-	2,401,794	1,472,388	-	1,472,388
Checking accounts	2,146,086	8,573	2,154,659	9,617	1,338	10,955
Microcredits granted through UVC, equivalent to 78,941,337 UVC	1,771,349	-	1,771,349	-	-	-
Credit cards	21,839	65	21,904	22,815	19	22,834
Tourism	5,118	-	5,118	5,311	-	5,311
Mortgage	127	-	127	147	-	147
Microcredits	50	-	50	-	-	-
	<u>111,346,697</u>	<u>10,615,192</u>	<u>121,961,889</u>	<u>66,328,864</u>	<u>1,357</u>	<u>66,330,221</u>
<b>Type of loan - operations in the Curacao Branch</b>						
Commercial promissory notes, equivalent to US\$13,675,535 (US\$16,937,030 at June 30, 2021) (Note 4)	61,336,249	1,375,710	62,711,959	44,596,671	9,814,330	54,411,001
Syndicated loans, equivalent to US\$1,600,000 (US\$4,550,000 at June 30, 2021) (Note 4)	7,337,096	-	7,337,096	14,617,088	-	14,617,088
Employee loans, equivalent to US\$54,052 (US\$61,220 at June 30, 2021) (Note 4)	247,832	-	247,832	196,672	-	196,672
	<u>68,921,177</u>	<u>1,375,710</u>	<u>70,296,887</u>	<u>59,410,431</u>	<u>9,814,330</u>	<u>69,224,761</u>
	<u>180,267,874</u>	<u>11,990,902</u>	<u>192,258,776</u>	<u>125,739,295</u>	<u>9,815,687</u>	<u>135,554,982</u>

At December 31, 2021, current loans from transactions in Venezuela include loans for Bs 8,243,246 less than 30 days overdue. These loans were collected during the first days of January 2022. Furthermore, at December 31, 2021, overdue loans from transactions in Venezuela include two loans for US\$2,184,369 (equivalent to Bs 10,026,254) more than 120 days overdue. To date, management and its legal advisors are managing collection of these loans. Bank management maintains a provision for uncollectible loans of 40%, equivalent to Bs 4,010,501.

In addition, at December 31, 2021, overdue loans from Branch operations include a loan for US\$1,000,000 (equivalent to Bs 4,585,692) less than 15 days overdue, which was collected by the Branch during the first days of January 2022.

At June 30, 2021, overdue loans from Branch operations include a loan for US\$1,200,000, equivalent to Bs 3,855,056, in respect of which, in February 2021, management agreed with the debtor and its warrantor to receive as payment three commercial premises located in Parque Cristal Building, Urbanización Los Palos Grandes, Municipio Chacao, Miranda State, with a market value of US\$1,424,110. Although the ownership of these properties is transferred by means of the dation in payment agreed between the parties, the Branch may not make use of these properties for two years, unless otherwise negotiated by the parties. In August 2021, management and the debtor legalized the

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

dation in payment document before the registry and recorded the property as available-for-sale assets for US\$1,297,300, equivalent to Bs 5,340,603 (Note 10).

In addition, at June 30, 2021, the Branch has loans with two debtors for US\$1,555,000 (equivalent to Bs 4,995,510), maturing between 181 and 360 days. These loans were classified in the overdue loan portfolio since at that date they maintained an installment over 120 days overdue. During July 2021, the Branch received payment of overdue installments from these clients; therefore, these loans were classified as current loans.

During the six-month periods ended December 31 and June 30, 2021, income from the loan portfolio comprises the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2021</u>	<u>2021</u>
	(In bolivars)	
Financial interest	9,624,239	5,315,186
Increase in the investment index of UVC loans collected	6,943,183	14,582,169
Flat commission	<u>1,739,763</u>	<u>587,253</u>
	<u>18,307,185</u>	<u>20,484,608</u>

During the six-month periods ended December 31 and June 30, 2021, net income from variation of principal of UVC loans amounts to Bs 6,224,732 and Bs 15,157,091, respectively, and was recorded in equity. Furthermore, the Bank transferred to results for the periods ended December 31 and June 30, 2021 Bs 6,943,183 and Bs 14,582,169, respectively, of the aforementioned net income in respect of commercial loans through the use of UVC that had already been collected during the six-month periods then ended, which are part of income from loan portfolio.

In accordance with SUDEBAN requirements, at December 31 and June 30, 2021, the Bank maintains a general allowance of Bs 2,116,044 and Bs 1,528,612, respectively, for losses on the loan portfolio, and a countercyclical allowance of Bs 1,441,941 and Bs 1,016,662, respectively (Note 2-e).

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

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2021</u>	<u>2021</u>
	(In bolivars)	
Balance at the beginning of the period	5,617,048	1,898,509
Provided in the period	4,667,749	571,405
Write-offs of uncollectible loans	(17,465)	(8)
Release of provision for loan recovery	(3,211,675)	-
Reclassification from provision for interest receivable (Note 7)	305,283	198,207
Reclassification to provision for contingent loans (Note 16)	-	(5,127)
Adjustment from exchange differences	<u>2,342,062</u>	<u>2,954,062</u>
Balance at the end of the period	<u>9,703,002</u>	<u>5,617,048</u>

During the six-month period ended December 31, 2021, the Branch collected loans for which it maintained a provision of US\$700,367 (equivalent to Bs 3,211,675). As a result, such provisions were released with a credit to the results for the six-month period then ended, which is recorded under income from financial assets recovered.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

At December 31, 2021, overdue loans on which interest is no longer accrued amount to Bs 11,990,902 (Bs 9,815,687 at June 30, 2021). In addition, at December 31, 2021, memorandum accounts include Bs 611,345 (Bs 289,934 at June 30, 2021), in respect of interest not recognized as income from loans on which interest is no longer accrued (Note 21).

During the six-month periods ended December 31 and June 30, 2021, the Bank charged commissions to customers for Bs 3,031,725 and Bs 888,104, respectively, for documentation of loans granted in foreign currency through UVC (Note 18).

At December 31 and June 30, 2021, interest receivable collected in advance from debtors upon loan settlement amounts to Bs 272,556 and Bs 30,904, respectively, which are part of deferred income under accruals and other liabilities. Interest is recorded as income upon collection (Note 16).

The Bank's control environment includes policies and procedures to determine credit risks by client and economic sector.

At December 31, 2021, the Bank's loan portfolio has risk concentration in 10 individual clients, representing 54% of the loan portfolio (53% of the loan portfolio at June 30, 2021). At December 31, 2021, the Bank's loan portfolio has risk concentration in 10 groups of related companies, representing 54% of the loan portfolio (8 groups of related companies, representing 58% of the loan portfolio at June 30, 2021).

On January 21, 2021, SUDEBAN, through Circular SIB-DSB-CJ-OD-00317, established that banking institutions may grant loans in foreign currency using the resources obtained from customer deposits in foreign currency or any other form, prior authorization from the BCV and SUDEBAN.

On February 1, 2021, the Bank requested BCV's authorization to grant loans in foreign currency to its customers using the resources obtained from customer deposits, which would be secured with personal and real guarantees. On March 4, 2021, through Notice VOI-GOC-008, the BCV ordered the Bank to suspend all loans in foreign currency and request authorization from SUDEBAN.

On March 12, 2021, SUDEBAN, through Notice SIB-II-GGIBPV-GIBPV4-01530, ordered the Bank to suspend loans in foreign currency and set aside a provision for the whole amount of the loan portfolio, as such product does not fall under the framework of current regulations. On March 26, 2021, the Bank sent a communication to SUDEBAN stating its arguments to request this regulatory entity to consider the measure.

On March 22, 2021, the Bank requested SUDEBAN's authorization to grant loans in foreign currency using the resources obtained from customer deposits, which would be granted at the interest rate, commission and under other conditions that the BCV deems applicable to these loans. On March 29, 2021, the Bank stated again its arguments to SUDEBAN regarding loans in foreign currency, since they have been granted using the Bank's own resources.

On July 15, 2021, through Notice SIB-II-GGR-GA-05415, SUDEBAN stated that the request for granting loans in foreign currency is based on a transaction that involves a financial negotiation that implies movement of funds, and the guidelines of Exchange Agreement No. 1, which allow the management of funds obtained from customer deposits in foreign currency, subject to BCV instructions. Accordingly, SUDEBAN suggests the Bank to remit to the BCV the authorization request to continue granting loans in foreign currency only with the Bank's own resources. Once received, the authorization should be consigned to SUDEBAN to request its opinion and pronouncement. In view of the above, on July 19, 2021, the Bank remitted to the BCV the authorization request to continue granting loans in foreign currency using its own resources in the short term and, if approved, to set the interest rate (conventional and overdue), as well as the flat commission that would apply to loans in foreign currency with the Bank's own resources. On September 21, 2021, through Notice VOI-GOC-2021-062, the BCV ordered the Bank

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

to immediately suspend all loans in foreign currency, including those granted using resources from customer deposits or any other form. The Bank is allowed to continue collecting current loans in foreign currency maintained in its loan portfolio until maturity of each loan. After this response from the BCV, the Bank has not granted loans in foreign currency.

On September 8, 2021, through Notice SIB-II-GGIBPV-GIBPV4-07434, SUDEBAN informed that it was evaluating the Bank's request to suspend the measure to create a provision for the entire foreign currency loan portfolio. The results of such evaluation will be included in a further notice.

At December 31, 2021, the Bank has not fully provided for foreign currency loans granted with its own resources, as it is awaiting a response from SUDEBAN. The Bank has been collecting foreign currency loans granted with its own resources, which have been timely reported to the BCV and SUDEBAN. The Bank considers that the provision should be created based on the analysis and risk rating of each debtor.

**Subsequent event**

On February 11, 2022, through Notice SIB-DSB-CJ-OD-00712, SUDEBAN authorized banking institutions to grant loans in bolivars using resources from foreign currency deposits, up to 10% of such deposits recorded under checking accounts as per the Free Convertibility Exchange Market System at January 21, 2022, which may be offered in the exchange market system for subsequent settlement in bolivars under the different types of loans included in the Law for Banking Sector Institutions and supplementary regulations. Loans shall be measured and expressed only in UVC. In addition, banking institutions intending to execute loan transactions must submit the agreement proposal for SUDEBAN approval.

