

Banco Nacional
de Crédito, C.A., Banco
Universal and
Foreign Branch

**Consolidated Financial
Statements**

31 December and 30 June 2023

With Independent Auditors' Report
Thereon

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Ostos Velázquez & Asociados
Avenida Francisco de Miranda, Torre KPMG
Chacao – Caracas, 1060-A
Apartado 5972 – Caracas 1010-A, Venezuela
Telephone Number: 58 (212) 277.78.11 (Master)
Fax: 58 (212) 263.38.27
kpmg.com/ve

Independent Auditors' Report

To the Stockholders and Board of Directors of
Banco Nacional de Crédito, C.A., Banco Universal and
Foreign Branch:

Opinion

We have audited the consolidated financial statements of Banco Nacional de Crédito, C.A., Banco Universal and its Foreign Branch (the Bank), which comprise the consolidated balance sheets at 31 December and 30 June 2023, the consolidated statements of income and net income allocation, changes in equity and cash flows for the six-month periods then ended and the notes that contain significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly in all material aspects, the consolidated financial position of the Bank at 31 December and 30 June 2023, its consolidated financial performance and consolidated cash flows for the six-month periods then ended, all in accordance with the Accounting Manual for Banking Institutions and other prudential regulations issued by the Superintendency of Banking Institutions.

Basis for our Opinion

We conducted our audits in conformity with International Auditing Standards (IAS). Our responsibilities according to these standards, are described in the *Responsibilities of the Independent Auditor for the Consolidated Financial Statements Audit* section of our report. We are independent from the Bank according to the International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (*IESBA Code*) which are relevant for our audit of the consolidated financial statements and, we have fulfilled our ethical responsibilities based on this code. We believe the audit evidence found is sufficient and appropriate for providing a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in our professional judgment, have the utmost importance in our audit of the consolidated financial statements for the current semester. These matters are treated in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon. We do not express a separate opinion thereon.



Provision for Loan Portfolio

See notes 3(d) and 8 to the consolidated financial statements

Key audit matter	How key matter is treated in our audit
<p>Estimating the allowance for loan portfolio involves certain significant judgments in order to assess loan quality of debtors by taking into account the standards regarding how the risk is classified for loan portfolio and to calculate the allowances established by the Superintendency of Banking Institutions (the Superintendency), for both, the underlying uncertainty therein and the operational changes and requirements of the Venezuelan Government and the Superintendency. Both aspects are rather complex and, are faced by the Bank with effects and risks on the consolidated financial statements. Similarly, consideration is also taken by the Bank at the time of determining the specific allowance, certain non-compliance aspects in connection with the conditions under which loans were originally granted, the absence of financial information, the debtors facing issues for generating their own resources and enabling them to honor the loans, any insufficient guaranties and extrajudicial recoveries, amongst other, which are used as input for calculating said allowance.</p> <p>Additionally, a 1% general allowance on the loan portfolio's principal balance is required, except the microcredit portfolio for which, a 2% allowance on the principal balance is kept by the Bank. Similarly, the Bank maintains a 0.75% counter-cyclical allowance on the gross balance of the loan portfolio.</p>	<p>Our auditing procedures included, amongst other:</p> <ul style="list-style-type: none"> – Identifying the credit risk management framework and assessing how the Bank's accounting policies align with the standards established by the Superintendency. – Assessing appropriate classification on the basis of the loan portfolio risk, according to the standards issued by the Superintendency. – Testing relevant controls on loan granting, assessing loan conditions, guaranties and terms, amongst others, in compliance with the standards issued by the Superintendency and policies established by the Bank, through the inspection of each loan file. – Obtaining the list of the 500 main Bank debtors and assessing how the different regulations issued by the Superintendency apply to them. – Assessing whether the allowance is sufficient based on the guidelines established by the Superintendency in connection with risk assessment.



Provision for Loan Portfolio	
<i>See notes 3(d) and 8 to the consolidated financial statements</i>	
Key audit matter	How key matter is treated in our audit
The use of certain significant judgments for estimating the allowance is a key audit matter due to the underlying complexity of considering all factors that may affect its calculation.	
Information Technology (IT) associated risks	
Key audit matter	How key matter is treated in our audit
<p>The Bank operates through a complex IT environment with different data processing centers.</p> <p>Automated accounting entry procedures and IT environment controls are included in governance; access, development and program changes overall controls; data and application programs, must be designed and must operate effectively to ensure both integrity and accuracy when issuing financial information.</p> <p>Risks associated with IT systems and controls on financial reporting are a key audit matter as the Bank's accounting systems and financial reporting rely on such systems and on the different overall existing controls for different application systems.</p>	<p>Our auditing procedures include the involvement of our IT specialists in order to assist us in:</p> <ul style="list-style-type: none"> – Assessing the design and implementation of controls on key systems that process the Bank's financial information in two areas: <ul style="list-style-type: none"> (i) IT overall controls on the different technology platforms regarding user access, applications and data, management of application changes, management of systems development, and management of operations in the production environment. (ii) Automatic controls: Assessment of vulnerabilities linked to information integrity, accuracy and availability. – Assessing the operating efficiency of IT controls implemented on key systems that are processing the Bank's financial information and related to compensating controls that mitigate the underlying risks, if any.



Emphasis of matter

We draw attention to Note 5 to the consolidated financial statements, which discloses that the Bank is obligated to maintain in the account of the Central Bank of Venezuela (the BCV account) a legal reserve in legal tender (bolivars) corresponding to the total net obligations in domestic and foreign currency. The minimum legal reserve established is 73% of the amount of net local currency obligations, and 31% of the amount of net foreign currency obligations, for the semesters ended 31 December and 30 June 2023. These obligations on the legal reserve have originated and may continue to represent challenges for the Bank in terms of its monetary liquidity and financial intermediation. Our opinion remains unchanged regarding this matter.

Other Matter

Management is responsible for the other information, comprising the Second Half 2023 Report, which includes the consolidated financial statements and our report of independent public accountants. It is expected that the 2023 Half-Year II Report will be available to us after the date of this independent auditors' report.

Our opinion on the consolidated financial statements does not include the other information and we will not express any kind of assurance conclusion on such information.

Regarding our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Should we, upon reviewing the Second Half 2023 Report, come to the conclusion that there is a material misstatement in the report, we are required to communicate the matter to those charged with governance.

Responsibility of Management and of those in charge of Corporate Governance for the Consolidated Financial Statements

Management is responsible for preparing and presenting fairly the consolidated financial statements in accordance with the Accounting Manual for Banking Institutions and other prudential regulations issued by the Superintendency of Banking Institutions and, for internal control as deemed necessary by the latter in order to prepare the consolidated financial statements that are free from material misstatement due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, by disclosing, as the case may be, those matters relating to a going concern and by using the going concern basis of accounting, unless Management intends to liquidate the Bank, or bring its operations to a standstill, or has no realistic alternative but to do so.

Those in charge of corporate governance are responsible for overseeing the Bank's financial reporting process.



Responsibilities of the Independent Auditor for the Audit of the Consolidated Financial Statements

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

As part of an audit carried out pursuant to ISA, we exercise our professional judgment and maintain professional skepticism during the entire audit. In addition:

- We identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. We design and conduct auditing procedures in light of these risks and audit evidence sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than the risk resulting from error, as fraud can imply collusion, forgery, intentional misrepresentation, false declarations, or the avoidance of internal control.
- We obtain an understanding of internal control relevant for the audit, in order to design the auditing procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Bank.
- We assess whether the accounting policies used are appropriate and, whether the accounting estimates and disclosures made by Management are fair.
- We conclude on whether the use by Management of the going concern basis of accounting is appropriate and, based on the audit evidence obtained, whether there is material uncertainty or not in connection with any events or conditions that could cast significant doubt on the Bank's ability to continue as a going concern. Should we conclude that there is material uncertainty, we must draw attention in our independent auditors' report on the disclosures relating the consolidated financial statements, or whether such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence that we obtained until the date of our independent auditors' report. However, future events or conditions could lead the Bank to cease operations as a going concern.
- We assess the overall presentation, structure and contents of the consolidated financial statements, including disclosures and, whether they represent the underlying transactions and events so that they are fairly presented.
- We obtain sufficient and appropriate evidence in connection with the financial information of the entities or activities of the Bank's business, to express an opinion on the consolidated financial statements. We are responsible for the management, oversight and conduction of the Bank's audit. We are solely responsible for our audit opinion.