**7. Interest and commissions receivable**

Interest and commissions receivable comprise the following:

	December 31, 2021	June 30, 2021
	(In bolivars)	
<b>Interest receivable on investment securities</b>		
Held to maturity, includes US\$2,844,226 (US\$2,510,045 at June 30, 2021) (Note 4)	13,068,202	8,063,637
Available for sale, includes US\$392 (US\$355 at June 30, 2021) (Note 4)	<u>1,802</u>	<u>1,147</u>
	<u>13,070,004</u>	<u>8,064,784</u>
<b>Interest receivable on loan portfolio</b>		
Current, includes US\$105,265 (US\$167,875 at June 30, 2021) (Note 4)	501,019	545,410
Overdue, includes US\$37,948 (US\$77,903 at June 30, 2021) (Note 4)	<u>174,208</u>	<u>250,330</u>
	<u>675,227</u>	<u>795,740</u>
<b>Commissions receivable</b>		
Trust fund (Note 21)	<u>8,309</u>	<u>2,189</u>
	13,753,540	8,862,713
Provision for interest receivable and other, includes US\$2,882,596 (US\$2,588,346 at June 30, 2021) (Note 4)	<u>(13,220,913)</u>	<u>(8,315,296)</u>
	<u>532,627</u>	<u>547,417</u>

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

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

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

	<u>Six-month periods ended</u>	
	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
	(In bolivars)	
Balance at the beginning of the period	8,315,296	2,420,147
Provided in the period	1,552,072	821,499
Write-offs for uncollectible interest	(7)	(17)
Reclassification to allowance for losses on loan portfolio (Note 6)	(305,283)	(198,207)
Reclassification to allowance for contingent loans (Note 16)	-	(2,907)
Adjustment from exchange rate fluctuation	<u>3,658,835</u>	<u>5,274,781</u>
Balance at the end of the period	<u>13,220,913</u>	<u>8,315,296</u>

**8. Investment in Branch**

At December 31 and June 30, 2021, the Branch has an assigned capital of US\$7,599,462, which results from Bank contributions approved by the Board of Directors.

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

**Balance sheet**

	<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	<u>US\$</u>	<u>Equivalent in bolivars</u>	<u>US\$</u>	<u>Equivalent in bolivars</u>
<b>Assets</b> (Note 4)				
Cash and due from banks	19,231,423	88,189,671	11,221,855	36,050,735
Investment securities	134,632	617,382	134,625	432,489
Loan portfolio	14,582,463	66,870,903	20,165,100	64,781,329
Interest and commissions receivable	59,427	272,515	61,009	195,994
Available-for-sale assets	1,286,950	5,901,576	360,394	1,157,783
Property and equipment	34,495	158,184	40,711	130,786
Other assets	<u>55,003</u>	<u>252,228</u>	<u>69,304</u>	<u>222,642</u>
Total assets	<u>35,384,393</u>	<u>162,262,459</u>	<u>32,052,998</u>	<u>102,971,758</u>
<b>Liabilities and Equity</b>				
Liabilities (Note 4)				
Customer deposits	15,538,835	71,256,545	19,243,246	61,819,831
Borrowings	6,276,701	28,783,112	382,219	1,227,896
Interest and commissions payable	4,130	18,939	745	2,393
Accruals and other liabilities	<u>155,313</u>	<u>712,220</u>	<u>117,463</u>	<u>377,355</u>
	<u>21,974,979</u>	<u>100,770,816</u>	<u>19,743,673</u>	<u>63,427,475</u>
Equity (Note 4)				
Capital	7,599,462	34,848,906	7,599,462	24,413,628
Voluntary reserves	2,766,551	12,686,592	2,766,551	8,887,675
Retained earnings	<u>3,043,401</u>	<u>13,956,145</u>	<u>1,943,312</u>	<u>6,242,980</u>
Total equity	<u>13,409,414</u>	<u>61,491,643</u>	<u>12,309,325</u>	<u>39,544,283</u>
Total liabilities and equity	<u>35,384,393</u>	<u>162,262,459</u>	<u>32,052,998</u>	<u>102,971,758</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

**Income statement**

	Six-month periods ended			
	December 31, 2021		June 30, 2021	
	US\$	Equivalent in bolivars	US\$	Equivalent in bolivars
Interest income	1,280,121	5,870,246	1,120,361	3,599,213
Interest expense	(7,081)	(32,476)	(3,090)	(9,927)
Expenses from uncollectible loans	(3,800)	(17,426)	(107,154)	(344,237)
Income from financial assets recovered	700,366	3,211,678	-	-
Other operating income	733	3,361	26,821	86,164
Other operating expenses	(608,802)	(2,791,788)	(335,189)	(1,076,810)
Operating expenses	(391,777)	(1,796,584)	(489,121)	(1,571,322)
Sundry operating income	176,729	810,427	209	671
Sundry operating expenses	(3,508)	(16,087)	(2,065)	(6,634)
Expenses from available-for-sale assets	(30,692)	(140,745)	(15,684)	(50,386)
Income tax expense	(12,200)	(55,946)	(9,390)	(30,166)
Net income	<u>1,100,089</u>	<u>5,044,660</u>	<u>185,698</u>	<u>599,566</u>

The equivalent amounts in bolivars shown in the above financial statements at December 31 and June 30, 2021 have been translated at the official exchange rate of Bs 4.5857/US\$1 and Bs 3.2126/US\$1, respectively (Note 2-b).

**9. Investments in affiliates**

At December 31 and June 30, 2021, the Bank has an investment recorded at cost of €97,966, equivalent to Bs 509,271 and Bs 373,248 (Note 4), respectively, in connection with 22 shares, with a par value of €125, acquired in September 2019 from Society for Worldwide Interbank Financial Telecommunication (SWIFT), an entity domiciled in Belgium, over which the Bank's equity is less than 0.01% of its capital stock; therefore, the Bank's influence over such entity is not significant. The acquisition of these shares was made in respect of and as a requirement for the provision of services.

**10. Available-for-sale assets**

Available-for-sale assets comprise the following:

	Useful life (Years)	December 31, 2021			June 30, 2021		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
(In bolivars)							
Real property	1-3	<u>8,090,264</u>	<u>(2,188,699)</u>	<u>5,901,565</u>	<u>1,500,059</u>	<u>(342,276)</u>	<u>1,157,783</u>

At December 31 and June 30, 2021, real property relates to available-for-sale assets of the Branch, equivalent to US\$1,286,950 and US\$360,394, respectively (Note 4).

Below is the movement of available-for-sale assets for the six-month periods ended December 31 and June 30, 2021:

	June 30, 2021	Additions	Effect of Branch conversion	December 31, 2021
(In bolivars)				
<b>Cost</b>				
Real property	<u>1,500,059</u>	<u>5,340,603</u>	<u>1,249,602</u>	<u>8,090,264</u>
<b>Accumulated amortization</b>				
Real property amortization	<u>(342,276)</u>	<u>(1,700,123)</u>	<u>(146,300)</u>	<u>(2,188,699)</u>
	<u>1,157,783</u>	<u>3,640,480</u>	<u>1,103,302</u>	<u>5,901,565</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

	December 31, 2020	Additions	Effect of Branch conversion	June 30, 2021
	(In bolivars)			
<b>Cost</b>				
Real property	<u>303,719</u>	<u>616,610</u>	<u>579,730</u>	<u>1,500,059</u>
<b>Accumulated amortization</b>				
Real property amortization	<u>-</u>	<u>(342,276)</u>	<u>-</u>	<u>(342,276)</u>
	<u>303,719</u>	<u>274,334</u>	<u>579,730</u>	<u>1,157,783</u>

During the six-month period ended December 31, 2021, the Bank recorded real property received as payment for US\$1,297,300 (equivalent to Bs 5,340,603), for collection of loan and interest receivable from a customer for US\$1,200,000 and US\$97,300, respectively (Note 6).

During the six-month period ended June 30, 2021, the Bank recorded real property received as payment for US\$191,938 (equivalent to Bs 616,610), for collection of loan and interest receivable from a customer for US\$180,000 and US\$11,938, respectively.

The fair value of property received as payment during the six month periods ended December 31 and June 30, 2021 exceeds the amount of loans and interest receivable.

During the six-month periods ended December 31 and June 30, 2021, the Bank recorded amortization of available-for-sale assets for Bs 1,700,123 and Bs 342,276, respectively, which are part of expenses for available-for-sale assets.

## 11. Property and equipment

Property and equipment comprise the following:

	Buildings and facilities	Computer hardware	Furniture and equipment	Vehicles	Construction in progress	Other property	Total
	(In bolivars)						
<b>Balances at December 31, 2020</b>							
Cost (includes US\$127,889) (Note 4)	3,825,433	213,989	189,288	69	397,802	15,053	4,641,634
Accumulated depreciation (includes US\$83,051) (Note 4)	<u>(4,888)</u>	<u>(68,503)</u>	<u>(20,488)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>(93,896)</u>
Net balance	<u>3,820,545</u>	<u>145,486</u>	<u>168,800</u>	<u>52</u>	<u>397,802</u>	<u>15,053</u>	<u>4,547,738</u>
<b>Movement for the six-month period ended June 30, 2021</b>							
Opening balance	3,820,545	145,486	168,800	52	397,802	15,053	4,547,738
Additions	3,148,220	484,927	714,939	212,815	643,371	-	5,204,272
Effect of Branch conversion on cost	-	274,095	81,135	-	-	-	355,230
Withdrawals	(1)	-	-	-	-	-	(1)
Effect of Branch conversion on accumulated depreciation	-	(184,388)	(61,654)	-	-	-	(246,042)
Depreciation expense (Note 20)	(59,312)	(44,860)	(37,745)	(7,103)	-	-	(149,020)
Withdrawals from accumulated depreciation	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Closing balance	<u>6,909,453</u>	<u>675,260</u>	<u>865,475</u>	<u>205,764</u>	<u>1,041,173</u>	<u>15,053</u>	<u>9,712,178</u>
<b>Balances at June 30, 2021</b>							
Cost (includes US\$129,287) (Note 4)	6,973,652	973,011	985,362	212,884	1,041,173	15,053	10,201,135
Accumulated depreciation (includes US\$88,576) (Note 4)	<u>(64,199)</u>	<u>(297,751)</u>	<u>(119,887)</u>	<u>(7,120)</u>	<u>-</u>	<u>-</u>	<u>(488,957)</u>
Net balance	<u>6,909,453</u>	<u>675,260</u>	<u>865,475</u>	<u>205,764</u>	<u>1,041,173</u>	<u>15,053</u>	<u>9,712,178</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

	Buildings and facilities	Computer hardware	Furniture and equipment	Vehicles	Construction in progress	Other property	Total
	(In bolivars)						
<b>Movement for the six-month period ended December 31, 2021</b>							
Opening balance	6,909,453	675,260	865,475	205,764	1,041,173	15,053	9,712,178
Additions (Note 1)	29,801,207	4,134,505	2,049,188	2	5,801,981	-	41,786,883
Effect of Branch conversion on cost	-	174,657	48,975	-	-	-	223,632
Capitalization	-	41,870	-	-	(41,870)	-	-
Withdrawals	(1,021,267)	-	-	-	-	-	(1,021,267)
Effect of Branch conversion on accumulated depreciation	-	(78,661)	(25,639)	-	-	-	(104,300)
Depreciation expense (Note 20)	(215,876)	(329,267)	(94,870)	(21,328)	-	-	(661,341)
Withdrawals from accumulated depreciation	<u>6,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,336</u>
Closing balance	<u>35,479,853</u>	<u>4,618,364</u>	<u>2,843,129</u>	<u>184,438</u>	<u>6,801,284</u>	<u>15,053</u>	<u>49,942,121</u>
<b>Balances at December 31, 2021</b>							
Cost (includes US\$128,662) (Note 4)	35,753,592	5,324,043	3,083,525	212,886	6,801,284	15,053	51,190,383
Accumulated depreciation (includes US\$94,167) (Note 4)	<u>(273,739)</u>	<u>(705,679)</u>	<u>(240,396)</u>	<u>(28,448)</u>	<u>-</u>	<u>-</u>	<u>(1,248,262)</u>
Net balance	<u>35,479,853</u>	<u>4,618,364</u>	<u>2,843,129</u>	<u>184,438</u>	<u>6,801,284</u>	<u>15,053</u>	<u>49,942,121</u>

During the six-month periods ended December 31 and June 30, 2021, additions relate mainly to the acquisition and conditioning of the Bank's Corporate Office (El Rosal) on Avenida Francisco de Miranda, Chacao, Miranda State, and property received from the transfer of rights and obligations of Citibank N.A. (Venezuelan Branch) operations (Note 1).

During the six-month period ended June 30, 2021, the Bank sold its main office in San Bernardino at a sale price of US\$7,000,000 (equivalent to Bs 13,059,298 at the exchange rate in effect at the transaction date). In June 2021, the sales document was formalized before the Mercantile Registry. As a result, during the six-month period ended June 30, 2021, the Bank wrote off land and buildings and facilities of this property, and recorded a gain on sale of Bs 13,059,297, included under extraordinary income.

At December 31 and June 30, 2021, 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 are the useful lives by type of asset:

	Useful life	Average remaining useful life	
		December 31, 2021	June 30, 2021
		(Years)	
Buildings and facilities	40	39.95	39.65
Computer hardware	4	2.92	2.99
Furniture and equipment	8-10	9.12	8.07
Vehicles	5	4.22	4.83

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

**12. Other assets**

Other assets comprise the following:

	December 31, 2021	June 30, 2021
	(In bolivars)	
<b>Deferred expenses</b>		
Leasehold improvements, net of amortization	3,964,303	845,797
Licenses	903,264	1,037,130
Operating system (software)	134,855	79,723
Other	<u>672,093</u>	<u>-</u>
	<u>5,674,515</u>	<u>1,962,650</u>
Pending items, includes US\$545,852 and €2,368,237 (US\$554,773 and €1,814,086 at June 30, 2021) (Note 4)	64,451,575	12,525,830
Advances on purchase options on premises owned by the Bank, includes US\$180,475 (US\$1,037,573 and €1,486,200 at June 30, 2021) (Note 4)	13,319,674	11,273,747
Advances to suppliers	6,641,632	5,696,997
International credit card transactions, equivalent to US\$1,018,949 (US\$733,824 at June 30, 2021) (Notes 4 and 16)	4,672,600	2,357,445
Other prepaid expenses	3,572,885	4,290,775
Prepaid taxes and subscriptions (Note 17)	3,464,999	957,730
Prepaid advertising	896,831	281,338
Accounts receivable in foreign currency, equivalent to US\$49,960 and €120,074 (US\$25,361 at June 30, 2021) (Note 4)	853,315	81,472
Other sundry accounts receivable, includes US\$5,061 (US\$82,486 at June 30, 2021) (Note 4)	726,779	496,472
Matured financial instruments receivable, equivalent to US\$131,125 (Note 4)	601,299	421,245
Stationery and sundry supplies	453,266	129,766
Inventories of chip credit and debit cards	240,700	63,083
Guarantee deposits, includes US\$47,266 (Note 4)	217,221	152,381
Bank insurance, includes US\$4,687 (US\$18,988 at June 30, 2021) (Note 4)	191,218	411,088
Deferred income tax (Note 17)	138,695	286,142
Accounts receivable from employees	42,772	9,144
Credit card-related accounts receivable and balance offsettings, includes US\$1,139 at December 31, 2021 (Note 4)	16,864	5,220
Insurance claim payments, includes US\$751,232 (Note 4)	<u>-</u>	<u>2,414,067</u>
	<u>100,502,325</u>	<u>41,853,942</u>
Provision for other assets, includes US\$131,125 (US\$200,750 at June 30, 2021) (Note 4)	<u>(605,855)</u>	<u>(646,966)</u>
	<u>105,570,985</u>	<u>43,169,626</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

The balance of pending items comprises the following:

	December 31, 2021	June 30, 2021
	(In bolivars)	
<b>In-transit operations</b>		
In-transit operations - points of sale	29,212,396	-
Interbank mobile payment transactions receivable	19,760,745	3,831,476
Retail transactions equivalent to US\$498,956 and €1,646,731 (US\$102,523 and €1,483,594 at June 30, 2021) (Notes 4 and 16)	10,848,664	5,981,880
Exchange desk transactions equivalent to US\$13,521 and €721,506 (US\$801 and €330,492 at June 30, 2021) (Notes 4 and 16)	3,812,780	1,261,753
Other pending items	663,727	285
Sale of foreign currency - exporters, equivalent to US\$33,375 (US\$451,449 at June 30, 2021) (Notes 4 and 16)	153,050	1,450,302
Cash shortages	213	19
Teller machines and remittances in foreign currency	-	115
	<u>64,451,575</u>	<u>12,525,830</u>

In-transit operations of the interbank mobile payment system relate to cash transfers by Bank customers from deposits to accounts in other financial institutions. In-transit operations payable in connection with interbank mobile payment transactions relate to cash transfers by Bank customers to accounts in other financial institutions and are recorded under accruals and other liabilities (Note 16). These transactions clear the week following period closing. At December 31, 2021, the Bank has operations receivable and payable of Bs 19,760,745 and Bs 16,186,104, respectively (Bs 3,831,476 and Bs 3,607,226, respectively, at June 30, 2021) in connection with interbank mobile payment transactions (Note 16). During the six-month periods ended December 31 and June 30, 2021, the Bank recorded income from commissions charged to customers of Bs 3,049,670 and Bs 934,700, respectively, in connection with transactions through this system (Note 18).

At December 31, 2021, the Bank maintains investment securities in debt securities issued by the foreign financial private-sector company International Cooperatief UA, which matured in October 2020, and were reclassified from available-for-sale investments to other assets at their par value of US\$100,000, equivalent to Bs 458,569 (Bs 321,255 at June 30, 2021). In addition, at December 31, 2021, overdue interest receivable in respect of these investments amount to US\$31,125, equivalent to Bs 142,730 (Bs 99,990 at June 30, 2021). At December 31 and June 30, 2021, a provision was set aside for the full amount of principal and related interest of these financial instruments.

At December 31 and June 30, 2021, advances for purchase of premises owned by the Bank include Bs 13,319,674 and Bs 11,273,747, respectively, for future purchase and sale commitments of the administrative offices in Centro Empresarial Boleíta, Sucre Municipality, Miranda State.

In-transit operations in respect of the international credit card correspond to the use of Banks' points of sale by customers from foreign financial institutions. Most of these transactions clear in the month following period closing (Note 16).

Advances to suppliers relate mainly to purchases of equipment, update of technology information systems, teller machines, and remodeling of agencies and headquarters.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

During the six-month period ended June 30, 2021, the Bank suffered an incident for US\$1,148,354 (equivalent to Bs 3,698,386). The Bank has an insurance policy to cover these expenses and, accordingly, filed the respective claims and recorded an account receivable for US\$751,232 (equivalent to Bs 2,414,067 million), shown net of the deductible of US\$397,122 (equivalent to Bs 1,284,319) established in the insurance contract. During the six-month period ended December 31, 2021, the Bank received payment of this account receivable.

The balance of other prepaid expenses comprises the following:

	December 31, 2021	June 30, 2021
	(In bolivars)	
Licenses maturing within one year	1,746,478	921,115
Insurance	1,639,581	2,833,751
Improvements to agencies	122,785	472,557
Bloomberg service	58,598	59,578
Per diems paid to employees	5,443	3,738
Prepaid subscriptions	-	36
	<u>3,572,885</u>	<u>4,290,775</u>

Deferred expenses comprise the following:

	December 31, 2021			June 30, 2021		
	Cost	Accumulated amortization	Book value	Cost	Accumulated amortization	Book value
	(In bolivars)					
Leasehold improvements	4,090,324	(126,021)	3,964,303	848,122	(2,325)	845,797
Licenses	1,648,809	(745,545)	903,264	1,225,148	(188,018)	1,037,130
Operating system (software)	187,971	(53,116)	134,855	79,723	-	79,723
Others	<u>711,555</u>	<u>(39,462)</u>	<u>672,093</u>	-	-	-
	<u>6,638,659</u>	<u>(964,144)</u>	<u>5,674,515</u>	<u>2,152,993</u>	<u>(190,343)</u>	<u>1,962,650</u>

During the six-month periods ended December 31 and June 30, 2021, the Bank recorded amortization of deferred expenses of Bs 826,436 and Bs 171,034, respectively, shown in the income statement under general and administrative expenses (Note 20).

Below is the movement in the provision for other assets:

	December 31, 2021	June 30, 2021
	(In bolivars)	
Balance at the beginning of the period	646,966	144,867
Provision for other assets (Note 19)	2,860	199,004
Other unrecoverable assets written off	(311,203)	-
Adjustment from exchange rate fluctuation	<u>267,232</u>	<u>303,095</u>
Balance at the end of the period	<u>605,855</u>	<u>646,966</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

**13. Customer deposits**

Customer deposits comprise the following:

	December 31, 2021	June 30, 2021
	(In bolivars)	
<b>Checking account deposits and certificates</b>		
Non-interest-bearing checking accounts	104,325,639	42,413,029
Checking accounts as per the Free Convertibility Exchange Market System, equivalent to US\$149,305,156 and €10,618,680 (US\$83,545,285 and €26,078,172 and includes US\$5,790 and €2,345 for trust fund deposits at June 30, 2021) (Notes 4 and 21)	739,871,342	367,751,403
Interest-bearing checking accounts	11,395,088	8,941,803
Checking accounts as per Exchange Agreement No. 20, equivalent to US\$3,818 (Notes 3, 4 and 24)	17,506	12,264
Demand deposits and certificates		
Non-negotiable demand deposits, bearing annual interest at between 1% and 9%	24,937,753	1,593,851
Public, State and Municipal Administration	<u>800,217</u>	<u>169,170</u>
	<u>881,347,545</u>	<u>420,881,520</u>
<b>Other demand deposits</b>		
Cashier's checks sold	834,052	434,811
Trust fund liabilities (Note 21)	297,556	108,730
Advance collections from credit card holders	16,412	5,643
Housing Savings Fund liabilities (Note 21)	<u>2,531</u>	<u>-</u>
	<u>1,150,551</u>	<u>549,184</u>
Savings deposits, bearing 21% annual interest for deposits for individuals and 0.125% for deposits in foreign currency, includes US\$12,873,243 and €73,480 (US\$13,763,006 and €2,856,110 at June 30, 2021) (Note 4)	<u>80,531,826</u>	<u>65,437,282</u>
Time deposits, bearing 24% annual interest for deposits in bolivars, and between 0.02% and 3.50% for deposits in U.S. dollars, includes US\$2,579,996 and €2,000 (US\$1,500,000 at June 30, 2021) with the following maturities (Note 4)		
Up to 30 days	3,500	423
31 to 60 days	-	99
61 to 90 days	11,841,503	4,818,820
91 to 180 days	3,000	659
181 to 360 days	<u>1,000</u>	<u>-</u>
	<u>11,849,003</u>	<u>4,820,001</u>
Restricted customer deposits, equivalent to €500,000 at June 30, 2021 (Note 4)	<u>-</u>	<u>1,904,880</u>
	<u>974,878,925</u>	<u>493,592,867</u>

At December 31 and June 30, 2021, checking accounts as per the Free Convertibility Exchange Market System correspond to customer deposits in foreign currency, maintained in Venezuela, in accordance with Exchange Agreement No. 1 (Note 4). In addition, the Bank charged its customers 0.5% and 2% of the cash amount in foreign currency withdrawn from agencies and counters. During the six-month periods ended December 31 and June 30, 2021, income in this connection amounted to Bs 49,086,336 and Bs 15,592,020, respectively, shown under other operating income (Note 18).