We communicate with those in charge of corporate governance in regard to, amongst other matters, the scope and timeframe planned for the audit and significant findings including any important deficiency in internal control as it may be identified during the course of our audits.



We also provide those in charge of corporate governance with a statement on our compliance with the ethical requirements applicable in connection with independence and we communicate with them on any links and other issues that could reasonably affect our independence and, as the case may be, of any action taken to eliminate threats or any safeguards applied.

Based on the matters informed to those in charge of corporate governance, we have determined those matters with the highest importance in the audit of the consolidated financial statements of the current semester, which are consequently, key audit matters. We describe these matters in our independent auditors' report, unless there may be any laws or regulations that ban us from publicly disclosing the matter, or when, by reason of extremely unusual circumstances, we determine that a certain matter should not be communicated in our report because it may be reasonably expected that any adverse consequences from such disclosure may exceed the public interest's benefits thereon.

Ostos Velázquez & Asociados

A handwritten signature in black ink, appearing to read 'J. Valero Rauseo'.

Jacques R. Valero Rauseo
Public Accountant
C.P.C. N° 14.257
S.I.S.B. N° CP-576
S.N.V. N° V-897

14 February 2024
Caracas, Venezuela

BANCO NACIONAL DE CRÉDITO, C.A., BANCO UNIVERSAL AND FOREIGN BRANCH

Consolidated Balance sheets

31 December and 30 June 2023

(In bolivars)

	Notes	31 December 2023	30 June 2023
ASSETS			
CASH AND CASH EQUIVALENTS	5	12,872,199,443	9,316,795,786
Cash		4,917,090,981	6,280,834,067
Central Bank of Venezuela		4,195,746,083	1,486,136,104
Banks and other national financial institutions		89,870,991	310,184
Banks and correspondents abroad		3,669,468,175	1,548,814,934
Bills for immediate collection		23,213	700,497
Provision for cash and cash equivalents		-	-
INVESTMENT SECURITIES	7	669,330,081	427,486,149
Placements in the Central Bank of Venezuela and interbank operations		-	2,000,000
Trading investment securities		-	-
Available-for-sale investment securities		107,818,026	38,246,126
Held-to-maturity investment securities		177,948,282	98,383,675
Restricted availability investments		383,563,773	288,856,348
Investment securities		-	-
Provision for investment securities		-	-
LOAN PORTFOLIO	8	6,085,902,485	3,882,641,773
Current loans		6,186,289,377	3,960,795,438
Restructured loans		-	-
Overdue loans		115,978,734	23,838,876
Loans under litigation		-	-
Provision for loan portfolio		(216,365,626)	(101,992,541)
INTEREST AND COMMISSIONS RECEIVABLE	9	4,969,000	2,989,354
Returns receivable from cash and equivalents		-	-
Returns receivable from investment securities		150,423,899	107,517,076
Returns receivable from loan portfolio		5,087,568	4,659,464
Commissions receivable		695,544	321,483
Provision from returns receivable and others		(151,238,011)	(109,508,669)
INVESTMENTS IN SUBSIDIARIES, AFFILIATED COMPANIES AND BRANCHES	10	319,092,029	175,835,721
REALIZABLE ASSETS	11	-	3,021,217
FIXED ASSETS	12	881,076,718	715,568,434
OTHER ASSETS	13	3,950,180,457	1,770,654,671
TOTAL ASSETS		<u>24,782,750,213</u>	<u>16,294,993,105</u>
MEMORANDUM ACCOUNTS			
Debtor contingent accounts	22	12,872,666	4,327,207
Trust assets	22(a)	555,339,278	461,165,020
Debtor accounts for other trustworthy assignments	22(b)	149,114	111,336
Other debtor memorandum accounts	22	14,367,585,282	9,817,002,552
		<u>14,935,946,340</u>	<u>10,282,606,115</u>

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements.

BANCO NACIONAL DE CRÉDITO, C.A., BANCO UNIVERSAL AND FOREIGN BRANCH

Consolidated Balance Sheets, Continuation

31 December and 30 June 2023

(In bolivars)

	<u>Notes</u>	<u>31 December 2023</u>	<u>30 June 2023</u>
LIABILITIES			
CUSTOMERS' DEPOSITS	14	15,234,877,748	9,766,521,547
Sight deposits -		13,641,633,894	8,680,446,861
Non-interest bearing checking accounts		3,840,041,863	1,704,242,236
Checking accounts as per Exchange Market System of Free Convertibility		7,862,748,132	5,748,862,053
Interest-bearing checking accounts		257,656,637	148,239,765
Checking accounts as per Exchange Agreement N° 20		562,039,345	456,224,791
Deposits and sight certificates		1,109,362,323	615,253,964
Special funds in trust		9,785,594	7,624,052
Other sight obligations		8,608,086	7,473,032
Savings deposits		1,326,796,991	895,313,480
Time deposits		257,838,777	183,288,174
Restricted customers' deposits		-	-
CUSTOMERS' DEPOSITS AND OBLIGATIONS WITH BANCO NACIONAL DE VIVIENDA Y HÁBITAT		-	-
OTHER FINANCING OBTAINED	15	1,357,763,077	804,129,523
Obligations with national financial institutions for up to a year		1,355,832,668	802,680,321
Obligations with financial institutions abroad for up to a year		1,930,409	1,449,202
OTHER OBLIGATIONS FOR FINANCIAL INTERMEDIATION		-	-
INTERESTS AND COMMISSIONS PAYABLE	16	34,917,420	18,836,501
Expenses payable for customers' deposits		18,308,612	11,341,094
Expenses payable for other financing obtained		16,608,808	7,495,407
ACCRUALS AND OTHER LIABILITIES	17	2,946,255,384	1,565,514,210
TOTAL LIABILITIES		19,573,813,629	12,155,001,781
STOCKHOLDERS' EQUITY			
CAPITAL STOCK	23	128,959,650	128,959,650
UNCAPITALIZED EQUITY CONTRIBUTIONS	23	300,000,000	-
CAPITAL RESERVES	23	130,394,508	129,749,709
ADJUSTMENTS TO STOCKHOLDERS' EQUITY	23	3,678,219,978	3,090,531,791
ACCUMULATED INCOME		918,801,474	795,555,414
UNREALIZED GAIN (LOSS) IN AVAILABLE-FOR- SALE INVESTMENT SECURITIES	7	52,560,974	(4,805,240)
TOTAL STOCKHOLDERS' EQUITY		5,208,936,584	4,139,991,324
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		24,782,750,213	16,294,993,105

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements.

BANCO NACIONAL DE CRÉDITO, C.A., BANCO UNIVERSAL AND FOREIGN BRANCH

Consolidated Statements of Income and Net Income Allocation

Semesters ended 31 December and 30 June 2023

(In bolivars)

	Notes	Semesters ended	
		31 December 2023	30 June 2023
FINANCIAL INCOME		1,441,049,729	1,364,839,088
Income from cash and cash equivalents	5	4,567,409	2,322,764
Income from investment securities	7	20,877,966	49,995,213
Income from loan portfolio	8	1,406,037,686	1,307,950,643
Income from other accounts receivable	14	9,566,668	4,570,468
Other financial income		-	-
FINANCIAL EXPENSES		(841,198,536)	(379,262,640)
Expenses from customers' deposits		(336,940,006)	(138,468,473)
Expenses from customers' deposits and obligations with Banco Nacional de Vivienda y Hábitat		-	-
Expenses from other financing obtained	15	(288,473,404)	(165,035,798)
Other financial expenses	5	(215,785,126)	(75,758,369)
Expenses from other obligations for financial intermediation		-	-
GROSS FINANCIAL MARGIN		599,851,193	985,576,448
INCOME FROM RECOVERY OF FINANCIAL ASSETS	8	7,259	4,985
EXPENSES FOR BAD DEBTS AND DOWNGRADING OF FINANCIAL ASSETS		(124,962,186)	(42,595,322)
Expenses from uncollectibility of loans and other accounts receivable	8 and 9	(124,962,186)	(42,595,322)
Constitution of provision and adjustment of cash and equivalents		-	-
NET FINANCIAL MARGIN		474,896,266	942,986,111
OTHER OPERATING INCOME	19	1,636,598,393	1,009,820,509
OTHER OPERATING EXPENSES	20	(175,308,568)	(92,352,702)
FINANCIAL INTERMEDIATION MARGIN		1,936,186,091	1,860,453,918
TRANSFORMATION EXPENSES		(1,496,885,331)	(962,541,782)
Personnel expenses		(448,230,370)	(235,807,997)
Administrative and general expenses	21	(996,283,315)	(692,120,863)
Contributions to the Social Protection Fund for Bank Deposits	25	(17,789,445)	(8,485,901)
Contribution to the Superintendency of Banking Institutions	26	(34,582,201)	(26,127,021)
GROSS OPERATING MARGIN		439,300,760	897,912,136
INCOME FROM REALIZABLE ASSETS	11	37,674,824	-
MISCELLANEOUS OPERATING INCOME		3,881,078	2,816,501
EXPENSES FROM REALIZABLE ASSETS	11	(4,081,967)	(10,464,504)
MISCELLANEOUS OPERATING EXPENSES	20	(70,189,418)	(48,079,166)
NET OPERATING MARGIN		406,585,277	842,184,967
EXTRAORDINARY INCOME	12	24,411,778	86,052,639
EXTRAORDINARY EXPENSES		(2,698,326)	(4,230,626)
GROSS INCOME BEFORE INCOME TAXES		428,298,729	924,006,980
NET WORTH TAX	18	(3,026,984)	(8,634,976)
INCOME TAXES	18	(70,434,321)	(161,441,969)
NET INCOME		354,837,424	753,930,035
NET INCOME ALLOCATION			
Capital reserves		-	100,000,000
Accumulated results		354,837,424	653,930,035
Contribution to the Organic Law on Drugs	20	4,069,000	8,450,000

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements.

BANCO NACIONAL DE CREDITO, C.A., BANCO UNIVERSAL AND FOREIGN BRANCH

Consolidated Statements of Changes in Stockholders' Equity

Semesters ended 31 December and 30 June 2023

(In bolivars)

	Notes	Adjustments to Stockholders' equity										Unrealized net income or loss in available-for-sale investment securities (see note 7)	Total Stockholders' equity	
		Paid-in capital stock	Uncapitalized equity contributions	Capital reserves	Income or loss from exchange variation for holding of assets and liabilities in foreign currency	Variation of trading loans granted through UVC (see note 8)	Total	Accumulated results						
								Surplus pending allocation	Restricted surplus	Undistributed surplus	Accumulated loss			Total
Balances at 31 December 2022		28,959,650	82,816,267	29,104,911	1,459,098,654	599,120,361	2,058,219,015	82,543,536	77,688,145	78,343,397	(1,180,805)	237,394,273	(2,480,644)	2,434,013,472
Adjustments to available-for-sale investment securities at fair market value	7	-	-	-	-	-	-	-	-	-	-	-	(2,324,596)	(2,324,596)
Income from net exchange variation	23	-	-	-	1,046,488,636	-	1,046,488,636	-	-	-	-	-	-	1,046,488,636
Increase provided by variation in trade loan capital granted through UVC	8	-	-	-	-	706,465,536	706,465,536	-	-	-	-	-	-	706,465,536
Allocation charged to income of benefits generated by increase in variation of loans collected and granted through UVC	8	-	-	-	-	(782,859,898)	(782,859,898)	-	-	-	-	-	-	(782,859,898)
Equity contributions pending capitalization	23	-	17,183,733	-	-	-	-	-	-	-	-	-	-	17,183,733
Increase in capital stock	23	100,000,000	(100,000,000)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends declared	17 and 23	-	-	-	-	-	-	(67,872,630)	-	-	-	(67,872,630)	-	(67,872,630)
Net income for the semester		-	-	-	-	-	-	753,930,035	-	-	-	753,930,035	-	753,930,035
Increase in legal reserve	23	-	-	100,000,000	-	-	-	(100,000,000)	-	-	-	(100,000,000)	-	-
Social Fund for Contingencies	23	-	-	644,798	-	-	-	(644,798)	-	-	-	(644,798)	-	-
Reclassification to net income of Curacao Branch	10	-	-	-	-	-	-	(8,771,288)	-	8,771,288	-	-	-	-
Reclassification to net income of net income from investments in subsidiaries and affiliates	10 and 23	-	-	-	62,218,502	-	62,218,502	(74,455,394)	108,551,809	(61,347,881)	-	(27,251,466)	-	34,967,036
Recognition of dividends declared Consorcio Credicard, C. A.	10	-	-	-	-	-	-	29,705,464	(29,705,464)	-	-	-	-	-
Reclassification to restricted surplus of 50% for the semester		-	-	-	-	-	-	(285,351,676)	285,351,676	-	-	-	-	-
Balances at 30 June 2023		128,959,650	-	129,749,709	2,567,805,792	522,725,999	3,090,531,791	329,083,249	441,886,166	25,766,804	(1,180,805)	795,555,414	(4,805,240)	4,139,991,324
Adjustments to available-for-sale investment securities at fair market value	7	-	-	-	-	-	-	-	-	-	-	-	57,366,214	57,366,214
Income from net exchange variation	23	-	-	-	594,460,240	-	594,460,240	-	-	-	-	-	-	594,460,240
Increase provided by variation of trade loan capital granted through UVC	8	-	-	-	-	760,019,655	760,019,655	-	-	-	-	-	-	760,019,655
Allocation charged to income of the benefits provided by an increase in the variation of loans collected and granted through UVC	8	-	-	-	-	(765,610,903)	(765,610,903)	-	-	-	-	-	-	(765,610,903)
Equity contributions pending capitalization	23	-	232,127,370	-	-	-	-	(232,127,370)	-	-	-	(232,127,370)	-	-
Capitalized cash dividends provided by other liabilities		-	67,872,630	-	-	-	-	-	-	-	-	-	-	67,872,630
Net income for the semester		-	-	-	-	-	-	354,837,424	-	-	-	354,837,424	-	354,837,424
Social Fund for Contingencies	23	-	-	644,799	-	-	-	(644,799)	-	-	-	(644,799)	-	-
Reclassification to net income of Curacao Branch	10	-	-	-	-	-	-	(21,325,901)	-	21,325,901	-	-	-	-
Reclassification to net income of net income for investments in subsidiaries and affiliates	10, 19 and 20	-	-	-	-	-	-	(111,847,311)	111,847,311	-	-	-	-	-
Reclassification of accumulated loss	23	-	-	-	(1,180,805)	-	(1,180,805)	-	-	-	1,180,805	1,180,805	-	-
Reclassification to restricted surplus of 50% for the semester		-	-	-	-	-	-	(110,832,106)	110,832,106	-	-	-	-	-
Balances at 31 December 2023		128,959,650	300,000,000	130,394,508	3,161,085,227	517,134,751	3,678,219,978	207,143,186	664,565,583	47,092,705	-	918,801,474	52,560,974	5,208,936,584

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements.