At June 30, 2021, restricted customer deposits were in respect of guarantee deposits for loans granted by the Branch, on which there are properly constituted guarantees.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

During the six-month periods ended December 31 and June 30, 2021, the Bank charged its customers commissions on transfers to foreign banks for US\$183,538 and US\$389,849, respectively (equivalent to Bs 841,651 and Bs 1,252,435, respectively), which are part of income from other accounts receivable. During the six-month periods ended December 31 and June 30, 2021, the Bank paid its foreign correspondent banks US\$206,818 and US\$177,403, respectively (equivalent to Bs 948,408 and Bs 569,914, respectively) (Note 19).

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

	<b>December 31, 2021</b>	<b>June 30, 2021</b>
	(In bolivars)	
Non-interest-bearing checking accounts	10,226,140	6,169,817
Non-negotiable demand deposits	1,836,141	3,364,554
Savings deposits at 12.5% annual interest	800,217	169,170
Interest-bearing checking accounts at 0.25% annual interest	<u>298,814</u>	<u>458,012</u>
	<u><b>13,161,312</b></u>	<u><b>10,161,553</b></u>

**14. Borrowings**

Borrowings comprise the following:

	<b>December 31, 2021</b>	<b>June 30, 2021</b>
	(In bolivars)	
<b>Borrowings from Venezuelan financial institutions, up to one year</b>		
Overnight deposits at		
Banco de la Fuerza Armada Nacional Bolivariana, Banco Universal, C.A., 120% annual yield, maturing in January 2022	<u>2,000,000</u>	-
Time deposits		
Banco de Desarrollo Económico y Social de Venezuela (BANDES), 110% annual yield, maturing in January 2022	10,650,000	1,524,169
Banco Bicentenario, Banco Universal, C.A. 100% annual yield, maturing in January 2022	5,000,000	-
Banco del Tesoro, C.A. Banco Universal, 143% annual yield, maturing in January 2022	<u>5,000,000</u>	-
	<u><b>20,650,000</b></u>	<u><b>1,524,169</b></u>
Demand deposits, non-interest-bearing checking accounts with		
Bancrecer, Banco Microfinanciero, C.A.	3,888	1,367
Mi Banco, Banco Microfinanciero, C.A.	<u>58</u>	<u>59</u>
	<u><b>3,946</b></u>	<u><b>1,426</b></u>
	<u><b>22,653,946</b></u>	<u><b>1,525,595</b></u>
<b>Borrowings from foreign financial institutions, up to one year</b>		
Demand deposits, non-interest-bearing checking accounts with		
BNC International Banking Corporation, equivalent to US\$53,650 (US\$52,939 at June 30, 2021) (Notes 4 and 24)	245,982	170,066
Arca International Bank, Inc.	<u>1</u>	<u>1</u>
	<u><b>245,983</b></u>	<u><b>170,067</b></u>
	<u><b>22,899,929</b></u>	<u><b>1,695,662</b></u>

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. At December 31 and June 30, 2021, the Bank complies with the requirements of this Resolution.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

**15. Interest and commissions payable**

Interest and commissions payable comprise the following:

	December 31, 2021	June 30, 2021
	(In bolivars)	
<b>Interest payable on customer deposits</b>		
Non-negotiable demand deposits	1,128,986	114,253
Time deposits, includes US\$4,130 (US\$745 at June 30, 2021) (Note 4)	<u>19,011</u>	<u>2,413</u>
	<u>1,147,997</u>	<u>116,666</u>
<b>Interest payable on borrowings</b>		
Interest payable on overnight deposits	<u>789,264</u>	<u>17,977</u>
Total interest payable	<u>1,937,261</u>	<u>134,643</u>

**16. Accruals and other liabilities**

Accruals and other liabilities comprise the following:

	December 31, 2021	June 30, 2021
	(In bolivars)	
Pending items, includes US\$806,345 and €2,488,622 (US\$159,059 and €1,814,103 at June 30, 2021) (Note 4)	40,420,590	17,450,800
Accounts payable in foreign currency, equivalent to US\$2,447,120 and €13,591 (US\$2,411,788 and €13,220 at June 30, 2021) (Note 4)	11,292,422	7,798,351
International credit card transactions, equivalent to US\$1,018,949 (US\$733,824 at June 30, 2021) (Notes 4 and 12)	4,672,600	2,357,445
Withholding tax	1,433,495	912,423
Income tax provision, includes US\$21,550 (US\$15,355 at June 30, 2021) (Notes 4 and 17)	1,156,305	3,251,815
Suppliers and other sundry accounts payable, include US\$155,569 (US\$47,115 at June 30, 2021) (Note 4)	1,052,089	1,152,765
Tax on economic activities and other taxes payable (Note 17)	973,322	372,606
Other provisions	883,916	1,950,108
Bank insurance policies, equivalent to US\$6,416 and €112,227 (US\$5,036 and €17,292 at June 30, 2021) (Note 4)	612,799	82,061
Professional fees payable, includes US\$9,000 (US\$12,541 at June 30, 2021) (Note 4)	489,303	61,569
Accrual for length-of-service benefits (Note 2-j)	465,638	237,508
Vacations and vacation bonus payable, includes US\$23,920 (US\$22,476 at June 30, 2021) (Notes 2-j and 4)	371,986	145,957
Commissions on credit and debit card services	346,423	299,089
Deferred interest income, includes US\$44,378 and €13,283 (US\$503 at June 30, 2021) (Notes 4 and 6)	272,556	30,904
Sports and Physical Education Law	201,091	161,891
Sale of foreign currency to exporters, equivalent to US\$33,375 (US\$451,449 at June 30, 2021) (Notes 4 and 12)	153,050	1,450,302
Contribution for the prevention of money laundering and terrorism financing	73,271	73,271
Provision for contingent loans (Note 22)	32,048	22,543
Cashier's checks	17,283	844
Labor contributions and withholdings payable	16,292	7,159
Other personnel expenses	705	475
Profit sharing payable, includes US\$1 (US\$1,075 at June 30, 2021) (Notes 2-j and 4)	6	56,265
Provision for wealth tax (Note 17)	-	341,868
Leases	-	<u>162,997</u>
	<u>64,937,190</u>	<u>38,381,016</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

The balance of pending items comprises the following:

	<b>December 31, 2021</b>	<b>June 30, 2021</b>
	(In bolivars)	
Interbank mobile transactions payable, includes US\$22,914 and €120,075 at December 31, 2021 (Notes 4 and 12)	16,186,104	3,607,226
Retail transactions, include US\$498,956 and €1,646,731 (US\$102,523 and €1,483,594 at June 30, 2021) (Notes 4 and 12)	10,848,664	5,981,880
Electronic transfer pending offsetting	6,686,267	5,307,541
Exchange desk transactions, include US\$13,521 and €721,506 (US\$801 and €330,492 at June 30, 2021) (Notes 4 and 12)	3,812,780	1,261,753
Collection of government and municipal taxes	1,528,161	179,495
Other pending items, include US\$249,954 and €310 (US\$34,735 and €17 at June 30, 2021) (Note 4)	1,168,111	113,511
Transactions through SICAD, equivalent to US\$21,000 (Notes 3 and 4)	96,300	67,463
Commissions to the Central Bank of Venezuela	60,663	10,918
Point-of-sale transactions payable	<u>33,540</u>	<u>921,013</u>
	<u>40,420,590</u>	<u>17,450,800</u>

At December 31 and June 30, 2021, electronic transfers pending offsetting correspond to transfers made by Bank customers to other financial institutions during the last days of December and June 2021, respectively, which cleared the first days of January 2022 and July 2021, respectively. During the six-month periods ended December 31 and June 30, 2021, the Bank charged commissions on interbank electronic transfers for Bs 1,884,594 and Bs 771,000, respectively, included under other operating income (Note 18).

At December 31 and June 30, 2021, 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. During the six-month period ended December 31, 2021, the Bank recorded income and expenses of Bs 11,100,857 and Bs 1,623,692, respectively, from commissions charged to stores for the use of points of sales, which are part of commissions for services, recorded under other income and other operating expenses, respectively (income and expenses of Bs 3,907,695 and Bs 541,750, respectively, for the six-month period ended June 30, 2021) (Notes 18 and 19). Furthermore, during the six-month periods ended December 31 and June 30, 2021, the Bank charged commissions for Bs 1,676,457 and Bs 93,538, respectively, on reimbursement of point-of-sale operation costs to stores, included under other operating income (Note 18).

At December 31 and June 30, 2021, accounts payable in foreign currency include mainly interest payable on customer securities held in custody by the Bank, which, to date, have not been demanded. To date, management is taking the necessary actions to settle this liability with the corresponding beneficiaries.

At December 31 and June 30, 2021, the Bank maintains an accrual of Bs 883,916 and Bs 1,950,108, respectively, for possible contingent losses, recorded under other provisions. During the six-month periods ended December 31 and June 30, 2021, the Bank recorded expenses in this connection of Bs 250,000 and Bs 1,300,000, respectively, shown in the income statement under sundry operating expenses (Note 19).

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

At December 31 and June 30, 2021, withheld taxes relate mainly to withholdings from third parties in connection with:

	December 31, 2021	June 30, 2021
	(In bolivars)	
Income tax	722,149	337,709
Tax on large financial transactions	356,185	193,902
Value added tax	319,670	333,291
Stamp duty	34,280	46,632
Other taxes	<u>1,211</u>	<u>889</u>
	<u>1,433,495</u>	<u>912,423</u>

At December 31 and June 30, 2021, suppliers and other sundry payables correspond mainly to accounts payable of Bs 1,052,089 and Bs 1,152,765, respectively, for contracted services.

Below is the movement in the provision for contingent loans:

	<u>Six-month periods ended</u>	
	December 31, 2021	June 30, 2021
	(In bolivars)	
Balance at the beginning of the period	22,543	14,509
Provided in the period	9,505	-
Reclassification from loan portfolio (Note 6)	-	5,127
Reclassification from provision for interest receivable (Note 7)	<u>-</u>	<u>2,907</u>
Balance at the end of the period	<u>32,048</u>	<u>22,543</u>

**17. 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.

The current Income Tax Law establishes, among other things, a 40% proportional income tax for institutions engaged in banking and financial activities; these institutions are excluded from the inflation adjustment for tax purposes set forth in this Law. The Law also establishes that net operating losses may be carried forward for 3 years and offset up to a maximum of 25% of annual income.

**Income tax advance regime**

On August 21, 2018, the Venezuelan government published a Constituent Decree to establish a temporary regime for the payment of income tax advances applicable to special taxpayers engaged in economic activities other than exploitation of mines, hydrocarbons and related activities, who do not receive royalties from such exploitations. The advance referred to in this Decree shall be determined based on gross income from the sale of goods and services obtained in the tax period of the previous month within the country and shall range from 0.5% to 2%. The Venezuelan government may establish different tax rates but may not exceed the limits set. The percentage of the advance has been set at:

- 2% for financial institutions, banking sector, insurance and reinsurance entities.
- 1% for the remaining taxpayers.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

These advances may be deducted in the final income tax return. The advance regime established in this Decree will be effective until fully or partially repealed by the Venezuelan government.

Below is the reconciliation between book income and net taxable income for the six-month period ended December 31, 2021:

Statutory tax rate (%)	<u>40</u>
	(In bolivars)
Book income before tax	24,365,139
Difference between book income and taxable income	
Other provisions	3,442,513
Loan portfolio, net	(2,522,818)
Income not available at period closing	(2,745,201)
Incidental cost	(13,305,465)
Tax-exempt income, net of related expenses	(4,805,114)
Other effects, net	<u>(1,785,337)</u>
Taxable income in Venezuela	<u>2,643,717</u>
Current income tax provision in Venezuela	<u>1,057,487</u>

During the six-month period ended June 30, 2021, the Bank recorded current income tax expense in Venezuela of Bs 3,150,000, recorded in the income statement. In addition, at December 31, 2021, management updated income tax calculation for the year then ended and determined an income tax expense of Bs 1,057,487. As a result, during the six-month period ended December 31, 2021, Bank management recorded income tax expense of Bs 380,000 and income of Bs 2,472,513 from release of income tax provision, recorded in the income statement under extraordinary income.

During the six-month period ended December 31, 2021, the Branch recorded estimated income tax expense of US\$12,200, equivalent to Bs 55,945 (US\$9,390, equivalent to Bs 30,165, during the six-month period ended June 30, 2021). On June 27, 2019, the Curacao Tax Authorities approved Tax Ruling No. UR 19-0115 until December 31, 2021. 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. 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).

At December 31 and June 30, 2021, the Bank maintains an income tax provision of Bs 1,156,305 and Bs 3,251,815, respectively, which includes US\$21,550 and US\$15,355, respectively, in connection with the Branch (Note 16). In addition, at December 31 and June 30, 2021, the Bank has prepaid income tax amounting to Bs 3,458,984 and Bs 952,819, respectively, which are part of other assets and are shown within prepaid taxes and subscriptions (Note 12).

The tax expense comprises the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2021</u>	<u>2021</u>
	(In bolivars)	
<b>Income tax</b>		
Current - operations in Venezuela	(380,000)	(3,150,000)
Current - operations in the Curacao Branch	(55,945)	(30,165)
Deferred asset (liability)	<u>(147,447)</u>	<u>634,733</u>
	<u>(583,392)</u>	<u>(2,545,432)</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

**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 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, 2021 relate to prepaid expense, provision for other provisions and accruals. At December 31 and June 30, 2021, the Bank has net deferred tax assets of Bs 138,695 and Bs 286,142, respectively, as part of other assets (Note 12).

The components of the net deferred tax asset are as follows:

	December 31, 2021	June 30, 2021
	(In bolivars)	
<b>Assets</b>		
Other provisions and accruals	<u>244,896</u>	<u>611,992</u>
<b>Liabilities</b>		
Prepaid expenses	106,201	56,766
Exchange gain on advances granted for the purchase of property and equipment	<u>      -</u>	<u>269,084</u>
	<u>106,201</u>	<u>325,850</u>
Deferred income tax asset	<u>138,695</u>	<u>286,142</u>

The movements in the deferred income tax liability accounts for the six-month periods ended December 31 and June 30, 2021, are summarized below:

	Other provisions and accruals	Prepaid expenses	Exchange gain on advances granted for the purchase of property and equipment	Total deferred tax asset (liability)
	(In bolivars)			
At December 31, 2020	51,757	(131,264)	(269,084)	(348,591)
Credited to the income statement	<u>560,235</u>	<u>74,498</u>	<u>      -</u>	<u>634,733</u>
At June 30, 2021	611,992	(56,766)	(269,084)	286,142
Credited (charged) to the income statement	<u>(367,096)</u>	<u>(49,435)</u>	<u>269,084</u>	<u>(147,447)</u>
At December 31, 2021	<u>244,896</u>	<u>(106,201)</u>	<u>      -</u>	<u>138,695</u>

**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. The Bank made the transfer-pricing study for the year ended December 31, 2020 and determined no impact on taxable income for the year then ended; the transfer-pricing study for the year ended December 31, 2021 is underway. Bank management expects no impact on taxable income at December 31, 2021, since there have been no changes in the operating conditions with its related company abroad.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

#### **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.

For the six-month periods ended December 31 and June 30, 2021, the Bank recorded a tax expense of Bs 3,337,050 and Bs 1,468,345, respectively, in connection with economic activities conducted in its offices nationwide, shown under general and administrative expenses (Note 20). At December 31, 2021, the balance pending payment in this connection amounts to Bs 967,548 (Bs 368,782 at June 30, 2021), 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.

The Reform to the Law on Tax on Large Financial Transactions was published on August 21, 2018 in the Extraordinary Official Gazette to establish that the tax rate may be modified by the Venezuelan government and may be set at a maximum of 2%. The Venezuelan government set the tax rate at 2% as from November 2018.

During the six-month period ended December 31, 2021, the Bank recorded expenses of Bs 1,772,076 in this connection (Bs 908,130 during the six-month period ended June 30, 2021), shown under general and administrative expenses (Note 20).

#### **f) Law on Wealth Tax**

The Law on Wealth Tax was published in Official Gazette No. 41,667 on July 3, 2019. This Law establishes that special taxpayers whose wealth is equal to or greater than 36,000,000 tax units for individuals and 100,000,000 tax units for corporations are required to pay between 0.25% and 1.50% for the portion of net wealth exceeding these amounts. Payment of this tax must be made under the terms and conditions established by Tax Authorities. This Constitutional Law became effective upon its publication in the Official Gazette. During the six-month periods ended December 31 and June 30, 2021, the Bank recorded expenses of Bs 200,043 and Bs 341,868, respectively, in this connection, shown in the net results for the period.

#### **g) Master Tax Code**

A reform to the Master Tax Code was published on January 29, 2020 in Official Gazette No. 6,507 to establish changes to the calculation of fines, which were previously set in tax units and will now be expressed at the official exchange rate of the highest-value currency published by the BCV, using the exchange rate in effect at the payment date. It also establishes that fines expressed in percentage terms will be calculated at the official exchange rate of the highest-value currency published by the BCV in effect at the date of the offense and will be paid using the exchange rate in effect at the payment date. Furthermore, those who pay amounts withheld or received out of the term established in the regulations, undergoing verification and scrutiny procedures, will be subject to a fine equivalent to 1,000% of taxes withheld or received, regardless of the delay time. This reform became effective as from February 29, 2020.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

In addition, on April 6, 2021, SENIAT published in the Official Gazette the adjustment to the tax unit from Bs 0.0015 to Bs 0.02.

**18. Other operating income**

Other operating income comprises the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2021</u>	<u>2021</u>
	(In bolivars)	
Commission on withdrawal of cash in foreign currency (Note 13)	49,086,336	15,592,020
Service fees	23,325,629	7,996,920
Commission on transactions through the foreign exchange system (Note 4)	13,392,726	4,488,115
Commission on exchange transactions (Note 3)	3,948,827	876,039
Commission on documentation of loans in foreign currency and loans granted through UVC (Note 6)	3,031,725	888,104
Income from amortization of discount on held-to-maturity investments (Note 5-c)	1,830,548	989,791
Commissions on trust funds (Note 21)	31,313	7,471
Exchange gain (Note 4)	<u>2,380</u>	<u>86,165</u>
	<u>94,649,484</u>	<u>30,924,625</u>

Service fees comprise the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2021</u>	<u>2021</u>
	(In bolivars)	
Point-of-sale transactions (Note 16)	11,100,857	3,907,695
Interbank mobile payment (Note 12)	3,049,670	934,700
Other non-financial commissions	2,205,695	69,526
Interbank transfers (Note 16)	1,884,594	771,000
Reimbursement of point-of-sale operation costs to stores (Note 16)	1,676,457	93,538
Commission on P2P SUICHE 7B service	1,203,739	280,208
Commission on phone recharge	644,429	285,554
Commission MasterCard	497,445	188,996
Payroll account affiliation	211,009	68,249
Services to social security pensioners	205,122	95,504
Commission on high-value bank transfers	150,768	30,104
Commission on technical consulting	91,103	651,083
Commission on checking account overdraft	33,552	109,160
Minimum balances of customer deposits	14,733	340
Issue of cashier's checks	5,130	2,285
Returned checks	134	119
Other	<u>351,192</u>	<u>508,859</u>
	<u>23,325,629</u>	<u>7,996,920</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

**19. Other operating expenses**

Other operating expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2021</u>	<u>2021</u>
	(In bolivars)	
Service fees (Notes 2-k and 15)	7,510,606	3,172,484
Exchange loss (Note 4)	143,250	164,620
Other	<u>2</u>	<u>1</u>
	<u>7,653,858</u>	<u>3,337,105</u>

Service fees comprise the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2021</u>	<u>2021</u>
	(In bolivars)	
Commissions to credit card processor vendors (Note 5)	3,757,359	1,634,234
Point-of-sale transactions (Note 16)	1,623,692	541,750
Transfers through correspondent banks (Note 13)	948,408	569,914
Interbank mobile payment	718,931	220,668
Other expenses for service fees	<u>462,216</u>	<u>205,918</u>
	<u>7,510,606</u>	<u>3,172,484</u>

Sundry operating expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2021</u>	<u>2021</u>
	(In bolivars)	
Contribution to the National Fund for Communal Councils	984,385	194,564
Possible contingent losses (Note 16)	250,000	1,300,000
Contribution for the Antidrug Law (Note 1)	-	72,284
Contribution for the Sports and Physical Education Law (Note 1)	39,200	172,882
Contribution for the Law for the Advancement of Science, Technology and Innovation (Note 1)	30,388	30,388
Provision for other assets (Note 11)	2,860	199,004
Other	<u>16,598</u>	<u>6,672</u>
	<u>1,323,431</u>	<u>1,975,794</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