BANCO NACIONAL DE CRÉDITO, C.A., BANCO UNIVERSAL AND FOREIGN BRANCH

Consolidated Statements of Cash Flows

Semesters ended 31 December and 30 June 2023

(In bolivars)

	Notes	Semesters ended	
		31 December 2023	30 June 2023
Cash flows provided by operating activities -			
Net income for the period		354,837,424	753,930,035
Adjustments to reconcile net income to net cash used in operating activities:			
Income from amortization of discount in held-to-maturity investment	7 and 19	14,613,832	10,624,732
Provision for loan portfolio	8	111,074,209	34,243,129
Provision for returns receivable	9	13,887,977	8,352,193
Provision for other assets	13	-	100,000
Depreciation of fixed assets	12	27,842,674	16,319,568
Amortization of deferred charges	13	35,684,185	16,831,091
Amortization of realizable assets	11	-	10,404,632
Provision for labor indemnities		4,726,759	20,602,249
Current income tax		67,395,955	149,113,103
Deferred income tax asset		(188,635)	1,681,985
Deferred income tax liabilities		3,227,001	14,010,850
Net worth tax		3,026,984	8,634,976
Net variation of placements in the BCV and interbank operations		2,000,000	1,398,859,000
Interests and commissions receivable		(11,771,844)	2,278,320
Other assets		(1,908,556,670)	(746,923,518)
Accruals and other liabilities		1,092,726,754	184,873,788
Income from sale of realizable assets		37,674,824	-
Unrealized income in available-for-sale investments		57,366,214	(2,324,596)
Net cash (used in) provided by operating activities		(94,432,357)	1,881,611,537
Cash flows from financing activities -			
Net variation of:			
Customers' deposits		5,341,177,779	4,170,614,402
Other financing obtained		553,633,554	633,972,790
Interests and commissions payable		16,080,919	15,782,427
Uncapitalized equity contributions		67,872,630	(50,688,897)
Net cash provided by financing activities		5,978,764,882	4,769,680,722
Cash flows provided by investing activities -			
Loans granted during the semester		(6,476,008,907)	(3,536,145,178)
Loans collected in the semester		4,152,183,121	1,555,434,921
Net variation of:			
Available-for-sale investment securities		(69,571,900)	(13,994,494)
Held-to-maturity investment securities		(94,178,439)	(55,278,126)
Restricted availability investments		28,518,868	(113,016,462)
Investments in affiliates		2,124,440	110,649,592
Realizable assets		(34,653,607)	(5,044,818)
Fixed assets		(193,350,958)	(133,945,851)
Net cash used in investing securities		(2,684,937,382)	(2,191,340,416)
Net variation of cash and equivalents		3,199,395,143	4,459,951,843
Income from exchange difference		356,008,514	1,221,941,558
Cash and equivalents at the beginning of the semester		9,316,795,786	3,634,902,385
Cash and equivalents at semester-end		12,872,199,443	9,316,795,786
Supplementary information on activities which do not require cash flows -			
Loans write-off	8	(9,201,444)	(2,148,969)
Write-off of other assets	13	-	(85,856)
Variation of unrealized net loss in available-for-sale investment securities		57,366,214	(2,324,596)
Decrease (increase) for valuation of trade loans granted through UVC receivable		760,019,655	706,465,536
Increase (decrease) in collection of trade loans granted through UVC receivable		(765,610,903)	(782,859,898)
Cash and cash equivalents		356,008,513	1,221,941,558
Investment securities		123,226,293	(18,007,240)
Loan portfolio		-	-
Interests and commissions receivable		196,164	5,130,698
Investments in affiliates		145,380,748	174,740,773
Other assets		306,464,665	169,409,198
Customers' deposits		(127,178,422)	(179,833,204)
Other financing obtained		-	(5,435,648)
Accruals and other liabilities		(209,637,721)	(286,490,463)
Net income recorded in equity		594,460,240	1,081,455,672

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements.

BANCO NACIONAL DE CRÉDITO, C.A., BANCO UNIVERSAL AND FOREIGN BRANCH

Notes to the Consolidated Financial Statements

31 December and 30 June 2023

(1) Reporting Entity

(a) Operations

Banco Nacional de Crédito, C.A., Banco Universal (the Bank) was authorized to operate in the Bolivarian Republic of Venezuela as a commercial bank in February 2003, under the commercial name of Banco Tequendama, S.A. and, on 2 December 2004 it was authorized to operate as a universal bank. The Bank engages in financial brokerage activity, consisting of drawing-down resources for the purpose of granting loans or financing and making securities investment.

The Bank is a company incorporated and domiciled in the Bolivarian Republic of Venezuela (the Republic), which main seat is located at Avenida Francisco de Miranda, entre Avenida Los Cortijos, Torre BNC, Urbanización Campo Alegre y Los Campos de Golf del Caracas Country Club, Municipio Chacao, State of Miranda, Caracas.

At 31 December and 30 June 2023, the Bank maintains 3,211 and 3,406 employees, respectively.

The Bank's stocks are listed in the Caracas Stock Exchange (see note 23).

The Bank operates in an economy characterized by significant devaluation of the local currency, high hyperinflation and multiple and changing regulations, which have a significant impact on the banking sector and the economy in general.

Curaçao Branch

Banco Nacional de Crédito, C.A., Banco Universal, Curaçao Branch (the Foreign Branch), is the Bank's Branch which object is to engage in financial brokerage and other financial operations and services that are compatible with its nature, in accordance with the legislation in force and established by Centrale Bank Curaçao & Sint Maarten, when it does not contravene the provisions contained in the Decree with Rank, Value and Force of Law of Banking Institutions of Venezuela, published on 19 November 2014 in Extraordinary Official Gazette of the Bolivarian Republic of Venezuela N° 6.154 and re-printed in Official Gazette N° 40.557 dated 8 December 2014.

(b) Legal Regime

The Bank's activities are governed by the provisions contained in:

- The Organic Law of the National Financial System, published in Official Gazette of the Bolivarian Republic of Venezuela N° 39.447 dated 16 June 2010 and re-printed in Official Gazette N° 39.578 dated 21 December 2010.
- Decree N° 1.402 with Rank, Value and Force of Law of Banking Institutions, published on 19 November 2014 in Official Gazette of the Bolivarian Republic of Venezuela N° 6.154 Extraordinary dated 19 November 2014, and re-printed in Official Gazette N° 40.557 dated 8 December 2014 (the Law of Banking Institutions).
- Decree with Rank, Value and Force of Law of the Securities Market and the provisions issued by the National Securities Superintendency.
- The regulations established by the Superintendency of Banking Institutions (the Superintendency).
- The Central Bank of Venezuela (BCV).
- The Bank Deposits Social Protection Fund (FOGADE).
- The Centrale Bank van Curaçao & Sint Maarten.

The BCV, exercising its functions, has issued a series of resolutions whereby limits to interest rates payable and receivable are established, as well as the commissions that may be charged by banks and other financial institutions for different operations conducted with active and passive clients.

(c) Acquisition of Banking Operations

Acquisition of operations from Banco Occidental de Descuento, Banco Universal, C.A.

Extraordinary Stockholders' Meeting held on 31 March 2022, as part of the Bank's expansion plan and after obtaining prior clearance from the Superintendency, approved the acquisition of certain assets and assumed liabilities of Banco Occidental de Descuento, Banco Universal C.A. (the Seller) maintained in Venezuela. The Superintendency informed the Bank through Ruling SIB-DSB-CJ-OD-03896 dated 9 June 2022, that the Seller was cleared for transferring assets and liabilities.