**20. General and administrative expenses**

General and administrative expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
	(In bolivars)	
Maintenance and repairs of property and equipment	11,845,830	4,003,275
Transportation of valuables and surveillance	7,635,152	3,172,808
Consulting and external audit	5,913,353	2,250,037
Tax on economic activities (Note 17)	3,337,050	1,468,345
Transportation and communication expenses	3,231,419	1,808,383
Leases	3,165,855	2,065,184
Sundry general expenses	2,748,367	613,334
Insurance	2,346,850	1,009,609
Outsourced services	2,279,765	1,159,597
Tax on large financial transactions (Note 17)	1,772,076	908,130
Amortization of deferred expenses (Note 12)	826,436	171,034
Advertising	665,213	310,749
Depreciation and impairment of property and equipment (Note 11)	661,341	149,020
Legal advice	436,296	267,756
Stationery and office supplies	240,411	35,337
Utilities	162,890	123,240
Other taxes and contributions	134,829	64,301
Public relations	93,198	704
Infrastructure expenses	33,361	129,109
Legal fees	19,506	3,023
Other	<u>195,067</u>	<u>116,646</u>
	<u>47,744,265</u>	<u>19,829,621</u>

**21. Memorandum accounts**

Memorandum accounts comprise the following:

	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
	(In bolivars)	
<b>Contingent debtor accounts</b>		
Guarantees granted, equivalent to US\$701,649 (Note 22)	3,217,791	2,254,318
Credit card lines of credit (Note 22)	95,228	51,325
Lines of credit for discounts and factoring (Note 22)	<u>3</u>	<u>3</u>
	<u>3,313,022</u>	<u>2,305,646</u>
<b>Assets received in trust, includes US\$5,790 and €2,345 at June 30, 2021 (Notes 2-m and 4)</b>	<u>4,801,703</u>	<u>1,260,521</u>
<b>Debtor accounts from other special trust services (Housing Loan System)</b>	<u>12,475</u>	<u>2,006</u>
<b>Other debtor memorandum accounts</b>		
Guarantees received, includes US\$86,276,653 and €4,700 (US\$96,334,741 and €1,549,346 at June 30, 2021) (Note 4)	540,799,149	329,338,055
Securities held in custody by other financial institutions, includes US\$21,116,559 (US\$21,116,091 at June 30, 2021) (Note 4)	96,834,351	67,836,432
Assets held in custody, includes US\$18,663,013 (US\$18,431,983 at June 30, 2021) (Note 4)	87,146,318	59,784,577
Lines of credit available but not negotiated, includes US\$4,248,327 (US\$3,191,250 at June 30, 2021)	65,166,279	10,255,732
Collections in foreign currency, equivalent to US\$1,664,007 (Note 4)	7,630,637	5,345,700
Financial instruments written off, equivalent to US\$1,436,614 (Note 4)	6,587,880	4,615,189
Debt reconciling and written off items, includes US\$168,607 (Note 4)	942,148	611,428
Deferred interest receivable on loans overdue, includes US\$133,302 (US\$90,245 at June 30, 2021) (Notes 4 and 6)	611,345	289,934
Currency awarded through SICAD, equivalent to US\$21,000 (Note 4)	96,300	67,463
Uncollectible accounts written off	60,294	433
Other	<u>57,561</u>	<u>241</u>
	<u>805,932,262</u>	<u>478,145,184</u>
	<u>814,059,462</u>	<u>481,713,357</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

At December 31 and June 30, 2021, securities in custody by other financial institutions are held in Euroclear Bank, Pershing LLC, and Morgan Stanley Smith Barney, respectively.

**a) Assets received in trust**

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

	December 31, 2021	June 30, 2021
	(In bolivars)	
<b>Assets</b>		
Cash and due from banks, includes US\$5,790 and €2,345 at June 30, 2021 (Note 13)	297,556	136,265
Investment securities	2,184,986	571,323
Loan portfolio	2,083,045	488,958
Interest receivable on investment securities	236,115	63,975
Other assets	<u>1</u>	<u>-</u>
Total assets	<u>4,801,703</u>	<u>1,260,521</u>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Other liabilities	<u>8,307</u>	<u>2,189</u>
<b>Equity</b>		
Capital assigned to trusts	3,665,068	983,193
Retained earnings	<u>1,128,328</u>	<u>275,139</u>
Total equity	<u>4,793,396</u>	<u>1,258,332</u>
Total liabilities and equity	<u>4,801,703</u>	<u>1,260,521</u>

Below is a breakdown of assets received in trust:

	December 31, 2021	June 30, 2021
	(In bolivars)	
<b>Assets received in trust</b>		
Length-of-service benefits	4,791,856	1,257,707
Investment	6,378	391
Administration	<u>3,470</u>	<u>2,423</u>
	<u>4,801,704</u>	<u>1,260,521</u>

At December 31, 2021, cash and due from banks comprises Bs 297,556 (Bs 108,730 and US\$5,790 and €2,345 (equivalent to Bs 27,535) at June 30, 2021), in connection with 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 13).

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

## Notes to the financial statements

### December 31 and June 30, 2021

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

	December 31, 2021				June 30, 2021		
	Acquisition cost	Amortized cost	Fair value		Acquisition cost	Amortized cost	Fair value
	(In bolivars)						
<b>Time deposits with Venezuelan financial private-sector companies</b>							
Banco Exterior, C.A., Banco Universal, 145% annual yield maturing in July 2022 (annual yield between 65% and 90%; maturing in July 2021 at June 30, 2021)	420,000	420,000	420,000	(1) - (a)	4,646	4,646	4,646 (1) - (a)
Banco Caroní, C.A., Banco Universal, 90% annual yield, maturing in July 2021	-	-	-	(1) - (a)	2,346	2,346	2,346 (1) - (a)
Del Sur Banco Universal, C.A., 80% annual yield, maturing in July 2021	-	-	-	(1) - (a)	279	279	279 (1) - (a)
	<u>420,000</u>	<u>420,000</u>	<u>420,000</u>		<u>7,271</u>	<u>7,271</u>	<u>7,271</u>
<b>Debt securities issued by Venezuelan private-sector companies</b>							
<b>Commercial paper</b>							
Mercantil Servicios Financieros, C.A., with a par value of Bs 207,500, annual yield between 88% and 91%, maturing in February 2022 (par value of Bs 33,900, annual yield between 80% and 90%, maturing between July and September 2021 at June 30, 2021)	164,152	184,676	184,676	(1) - (b)	26,512	30,653	30,653 (1) - (b)
General de Alimentos Nisa, C.A., with a par value of Bs 163,545, annual yield between 85% and 97%, maturing between January and March 2022 (par value of Bs 55,462, annual yield between 82% and 95%, maturing between July and September 2021 at June 30, 2021)	128,268	147,394	147,394	(1) - (b)	43,656	48,929	48,929 (1) - (b)
Cargill de Venezuela, C.A., with a par value of Bs 142,000, annual yield between 96% and 98%, maturing in January 2022 (par value of Bs 36,812, annual yield between 82% and 93%, maturing between July and September 2021 at June 30, 2021)	110,938	137,575	137,575	(1) - (b)	36,812	41,254	41,254 (1) - (b)
Alimentación Balanceada Alibal, C.A., equivalent to par value of US\$31,530, 3.99% annual yield, maturing in April 2022	144,587	144,587	144,587	(1) - (b)	-	-	-
Destilería Yaracuy, C.A., with a par value of Bs 146,800, 87% annual yield, maturing in March 2022 (par value of Bs 20,000, 82% annual yield, maturing in September 2021 at June 30, 2021)	122,333	126,955	126,955	(1) - (b)	15,625	16,403	16,403 (1) - (b)
Coca Cola Femsa, C.A., with a par value of Bs 111,653, annual yield between 93% and 95%, maturing between January and February 2022 (par value of Bs 15,000, annual yield between 80% and 92%, maturing between August and September 2021 at June 30, 2021)	89,501	105,116	105,116	(1) - (b)	19,533	21,209	21,209 (1) - (b)
Alimentos FM, C.A., with a par value of Bs 103,500, annual yield between 93% and 97%, maturing between January and February 2022 (par value of Bs 20,000, annual yield between 82% and 92%, maturing between August and September 2021 at June 30, 2021)	85,637	97,081	97,081	(1) - (b)	15,626	17,327	17,327 (1) - (b)
3PL Panamericana, C.A., with a par value of Bs 95,200, 99% annual yield, maturing in January 2022 (par value of Bs 5,000, 95% annual yield, maturing in July 2021 at June 30, 2021)	74,375	94,111	94,111	(1) - (b)	3,906	4,757	4,757 (1) - (b)
Moliendas Papelón, C.A., with a par value of Bs 100,000, 92% annual yield, maturing in March 2022 (par value of Bs 10,000, 92% annual yield, maturing in August 2021 at June 30, 2021)	78,125	91,979	91,979	(1) - (b)	7,813	9,229	9,229 (1) - (b)
Grupo Nueve Once, C.A., with a par value of Bs 100,000, 87% annual yield, maturing in March 2022	82,281	87,191	87,191	(1) - (b)	-	-	-
Dayco Telecom, C.A., with a par value of Bs 90,000, 95% annual yield, maturing in January 2022 (par value of Bs 54,400, annual yield between 82% and 96%, maturing between July and September 2021 at June 30, 2021)	70,380	85,351	85,351	(1) - (b)	42,503	46,373	46,373 (1) - (b)
Central El Palmar, S.A., with a par value of Bs 89,700, 87% annual yield, maturing in March 2022 (par value of Bs 30,000, annual yield between 81% and 82%, maturing in September 2021 at June 30, 2021)	74,750	77,574	77,574	(1) - (b)	23,471	24,505	24,505 (1) - (b)
Purolomo, C.A., with a par value of US\$15,000, 3.99% annual yield, maturing between April and June 2022	68,786	68,786	68,786	(1) - (b)	-	-	-
Pasteurizadora Táchira, C.A., with a par value of Bs 56,400, 91% annual yield, maturing in February 2022 (par value of Bs 16,400, annual yield between 81% and 90%, maturing between August and September 2021 at June 30, 2021)	47,313	51,408	51,408	(1) - (b)	12,813	13,818	13,818 (1) - (b)
Inversiones CDE, C.A., equivalent to US\$9,969, with a par value of US\$10,000, 13.89% annual yield, maturing in January 2022	45,068	45,714	45,714	(1) - (b)	-	-	-
Corporación Grupo Químico, C.A., with a par value of US\$9,800, 100% annual yield, maturing in May 2022	44,940	44,940	44,940	(1) - (b)	-	-	-
Inversiones Mida, C.A., with a par value of US\$9,800, 5.95% annual yield, maturing in May 2022	44,940	44,940	44,940	(1) - (b)	-	-	-
Tesorería YMAS, C.A., with a par value of Bs 50,000, 80% annual yield, maturing in February 2022	39,140	44,508	44,508	(1) - (b)	-	-	-
Calox International C.A., with a par value of Bs 43,000, annual yield between 91% and 97%, maturing between January and February 2022 (par value of Bs 40,000, annual yield between 81% and 95%, maturing between July and September 2021 at June 30, 2021)							
	<u>35,312</u>	<u>39,750</u>	<u>39,750</u>	(1) - (b)	<u>31,260</u>	<u>35,520</u>	<u>35,520</u> (1) - (b)
Carried forward	1,550,826	1,719,636	1,719,636		279,530	309,977	309,977