On 10 June 2022, the Bank signed a transfer agreement with the Seller on said rights and obligations. Assets and rights are comprised by the ownership rights over the assets, including domestic and foreign currency cash and due from banks, fixed assets, private property, loans and securities. Obligations include client deposits, client custody including those unclaimed, supplier agreements and leases, employees, other financing obtained, all of them recorded in the Seller's financial statements; and all of the obligations and responsibilities concerning the rights and obligations transferred, after the transfer date. On 23 June 2022, the Seller transferred the rights and obligations as agreed and recognized in the consolidated financial statements of the Bank on 30 June 2022.

The Bank, through notice sent on 11 July 2022, informed the Superintendency that as a result of the transfer of assets and the acquisition of liabilities of Banco Occidental de Descuento, Banco Universal, C.A., a difference arose between such assets and liabilities, which the Bank recognized as account receivable in the other assets element for US\$17,340,960 equivalent to Bs95,270,031 in June 2022 and which considerations consisted of account receivable and payable in the trust, in order to close and present the Bank's consolidated financial statements at 30 June 2022. The Superintendency by means of Ruling SIB-DSB-CJ-OD-04481 dated 13 July 2022, seeing that the Bank transmitted the consolidated financial statements, required the presentation of the accounting vouchers generated for the review and subsequent pronouncement.

The Superintendency, by means of Ruling SIB-DSB-CJ-OD-04481 dated 13 July 2022, informed that in view of what was stated by the Bank in the communication dated 11 July 2022, in the absence of accurate and definitive accounting information, the Regulatory Entity cannot issue a partial technical and legal pronouncement in the present case. It is expressly understood that until the information requested in Ruling SIB-DSB-CJ-OD-04444 dated 12 July 2022, to Banco Occidental de Descuento, Banco Universal, C.A. does not comply with the instructions given, the Superintendency will not issue a pronouncement thereon.

The Bank, in a communication sent on 15 July 2022, informed the Superintendency that both institutions, after assessing and reviewing each of the items that make up such difference, agreed to make adjustments mainly related to the increase in the valuation of real estate, with a credit to the abovementioned account receivable, reducing its balance to US\$3,825,345.

The Superintendency, by means of Ruling SIB-DSB-CJ-OD-04800 dated 21 July 2022, informed it has no objection to the proposed adjustments. Regarding the difference to be compensated of US\$3,825,345, a statement will be issued once the definitive statements have been submitted.

BANCO NACIONAL DE CRÉDITO, C.A., BANCO UNIVERSAL AND FOREIGN BRANCH

Notes to the Consolidated Financial Statements

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The Bank, in a communication sent on 27 July 2022, informed that the relevant adjustments were made, which included the increase in the valuation of investments in affiliated companies and certain real estate assets, with a credit to the account receivable in comments, fully offsetting it. These offsets to the account receivable reported at 30 June 2022 had no effect on the Bank's results or equity. The Superintendency, by means of Ruling SIB-DSB-CJ-OD-05287 dated 3 August 2022, informed that it has no observations or objections to make in relation to the proposed adjustments. Therefore, the Bank was instructed to submit the proposed Addendum to the contract for the transfer of rights and obligations, for assessment and prior authorization by the Superintendency. On 4 August 2022, the Bank submitted the proposed Addendum to the Superintendency for consideration.

The Superintendency, by means of Ruling SIB-DSB-CJ-OD-05558 dated 11 August 2022, notified its observations on the proposed Addendum and instructed the parties to make the corresponding modifications and submit it for assessment and approval. On 12 August 2022, the Bank filed and submitted the proposed Addendum for approval on behalf of the Superintendency.

The Bank, by means of communications sent on 22 July, 16 August and 14 October 2022, requested authorization to amortize in a maximum term of 5 years, the capital gain generated by the valuation of the shares of the companies Consorcio Credicard, C.A., Proyectos Conexus, C.A., Corporación Suiche 7B, C.A. and Corporación Suiche 7B, C.A.; as well as the value to maintain operations with American Express and the expenses incurred in connection with the adaptation of the transferred offices as a result of the transfer of assets, and Corporación Suiche 7B, C.A.; as well as, the value to maintain the operability with American Express and the expenses incurred due to the adaptation of the offices transferred as a result of the transfer of assets and assumption of liabilities of Banco Occidental de Descuento, Banco Universal, C.A. The Superintendency, through Ruling SIB-II-GGIBPV-GIBPV4-08964 dated 5 December 2022, establishes that the term indicated for the amortization is in accordance with the provisions of the Accounting Manual for Banking Institutions. Furthermore, it urges the Bank to fully evaluate the expenses incurred for the adaptation of the real estate. The Bank, by means of a communication issued on 20 December 2022, informs the beginning of the regularization of the items recorded in sub-account 188.01 "Advances to suppliers."

The Bank, by means of communications sent on 18 November and 5 December 2022, informed that the Public Registry offices have refrained from notarizing the documents presented to proceed with the transfer of ownership of the assets that are part of the Transfer of Rights and Obligations Agreement entered into with Banco Occidental de Descuento, Banco Universal, C. A. The Superintendency, by means of Ruling SIB-DSB-CJ-OD-09734 dated 28 December 2022, communicated that, once the list of the properties was compared with what is indicated in the Contract for the Transfer of Rights and Obligations executed with Banco Occidental de Descuento, Banco Universal, C.A., it authorized the sale or transfer of the assets that are part of the Transfer of Rights and Obligations Contract executed with Banco Occidental de Descuento, Banco Universal, C.A., authorizes the alienation or transfer exclusively to Banco Nacional de Crédito, C.A., Banco Universal. Finally, and in order to guarantee the request made to the Autonomous Service of Registries and Notaries Public, the real estate and mercantile registries must request the Superintendency to confirm the authorization in writing and verify the specifications, location, boundaries and other registration data of the real estate to be sold or transferred.

The Bank, by means of communications sent on 10 February and 16 March 2023, requests authorization for the registration of the transfer of the real estate and that the Autonomous Service of Registries and Notaries be notified, in order to allow its notarization. The Superintendency, by means of Ruling SIB-DSB-CJ-OD-07038 dated 30 November 2023, requests, in order to issue the corresponding authorization, a detailed report clarifying the discrepancies evidenced between the Contract for the Transfer of Rights and Obligations executed between Banco Nacional de Crédito, C.A., Banco Universal and Banco Occidental de Descuento, Banco Universal, C.A. The Bank, by means of a communication sent on 8 December 2023, informs the Superintendency that the differences correspond to involuntary errors; furthermore, it indicates that it did not possess the copies of the documents corresponding to the properties. In addition, it is indicated that the Bank has not been able to notarize all the documents of said properties in its name, and therefore, it requests the speedy issue of the respective authorization and its notification to the Autonomous Service of Registries and Notary Publics.

The Bank, by means of a communication sent on 1 December 2023, filed before the Superintendency Addenda N° 2 and 3 dated 16 November 2023, under N° 26, Volume 36 and N° 25, Volume 36, respectively, authenticated at the Thirtieth Notary Public Office of Caracas, Municipality of Libertador.

(2) Basis of Preparation

(a) Statement of Conformity

The Bank, as a financial institution of the Venezuelan banking sector, is obligated to prepare and present its consolidated financial statements in accordance with the Accounting Manual for Banking Institutions (the Accounting Manual) and other prudential regulations issued by the Superintendency of Banking Institutions, which differ from the Accounting Principles Generally Accepted for Large Entities (VEN-NIF for LE). In regard to all aspects not established in these provisions, the Accounting Principles Generally Accepted in Venezuela (VEN-GAAP) that were in force until 31 December 2007 must be followed; in the succeeding order and in a supplementary manner, the provisions contained in the Accounting Principles Generally Accepted in Venezuela for Large Entities (VEN-NIF for LE).