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

## Notes to the financial statements

### December 31 and June 30, 2021

	December 31, 2021				June 30, 2021		
	Acquisition cost	Amortized cost	Fair value		Acquisition cost	Amortized cost	Fair value
	(In bolivars)						
Brought forward	1,550,826	1,719,636	1,719,636	279,530	309,977	309,977	
Galaxia Médica, C.A., with a par value of Bs 30,000, 97% annual yield, maturing in January 2022 (par value of Bs 16,528, annual yield between 83% and 90%, maturing between August and September 2021 at June 30, 2021)	23,439	29,052	29,052 (1) - (b)	13,018	13,993	13,993 (1) - (b)	
Caja Caracas Casa de Bolsa, with a par value of Bs 10,000, 97% annual yield, maturing in January 2022 (par value of Bs 18,000, 82% annual yield, maturing in September 2021 at June 30, 2021)	7,813	9,708	9,708 (1) - (b)	14,063	14,676	14,676 (1) - (b)	
Genia Care, C.A., with a par value of Bs 10,000, 97% annual yield, maturing in January 2022 (par value of Bs 6,750, annual yield between 80% and 82%, maturing in September 2021 at June 30, 2021)	5,310	6,572	6,572 (1) - (b)	5,293	5,496	5,496 (1) - (b)	
Steritex, C.A., with a par value of Bs 40,000, annual yield between 96% and 99%, maturing July 2021	-	-	-	31,332	38,961	38,961 (1) - (b)	
Destilería Carúpano, C.A., with a par value of Bs 30,000, 87% annual yield, maturing in August 2021	-	-	-	24,201	26,072	26,072 (1) - (b)	
Comercial Belloso, C.A., with a par value of Bs 30,000, annual yield between 90% and 97%, maturing between July and August 2021	-	-	-	23,439	28,299	28,299 (1) - (b)	
Marsoca, C.A. Procesadora, with a par value of Bs 20,000, annual yield between 90% and 93%, maturing between August and September 2021	-	-	-	15,828	17,297	17,297 (1) - (b)	
Central La Pastora, C.A., with a par value of Bs 20,000, annual yield between 82% and 83%, maturing in September 2021	-	-	-	15,735	16,547	16,547 (1) - (b)	
Netuno, C.A., with a par value of Bs 15,000, annual yield between 82% and 92%, maturing between August and September 2021	-	-	-	11,719	12,802	12,802 (1) - (b)	
Agribands Purina Venezuela, S.A., with a par value of Bs 10,000, 90% annual yield, maturing in August 2021	-	-	-	7,813	8,979	8,979 (1) - (b)	
Taurel & Cia., Sucursal, C.A., with a par value of Bs 5,500, annual yield between 80% and 97%, maturing between July and September 2021	-	-	-	4,358	4,708	4,708 (1) - (b)	
Charcutería Venezolana, C.A., with a par value of Bs 2,000, 98% annual yield, maturing in July 2021	-	-	-	<u>1,563</u>	<u>1,966</u>	<u>1,966 (1) - (b)</u>	
	<u>1,587,388</u>	<u>1,764,968</u>	<u>1,764,968</u>	<u>447,892</u>	<u>499,773</u>	<u>499,773</u>	
<b>Debenture bonds</b>							
Novaro Foods, S.A., with a par value of US\$20,000, 100% annual yield, maturing in May 2023	-	-	-	64,251	64,251	64,251 (1) - (b)	
F.V.I. Fondo de Valores Inmobiliarios, S.A.C.A., with a par value of Bs 2, 22% annual yield, maturing in December 2021	-	-	-	2	2	2 (1) - (b)	
Compañía Venezolana de Cerámica, C.A., with a par value of Bs 2, 25% annual yield, maturing in December 2021	-	-	-	<u>2</u>	<u>2</u>	<u>2 (1) - (b)</u>	
	-	-	-	<u>64,255</u>	<u>64,255</u>	<u>64,255</u>	
	<u>1,587,388</u>	<u>1,764,968</u>	<u>1,764,968</u>	<u>512,147</u>	<u>564,028</u>	<u>564,028</u>	
<b>Securities issued or guaranteed by the Venezuelan government</b>							
Vebonos, with a par value of Bs 23, 25.45% annual yield, maturing in August 2025 (par value of Bs 24, annual yield between 13% and 26%, maturing between December 2021 and August 2037 at June 30, 2021)	<u>18</u>	<u>18</u>	<u>18 (2) - (c)</u>	<u>24</u>	<u>24</u>	<u>24 (2) - (c)</u>	
	<u>2,007,406</u>	<u>2,184,986</u>	<u>2,184,986</u>	<u>519,442</u>	<u>571,323</u>	<u>571,323</u>	

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

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

#### Custodians of investments

- (a) Deposits in custody of the respective banking institutions.  
 (b) Caja Venezolana de Valores, S.A.  
 (c) Central Bank of Venezuela.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

Below is the classification of investment securities according to maturity:

	<u>December 31, 2020</u>		<u>June 30, 2021</u>	
	<u>Amortized cost</u>	<u>Fair value</u>	<u>Amortized cost</u>	<u>Fair value</u>
	(In bolivars)			
Up to 6 months	2,184,968	2,184,968	507,048	507,048
1 to 5 years	-	-	64,251	64,251
Over 5 years	<u>18</u>	<u>18</u>	<u>24</u>	<u>24</u>
	<u>2,184,986</u>	<u>2,184,986</u>	<u>571,323</u>	<u>571,323</u>

At December 31, 2021, interest receivable on investment securities amounts to Bs 236,115 (Bs 63,975 at June 30, 2021).

At December 31 and June 30, 2021, the loan portfolio includes 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, 2021, loans and advances to beneficiaries of length-of-service benefits recorded in the loan portfolio include Bs 4,118 from Bank employees; Bs 1,994,301 from private length-of-service benefit trust funds; and Bs 84,626 from government agencies (Bs 419, Bs 457,669 and Bs 30,870, respectively, at June 30, 2021).

At December 31, 2021, length-of-service benefit trust funds in favor of Bank employees amount to Bs 84,347 (Bs 20,179 at June 30, 2021).

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 4 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 4 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, 2021, trust funds set up by the Venezuelan government or its decentralized agencies correspond mainly to length-of-service benefit and administration trust funds, which have been mobilized over the last 4 months.

**b) Debtor accounts from other special trust services (Housing Loan System) and Housing Savings Fund**

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

	<u>December 31, 2021</u>	<u>June 30, 2021</u>
	(In bolivars)	
<b>Assets</b>		
Cash and due from banks (Note 13)	2,531	-
Investment securities	<u>9,944</u>	<u>2,006</u>
Total assets	<u>12,475</u>	<u>2,006</u>
<b>Liabilities</b>		
Contributions to the Housing Savings Fund	<u>12,475</u>	<u>2,006</u>
Total liabilities	<u>12,475</u>	<u>2,006</u>

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

## **Notes to the financial statements**

### **December 31 and June 30, 2021**

---

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 Banco Nacional de Vivienda y Hábitat (BANAVIH) 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, 2021, the Bank has an investment trust in BANAVIH for Bs 9,944 (Bs 2,006 at June 30, 2021), 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.

## **22. 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, 2021, these guarantees earned annual commissions of 5%.

At December 31 and June 30, 2021, amounts guaranteed by the Bank are Bs 3,217,791 and Bs 2,254,318, respectively (Note 21). The Bank maintains a provision for contingent loans equivalent to 1% of guaranteed amounts under accruals and other liabilities (Note 16).

#### **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 21). The Bank may exercise its option to cancel a credit commitment with a particular customer. At December 31 and June 30, 2021, the Bank does not have lines of credit available but not negotiated.

The Bank's exposure to credit loss in the event of noncompliance by customers with terms for extended 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, among others, accounts receivable, mortgages on property, equipment or warranties on investment securities.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

**23. Equity**

**a) Capital stock and authorized capital**

At December 31 and June 30, 2021, the Bank's paid-in capital amounts to Bs 28,960, represented by 28,959,650,000, non-convertible common shares of the same class with a par value of Bs 0.000001 each, fully subscribed and paid-in. The Bank complies with the minimum capital required under the current legislation.

At a General Shareholders' Meeting of March 18, 2020, it was resolved to declare dividends of Bs 23,168 to be fully paid in non-convertible common shares payable with a charge to unappropriated surplus for Bs 17,000 and restricted surplus for Bs 6,168. Through SUDEBAN Notice SIB-II-GGR-GA-00508 of February 3, 2021, and upon favorable pronouncement from the Higher Authority of the National Financial System (OSFIN) and the SNV, through Resolution No. 031 of February 25, 2021, the Bank was authorized to increase capital stock for the aforementioned amount.

At a General Shareholders' Meeting of September 16, 2020, it was resolved to declare dividends of Bs 115,839 to be fully paid in non-convertible common shares payable with a charge to unappropriated surplus. To date, the Bank is awaiting authorization from SUDEBAN and the SNV.

At a General Shareholders' Meeting of March 17, 2021, it was resolved to declare dividends of Bs 2,171,974 fully payable in non-convertible common shares; Bs 1,171,974 payable with a charge to unappropriated surplus and Bs 1,000,000 with a charge to restricted surplus. To date, the Bank is awaiting authorization from SUDEBAN and the SNV.

At a General Shareholders' Meeting of September 15, 2021, it was resolved to declare dividends of Bs 6,950,316 to be fully paid in non-convertible common shares payable, with a charge to unappropriated surplus. To date, the Bank is awaiting authorization from SUDEBAN and the SNV.