In April 2008, the Federation of Public Accountants of the Bolivarian Republic of Venezuela (FCCPV), through Application Bulletin on VEN-NIF N° 0 Frame Agreement for Adopting International Financial Reporting Standards, approved the adoption of the VEN-NIF as the Accounting Principles Generally Accepted in Venezuela. At 31 December and 30 June 2023, the applicable version of VEN-NIF is the version approved in February 2020 by the National Extended Directory of the FCCPV, through Application Bulletin on VEN-NIF N° 8 version 8 and version 7, respectively, Accounting Principles Generally Accepted in Venezuela (VEN-NIF).

Official Gazette of the Bolivarian Republic of Venezuela N° 39.637 dated 18 March 2011 published Resolution N° 648.10, whereby the Superintendency established that the presentation of consolidated financial statements or combined with the notes thereto, and the independent auditors' report corresponding to semester closings according to VEN-NIF is deferred until further notice from the Superintendency.

On 15 December 2023, the Superintendency issued Ruling SIB-II-GGR-GNP-08302, deferring the presentation of complementary information corresponding to the 2023 second semester closing, in connection with the consolidated financial statements, prepared on the basis of generally accepted accounting principles; as well as the individual audited financial statements for publishing, duly adjusted by inflation.

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Some of the policies established in the Accounting Manual and other prudential standards issued by the Superintendency, which differ from the Accounting Principles Generally Accepted in Venezuela for Large Entities (VEN-NIF for LE), follow:

- 1) The presentation of the consolidated financial statements adjusted by inflation as basic is not contemplated, these effects refer to the age of certain assets, to the stockholders' investments and to the net average monetary position maintained by the Bank. The VEN-NIF for LE require recognition of the effects of inflation in the consolidated financial statements.
- 2) As for the statements of cash flows, the Bank considers as cash equivalents the cash and due from banks item. The VEN-NIF for LE consider as cash equivalent short-term investments with high liquidity, which are easily convertible into determined amounts of cash, subject to insignificant risk of change in value, and with maturities lesser than 90 days.
- 3) Provisions are created for 100% of unreconciled accounts receivable from domestic banks and other financial institutions, and from banks and correspondents abroad, which are more than 30 and 60 days old, respectively. These items must be disposed against the provisions recorded, since they are aged over 180 days. VEN-NIF LE do not contemplate the recognition of a provision for impairment based on the specific age but based on the risk of loss.
- 4) Accounts receivable from banks and other financial institutions in the country, and from banks and correspondents abroad, aged over 30 and 60 days, respectively, are recorded in the other assets account; these are 100% provided for 30 and 60 days after their recording, respectively, if they are still pending reconciliation. VEN-NIF LE do not include reclassifications of accounts receivable pending recording, nor their provision based on their maturity.
- 5) Maximum holding periods are established for securities recorded in the subaccounts of investments for trading and available-for-sale, except those issued and/or guaranteed by the nation, as well as all those capital securities in the reciprocal guarantee companies. The VEN-NIF LE do not contemplate any time limitation for these investments to remain recorded in such categories.
- 6) The premium or discount on investments held to maturity is amortized over the term of the security with a charge or credit to the gain or loss on investments securities account, in the other operating income and other operating expenses accounts, respectively. In accordance with VEN-NIF LE, these premiums or discounts are part of the yield of the security and are therefore presented as part of financial income.
- 7) Gains or losses generated by variations in the official exchange rate are recorded in the adjustments to equity account, forming part of equity. In accordance with VEN-NIF LE, gains or losses are recognized in the consolidated statement of income for the period.
- 8) Balances and transactions in foreign currency must be valued at the current official exchange rate of the BCV at 31 December and 30 June 2023 and transactions are recorded at the exchange rate in effect on the transaction date. Assets, liabilities and equity of the Branch abroad are translated to the exchange rate in force. Income accounts are translated to the average official exchange rate of the semester. In accordance with VEN-NIF LE, the valuation and presentation of balances and transactions in foreign currency at the date of the consolidated financial statements should be made considering a comprehensive assessment of the financial position, the monetary position in foreign currency and the financial effects derived from the exchange regulations applicable to the entity. The valuation options for foreign currency items are at the official exchange rates established in various exchange agreements or based on the best estimate of the expected future flows of bolivars, which at the date of the transaction or of the consolidated financial statements would have been disbursed or received.

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- 9) If there is evidence of a permanent impairment in the value of investments held to maturity, such impairment must be recorded in income for the period as incurred. Any subsequent recovery of the cost does not affect the new accounting basis. VEN-NIF LE allows any recovery of impairment previously taken to income, up to the concurrent amount of the original investment.
- 10) The value to be recorded for transfers from available-for-sale to held-to-maturity investments is measured at fair value at the time of the transfer. The unrealized gain or loss continues to be reported separately in equity and is amortized over the remaining life of the debt security, as an adjustment of its yield. VEN-NIF LE establishes that the fair value of the investment at the date of transfer will become its new amortized cost, and any gain or loss previously recognized in equity will be accounted for as follows: a) investment with fixed maturity: gain or loss will be carried to income over the remaining life of the investment, and any difference between the new amortized cost and the amount at maturity will be amortized equally over the remaining life; b) investment with no maturity: the gain or loss will remain in equity until the asset is sold or otherwise disposed of; at which time it will be recognized in income for the six-month period.
- 11) The Accounting Manual does not contemplate the transfer of the entire portfolio of held-to-maturity investments to available-for-sale investments when transfers are made between these accounts. VEN-NIF LE require the transfer of the entire portfolio of held-to-maturity investments to available-for-sale investments, if the reclassification was made for a significant amount, and the transfer is originated by a change in the original intention for which the securities were acquired, which does not qualify, among others, as an isolated or exogenous, non-recurring and unusual event of the Bank.
- 12) Loans granted in terms of the Unit of Credit Value (UVC) are expressed in accordance with the provisions of the BCV, resulting from dividing the amount in bolivars to be settled of the loan granted by the Investment Index (IDI) in effect at that date, and the IDI is updated daily by adjusting the amount of the loan. The higher value of the loan originated by the exchange rate displacement represented by the IDI is recorded in equity during its valuation, net of the financial cost of the legal reserve deficit attributable to such income and is reclassified to income when the corresponding loans are collected. In accordance with VEN-NIF LE, income is recognized in income when accrued.
- 13) In addition to the specific provision, a generic and a counter-cyclical provision is required for the loan portfolio [see note 3(d)]. It also establishes a generic provision and a specific provision for indirect credit risks controlled by the Bank in memorandum accounts. VEN-NIF LE do not contemplate the recording of generic and counter-cyclical provisions and establish the recognition of impairment and uncollectibility of loans only if there is objective evidence of impairment resulting from one or more events occurring after the initial recognition of the asset. That event causes an effect on the estimated future cash flows of receivables, provided that it can be reliably estimated. This value is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.
- 14) It is established that loans which original payment plan, term and other previously agreed terms have been modified by the creditor, in response to an express request by the debtor to refinance the loan, must be reclassified to the restructured loans portfolio account. VEN-NIF LE does not establish accounting criteria in this regard.

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- 15) The period for writing off the past-due loan portfolio may not exceed 24 months, counted from the date of registration of the entire loan in that category. At 24 months from the date of registration in that category, the credits in dispute must be fully provisioned. According to VEN-NIF LE, provisions are recorded based on the risk of uncollectibility.
- 16) Income originated by the current and restructured loan portfolio, with a collection term equal to or greater than six months, is recorded as deferred income until it is effectively collected. In accordance with VEN-NIF LE, interest is recognized as income when accrued.
- 17) When there are excess provisions, the difference is recognized as income and/or the accumulated results are affected, with the prior authorization of the Superintendency. VEN-NIF LE allows the reversal of provisions based on an analysis of the realization of the item.
- 18) Yields on past-due loans and loans in litigation are recognized as income when collected, and this amount is recorded in the memorandum accounts group. In accordance with VEN-NIF LE, interest is recognized as income when accrued, provided that it corresponds to loans with no risk of uncollectibility.
- 19) Provision is made for the yields receivable on the loan portfolio based on the risk percentage applied to the principal that originated it, except for loans classified in the real risk category, which are provided for in full. Interest accrued on loans considered as high risk and non-recoverable is not recognized in income. In accordance with VEN-NIF LE, provisions for impairment are established based on the risk of uncollectibility of the items, and interest is recognized as income when accrued and when it corresponds to loans with no risk of collection.
- 20) A provision for the total amount of accrued and uncollected interest must be created when the term loan is considered past due. Interest from installment loans will be provisioned when the installment is 30 days past due. VEN-NIF LE does not establish the creation of provisions for impairment based on maturity.
- 21) Fees charged on loans are recognized as income when collected. In accordance with VEN-NIF LE, commissions should be recorded as income during the term of the loan and are part of the value of the loan at the time of initial recognition. Interest is recognized as revenue when accrued, until the loan and accrued interest are considered uncollectible.
- 22) Assets received in payment are recorded at the lower of the amount awarded, the carrying amount, market values or the appraisal amount. In accordance with VEN-NIF LE, they are stated at the lower of carrying amount and fair value, less costs to sell, and are recorded as fixed assets or assets held for sale, depending on their intended use.
- 23) Available-for-sale assets are amortized over the period established in the Accounting Manual. Likewise, deadlines are established for the disposal of these assets. According to VEN-NIF LE, depreciation of these assets ceases, and they are valued at the lower of their carrying amount and fair value less costs to sell. Under VEN-NIF LE establish that an asset held for sale must have a management plan to be sold and a program to find a buyer must have been initiated, and the sale is expected to be completed within a period not exceeding one year, except in particular external conditions.

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- 24) Fixed assets are stated at original cost less accumulated depreciation. The original cost of fixed assets is determined by its acquisition or construction cost, as the case may be. Furthermore, assets with a useful life of less than four years and those which acquisition cost is less than 320 TU should be recorded in the general and administrative expenses account. In accordance with VEN-NIF LE, fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses; the recognition of an item as fixed assets is not subject to the useful life of the asset or its amount.
- 25) Substantial improvements to leased properties are recorded as amortizable expenses and recorded in other assets. In accordance with VEN-NIF LE these substantial improvements are part of fixed assets for use.
- 26) The Superintendency is empowered to authorize financial institutions to defer regular and recurring expenses. Most of the VEN-NIF LE do not contemplate the maintenance of deferred expenses, allowing recognition as intangible assets, if they meet the conditions of being identifiable, controlled and a future economic benefit is expected to be obtained from them; otherwise, they will be recognized as an expense in the period in which they are incurred.
- 27) Leases are classified as capital leases and operating leases. Furthermore, lease payments are recorded as expenses in the month in which the obligation is incurred. In accordance with VEN-NIF LE, a lease must be recognized as a financial asset and liability, each lease contract, which conveys the right to control the use of an identified asset, except for contracts that are short-term or of a lesser amount.
- 28) Principal and yields receivable on investments in securities more than 30 days past due are recorded in other assets and fully provided for; interest on these investments that accrue thereafter is not recognized in income. In accordance with VEN-NIF LE, these assets are not reclassified and the provision for impairment is determined based on the risk of loss of the items.
- 29) Minimum terms and criteria similar to those prescribed for the loan portfolio are established in the evaluation of the collectability of the items presented as other assets, in order to establish the corresponding provision. These assets may remain on the balance sheet for one year after their maturity date, after which time a 100% provision must be set up on them. These accounts may not be written off if the corresponding debtor is linked to the ownership, direction, management or control of the Bank. According to VEN-NIF LE, the provision for impairment is determined based on the risk of loss of such items.
- 30) In the case of deferred income tax for the determination of the temporary difference generated by the provision for loan portfolio, only provisions for loans classified as high risk or unrecoverable are considered. The deferred income tax cannot exceed the tax expense. In accordance with VEN-NIF-LE, deferred taxes must be recognized for all temporary differences between the carrying amount of an asset or liability in the consolidated statement of financial position and its tax basis, the latter being used to determine income tax.
- 31) Investments in subsidiaries and affiliates are valued by the equity method when between 20% and 50% of the subsidiary's or affiliate's equity is owned. In accordance with VEN-NIF LE, such investment will be recorded by the equity method provided that it has significant influence but not control over such entity.

- 32) Revenues from the sale of fixed assets, realizable assets and fixed assets out of use that are made in installments and/or with financing, must be deferred until they are effectively collected and are presented in the accruals and other liabilities account as deferred gains on sales of goods. According to VEN-NIF LE, revenues from the sale of assets held for sale are recognized as income when accrued.

(b) Approval of the Consolidated Financial Statements

The consolidated balance sheets at 31 December and 30 June 2023 and the consolidated statements of income and net income allocation, previously authorized by the Board of Directors on 10 January 2024 and 12 July 2023, were published in a national newspaper on 12 January 2024 and 15 July 2023, respectively, in compliance of the requirements established by the Superintendency. On 14 February 2024, management authorized issue of the consolidated financial statements, which in addition to those mentioned above, are comprised by the consolidated statements of changes in equity and cash flows for the semester then ended and the notes containing significant accounting policies and other explanatory information. The consolidated financial statements at and for the semester ended 30 June 2023, have been approved by the Stockholders' Meeting on 20 September 2023. The consolidated financial statements at and for the semester ended 31 December 2023, will be submitted to the approval of the Stockholders' Meeting which is expected to be held in March 2024.

(c) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost method, pursuant to the provisions contained in the general provisions of the Accounting Manual.

(d) Functional and Presentation Currency

The consolidated financial statements have been presented in bolivars, which is the Bank's functional currency. Transactions in other currencies different than bolivars are considered foreign currency transactions.

(e) Use of Estimates and Judgments in the Preparation of the Consolidated Financial Statements

Preparation of the consolidated financial statements requires management to conduct a series of estimates and affirmations in connection with the amounts shown on assets and liabilities, and the disclosures on contingent assets and liabilities, as well as the amounts shown in income and expenses during the respective period. Actual income could vary in comparison to the original estimates.

Estimates and underlying assumptions are reviewed on a continuous basis. The review of accounting estimates is recognized in the income for the period under review, if they affect that period only or in the income of this period and future periods, if the review affects the current period or future periods.

Information on the most significant areas requiring the application of estimated and a critical judgment in the application of accounting policies, having a significant effect on the value recognized in the consolidated financial statements, are described in note 3: (b) cash and cash equivalents; (c) investment securities; (d) loan portfolio; (e) interest and commissions receivable; (f) realizable assets; (g) fixed assets and depreciation; (h) other assets; (i) Income tax and deferred income tax; (j) labor benefits and (r) commitments and contingencies.

(f) Measurement of Fair Value of Financial Instruments

The following methods and assumptions are used by the Bank when estimating the fair value of financial instruments:

▪ Short-term financial instruments

Short-term financial instruments, assets and liabilities presented at carrying value included in the balance sheet, which do not defer significantly from fair market value, in light of the relatively short period of maturity of these instruments. This category includes: cash and cash equivalents, customers' deposits without defined maturity and with short-term maturities, other financing obtained, interest and commissions both receivable and payable.