Below are the capital increases approved at Shareholders' Meetings which are pending capitalization:

Meeting date	Type of increase	Amount of the increase (In bolivars)	Increase method	Regulatory entities pending authorization
September 16, 2020	Stock dividends	115,839	With a charge to restricted surplus	SUDEBAN and SNV
March 17, 2021	Stock dividends	1,171,974 1,000,000	With a charge to restricted surplus With a charge to restricted surplus	SUDEBAN and SNV
September 15, 2021	Stock dividends	<u>6,950,316</u>	With a charge to restricted surplus	SUDEBAN and SNV
		<u>9,238,129</u>		

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

Shares subscribed by shareholders are identified as non-convertible common shares distributed as follows:

	<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	<u>Number of shares</u>	<u>Equity %</u>	<u>Number of shares</u>	<u>Equity %</u>
<b>Shareholders</b>				
Nogueroles García, Jorge Luis	2,821,565,690	9.74	2,821,565,690	9.74
Valores Torre Casa, C.A.	2,219,954,115	7.67	2,212,660,135	7.64
Sociedad Financiera Intercontinental, Ltd.	1,941,196,525	6.70	1,941,196,525	6.70
Halabi Harb, Anuar	1,749,495,445	6.04	1,749,495,445	6.04
Alintio International, S.L.	1,435,671,235	4.96	1,435,671,235	4.96
Curbelo Pérez, Juan Ramón	1,143,454,540	3.95	1,143,454,540	3.95
Zasuma Inversiones, C.A.	1,112,284,430	3.84	1,112,284,430	3.84
Inversiones Clatal, C.A.	893,605,290	3.09	893,605,290	3.09
Corporación Friport, C.A.	853,681,390	2.95	879,894,790	3.04
Osio Montiel, Carmen Inés	751,800,040	2.60	751,800,040	2.60
Inversiones Grial, C.A.	622,296,115	2.15	622,296,115	2.15
Kozma Solymosy, Nicolás A.	620,342,100	2.14	620,342,100	2.14
Inversiones Tosuman, C.A.	539,995,820	1.86	539,995,820	1.86
Tamayo Degwitz, Carlos Enrique	531,384,430	1.83	533,184,430	1.84
Teleacción A.C., C.A.	518,784,815	1.79	518,784,815	1.79
Somoza Mosquera, David	511,582,535	1.77	511,555,055	1.77
García Arroyo, Sagrario	495,915,025	1.71	495,915,025	1.71
Grupo Ebenezzer, C.A.	434,394,750	1.50	434,394,750	1.50
Puig Miret, Jaime	404,436,075	1.40	404,436,075	1.40
Consorcio Toyomarca, S.A. (Toyomarca, S.A.)	403,832,335	1.39	403,832,335	1.39
Pembrokepines Investments LLC Sucursal Venezuela	387,436,477	1.34	387,436,477	1.34
Castellana Investments Fund Limited, S.C.C.	379,905,894	1.31	416,158,624	1.44
Kozma Ingenuo, Alejandro Nicola	366,712,270	1.27	366,712,270	1.27
Kozma Ingenuo, Carolina María	366,712,270	1.27	366,712,270	1.27
Chaar, Mouada	329,408,570	1.14	329,408,570	1.14
Nogueroles García, María Monstserrat	319,611,405	1.10	319,611,405	1.10
Pivca Promotora de Inversiones y Valores, C.A.	294,796,531	1.02	47,012,418	0.16
Starlight Investments, S.L.	274,568,875	0.95	-	-
Valores Agropecuarios La Florida, C.A.	268,413,715	0.93	268,023,275	0.93
Tracto Agro Valencia, C.A.	265,917,870	0.92	265,917,870	0.92
Benacerraf Herrera, Mercedes Cecilia	224,748,910	0.78	224,748,910	0.78
Other	<u>5,475,744,513</u>	<u>18.89</u>	<u>5,941,543,271</u>	<u>20.50</u>
	<u>28,959,650,000</u>	<u>100.00</u>	<u>28,959,650,000</u>	<u>100.00</u>

**b) Capital reserves**

**Legal reserve**

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, 2021, capital reserves include Bs 28,960, in connection with the legal reserve.

**Social Contingency Fund**

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.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

During the six-month periods ended December 31 and June 30, 2021, the Bank recorded the Social Contingency Fund of Bs 145 and Bs 145, respectively, which includes capital and interest, with a charge to unappropriated surplus and a credit to capital reserves. At December 31 and June 30, 2021, capital reserves include Bs 145 and Bs 173, respectively, in connection with the Social Contingency Fund (Note 5-d).

**c) Retained earnings**

**Non-distributable surplus**

On March 30, 2011, through Notice SIB-II-GGIBPV-GIBPV2-07778, SUDEBAN informed the Bank that income from Branch operations should be considered non-distributable surplus.

**Restricted surplus**

In compliance with SUDEBAN Resolution No. 329-99, during the six-month period ended June 30, 2021, the Bank reclassified Bs 8,105,407 to restricted surplus, equivalent to 50% of income for the six-month period, net of appropriations to reserves and income from Branch operations. At December 31 and June 30, 2021, restricted surplus amounts to Bs 9,399,790. These amounts may be used for capital stock increase, but not for cash dividend distribution.

**Accumulated loss**

During the six-month period ended December 31, 2021, the Bank reclassified Bs 1,180,803 to accumulated loss from operations in Venezuela.

**d) Risk-based capital ratio**

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

	Minimum required %	Maintained %	
		December 31, 2021	June 30, 2021
Total risk-based capital	12	73.68	77.83
Equity-to-total assets	9	23.29	25.65

The Law on Banking Sector Institutions requires banks to calculate total risk-based capital, which under no circumstances should be lower than 12% of their assets and risk-weighted contingent operations, according to Resolution No. 305-09 of July 9, 2009. This Resolution also establishes that banks and financial institutions shall calculate on a monthly basis, equity-to-total assets ratio by dividing the amount of equity-to-total assets plus operating results by the value of total assets, which according to Resolution No. 117,14 of August 25, 2014, shall not be less than 9%.

At December 31 and June 30, 2021, the Bank calculates the total risk-based capital ratio and equity to total assets ratio in conformity with current regulations.

**24. Balances and transactions with related companies**

In the ordinary course of business, the Bank conducts commercial transactions with its related company BNC International Banking Corporation, an entity domiciled in Puerto Rico, the effects of which are included in the financial statements. Because of those relationships, certain transactions may have taken place on terms other than those that would characterize transactions between unrelated companies.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

A breakdown of the Bank's balances and transactions with its related company is provided below.

	December 31, 2021	June 30, 2021
	(In bolivars)	
<b>Assets</b>		
Cash and due from banks at BNC International Banking Corporation		
Foreign and correspondent banks, equivalent to US\$23,710,542 (US\$27,877,275 at June 30, 2021)	129,674,909	89,557,055
Exchange Agreement No. 20, equivalent to US\$3,818 (Notes 3 and 13)	<u>17,506</u>	<u>12,264</u>
	<u>104,692,415</u>	<u>89,569,319</u>
<b>Liabilities</b>		
Borrowings from BNC International Banking Corporation		
Non-interest bearing demand deposits of US\$53,641 (US\$52,939 at June 30, 2021) (Note 14)	<u>245,982</u>	<u>170,066</u>

**25. 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.

**26. 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.

For the six-month periods ended December 31 and June 30, 2021, SUDEBAN set the fee at 0.1% of the average of the Bank's assets for the two months prior to the bimonthly period when payment is due. This fee is shown under operating expenses.

**27. 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 and calculation, as well as imposing sanctions for noncompliance.

Through Resolution No. 21-21-01 of January 19, 2021, the BCV repeals Resolution No. 20-03-01 of March 29, 2020, according to which banks are required to maintain a minimum legal reserve of 85% on net obligations and investments assigned, and sets at 31% the reserve for deposits in foreign currency. Furthermore, the minimum interest rate to be paid by banks with legal reserve deficit will be 138% per annum.

During the six-month periods ended December 31 and June 30, 2021, the Bank paid interest on reserve deficit to the BCV of Bs 29,852,650 and Bs 11,293,394, respectively, shown as part of net income under other interest expense.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

The legal reserve must be maintained in legal tender, regardless of the currency of the transactions from which it originated. At December 31 and June 30, 2021, the legal reserve required for the Bank is Bs 86,121,147 and Bs 46,651,407, respectively (Note 3).

**Subsequent event**

Through Resolution No. 22-01-01 of January 27, 2022, published in the Official Gazette of February 4, 2022, the BCV requires the creation of a minimum reserve of 73% on net obligations and investments assigned, and a reserve of 31% for deposits in foreign currency. Furthermore, the base interest rate to be paid by banks with legal reserve deficit was set at 9% additional to the rate set by the BCV on ordinary discount, rediscount and advance operations. This rate will be increased based on the following assumptions:

- a) Two additional percentage points if the reserve deficit occurs from 3 to 7 times within 30 days.
- b) Four additional percentage points, if the reserve deficit occurs more than 8 times within 30 continuous days as from the date the first deficit occurred.

**28. Contingencies**

At December 31 and June 30, 2021, the Bank is defendant in certain legal proceedings pending final ruling. 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.

**29. Maturity of financial assets and liabilities**

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

	December 31, 2021							Total
	Maturity							
	June 30, 2022	December 31, 2022	June 30, 2023	December 31, 2023	June 30, 2024	December 31, 2024	Beyond December 31, 2024	
	(In bolivars)							
<b>Assets</b>								
Cash and due from banks	975,013,612	-	-	-	-	-	-	975,013,612
Investment securities	9,150,429	-	-	-	-	430	26,143,996	35,294,855
Loan portfolio	153,121,119	32,980,425	326,068	192,881	1,654,708	777,612	3,205,963	192,258,776
Interest and commissions receivable	532,627	-	-	-	-	-	-	532,627
	<u>1,137,817,787</u>	<u>32,980,425</u>	<u>326,068</u>	<u>192,881</u>	<u>1,654,708</u>	<u>778,042</u>	<u>29,349,959</u>	<u>1,203,099,870</u>
<b>Liabilities</b>								
Customer deposits	974,878,925	-	-	-	-	-	-	974,878,925
Borrowings	22,899,929	-	-	-	-	-	-	22,899,929
Interest and commissions payable	1,937,261	-	-	-	-	-	-	1,937,261
	<u>999,716,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>999,716,115</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

	June 30, 2021							Total
	Maturity							
	December 31, 2021	June 30, 2022	December 31, 2022	June 30, 2023	December 31, 2023	June 30, 2024	Beyond June 30, 2024	
	(In bolivars)							
<b>Assets</b>								
Cash and due from banks	491,700,161	-	-	-	-	-	-	491,700,161
Investment securities	47	583	-	-	-	3	16,899,799	16,900,432
Loan portfolio	111,703,675	19,431,538	-	-	4,419,769	-	-	135,554,982
Interest and commissions receivable	8,862,713	-	-	-	-	-	-	8,862,713
	<u>612,266,596</u>	<u>19,432,121</u>	<u>-</u>	<u>-</u>	<u>4,419,769</u>	<u>3</u>	<u>16,899,799</u>	<u>653,018,288</u>
<b>Liabilities</b>								
Customer deposits	493,592,867	-	-	-	-	-	-	493,592,867
Borrowings	1,695,662	-	-	-	-	-	-	1,695,662
Interest and commissions payable	134,643	-	-	-	-	-	-	134,643
	<u>495,423,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,423,172</u>

**30. 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, 2021		June 30, 2021	
	Book value	Fair value	Book value	Fair value
	(In bolivars)			
<b>Assets</b>				
Cash and due from banks	975,013,612	975,013,612	491,700,161	491,700,161
Investment securities	35,294,855	28,255,941	16,900,432	13,701,105
Loan portfolio	182,555,774	182,555,774	129,937,934	129,937,934
Interest and commissions receivable	532,627	532,627	547,417	547,417
	<u>1,193,396,868</u>	<u>1,186,357,954</u>	<u>639,085,944</u>	<u>635,886,617</u>
<b>Liabilities</b>				
Customer deposits	974,878,925	974,878,925	493,592,867	493,592,867
Borrowings	22,899,929	22,899,929	1,695,662	1,695,662
Interest and commissions payable	1,937,261	1,937,261	134,643	134,643
	<u>999,716,115</u>	<u>999,716,115</u>	<u>495,423,172</u>	<u>495,423,172</u>

**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 (Notes 5-b and 5-c). 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.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2021**

---

**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, long-term liabilities and borrowings**

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

**31. Investments and loans granted in excess of legal limits**

At December 31 and June 30, 2021, the Bank does not have loans with other 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.