▪ Investment securities

Investment securities are based on fair market value or fair values easily determined.

▪ Loan portfolio

The net recorded value of the provisions for loan portfolio are considered the best fair value estimate.

▪ Off-balance sheet financial instruments

Amounts approximate their fair values.

(3) Significant Accounting Policies

Accounting policies and bases mentioned below are equally applied by the Bank in the preparation of the consolidated financial statements:

(a) Principles of Consolidation (Comprehensive)

The consolidated financial statements (comprehensive) include the accounts of Banco Nacional de Crédito, C.A., Banco Universal and the Foreign Branch.

Assets, liabilities and income from the Foreign Branch are consolidated (comprehensive) with the financial statements of the parent company in Venezuela. The capital assigned by the Bank to the Foreign Branch is eliminated from equity in the latter, as well as all accounts holding reciprocal balances. The Foreign Branch applies the accounting policies of the parent company when preparing its own financial statements.

Assets, liabilities, equity and income of the Foreign Branch are converted from dollars to bolivars at the exchange rate in force in conformity with Exchange Agreement N° 1 (see note 6).

(b) Cash and cash equivalents

It comprises assets that by reason of their liquidity are immediately available, therefore, they include cash, sight deposits at the BCV, balances held in foreign and correspondent banks, as well as effects subject to immediate collection.

(c) Investment Securities

Investment securities are classified in accordance with the intention for which they are purchased, and are valued in accordance with their classification as follows:

- Placements in the Central Bank of Venezuela and inter-banking operations, which include the placements in excess in BCV and overnight obligations.

Investment securities are valued at realization value. For investment securities issued by financial institutions according to the Law of Banking Institutions and the BCV, the realization value is their cost or nominal value. Income or losses are recorded at the transaction date.

- Available-for-sale securities, investments in debt and principal securities that may not be included as trading securities or held-to-maturity securities or investments in subsidiaries and affiliates and may not be held in this account for a term greater than one year, beginning on the date of inclusion into this account.

The Superintendency informed through Ruling SBIF-DSB-II-GGTE-GNP-06459 dated 4 May 2009, that investment securities, whether issued and/or endorsed by the nation, and all investments in principal securities from mutual guarantee companies, will be exempted from compliance of the one-year term.

If investment securities are listed in stock exchanges, they are valued at fair market value, and their net unrealized profit or loss is recorded in a separate account in the stockholders' equity.

If they are not listed, they are recorded at purchase value and assessed at fair market value or fair value easily determinable (market value), the latter being the present value of future cash flows generated from the securities. The discount rate to be used for this calculation is based on performance curves (Spot), using data from the primary and secondary market, corresponding to instruments with similar risk characteristics.

If permanent impairment is determined in the investment's value, it is recorded in the results for the period of the impairment. Any subsequent recovery of cost does not affect the new accounting basis. Recovery is presented directly and separately under stockholders' equity provided that securities are not realized.

- Held-to-maturity securities, representing debt and acquired firmly for the purpose to be held to maturity.

These must be recorded at acquisition cost, which must reflect the market value at the purchase date, subsequently adjusted by the amortization of premiums or discounts and recognized in the statements of income and net income allocation.

Permanent impairment in the value of securities is recorded in the consolidated statements of income and net income allocation. Any subsequent recovery of cost does not affect the new accounting basis.

- Restricted availability securities, which include amongst other, funds delivered to another institution in trust, provided that availability is restricted, as well as any other restricted availability securities.

For assessment purposes, the existing criteria for the securities originating them are taken into account.

The Bank considers the value listed in stock exchanges the market value, as well as market value similar to fair value, as provided for in the Accounting Manual.

Gains or losses on transfers between investment categories are accounted for as follows:

- From trading securities to available-for-sale or held-to-maturity securities. Fair value is calculated at the time of transfer, and the difference with the previous fair value will be recorded in the results of the year, since the unrealized gain or loss was already recognized in income; this treatment is not reversed.
- From available-for-sale or held-to-maturity securities to trading securities. Their fair value is calculated at the time of transfer; the unrealized gain or loss at the date of transfer is recognized immediately in income.
- From available-for-sale securities to held-to-maturity securities, their fair value is calculated at the time of transfer, the unrealized gain or loss continues to be presented separately in equity and is amortized over the remaining life of the investment.
- From held-to-maturity securities to available-for-sale securities. Fair value is calculated at the time of transfer, the unrealized gain or loss at the date of transfer is recognized, and the net balance is presented separately in equity.

When investments securities are past due, they are reclassified together with their yields to other assets and, if after 30 days from their maturity date they have not been collected, the amounts must be 100% provisioned.

Any transfer between the different categories of investments, when they are sold for circumstances other than those indicated in the Accounting Manual or reclassified to another category, must be authorized by the Superintendency.

The provision for investments in securities is established when the Bank's management becomes aware of any circumstance affecting the value or recoverability of an investment. When it is considered that the specific provision assigned to an investment is in excess, because the circumstances that originated its constitution have changed, the reversal of such provision must be made with the authorization of the Superintendency.

The Superintendency will authorize exchanges and other transactions involving changes in securities or financial instruments denominated in foreign currency, and the financial institution must attach to the request for authorization, the supports evidencing the fair market value or carrying value, as applicable, together with the approval of the committee, or whoever corresponds, among others. During the semesters ended 31 December and 30 June 2023, the Bank did not carry out any exchange transactions of securities or financial instruments denominated in foreign currency.

(d) Loan Portfolio

The Bank expresses the loans granted in terms of the Credit Value Unit (UVC), in accordance with Resolution No. 22-03-01 dated 17 March 2022, published in Official Gazette of the Republic N° 42.341 dated 21 March 2022, resulting from dividing the amount in bolivars to be settled of the credit granted by the Investment Index (IDI) in effect at that date and daily updates the Investment Index (IDI) by adjusting the amount of the credit.

The credits of the Single National Productive Portfolio, commercial and micro-credits granted prior to the entry into force of Resolution N° 22-03-01, will maintain the conditions under which they were agreed until their total cancellation.

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Excluded from Resolution N° 22-03-01 dated 17 March 2022, published in Official Gazette of the Republic N° 42.341 dated 21 March 2022, are those active operations related to loans to employees and directors of the entities.

The balance of the loan portfolio is updated daily, taking into account the variation of the Investment Index (IDI) published by BCV from the time the loan is granted until its liquidation. Increases or decreases in the principal of the loans, due to the variation of the Investment Index (IDI), are recorded in the Adjustments to Equity account 358. When the loan is collected, these amounts previously recorded in the Adjustments to Equity account 358 are reclassified to income for the year, in the Income from Loan Portfolio account 513.

The loans of the Single National Productive portfolio that consider the modality of a single payment at maturity, will have an additional charge of 20% at the time of loan liquidation, which is recorded in the Income from Loan Portfolio account 513.

The Bank maintains provisions: specific, generic and Counter-cyclical for bad debts. Losses from bad debts are charged against these provisions.

The Bank carries out a monthly assessment of its loan portfolio and possible contingencies to determine and create a specific provision from possible loss on loans, in accordance with the standards set forth in:

- Resolution N° 009-1197 “Standards Relating to Classification of Risk in the Loan Portfolio and Calculation of Provisions” dated 28 November 1997.
- Resolution N° 028.13 dated 18 March 2013, Standards Related to the Special Regime of Information Requirements and Constitution of Provisions for the Risk Coverage of the Agricultural Portfolio.
- Resolution N° 021.18 dated 5 April 2018, Standards Related to the Characteristics and Risk Classification of the Microfinance System and Small and Medium-Sized Entities.

In addition, a 1% general provision on the loan portfolio’s principal balance is maintained, as set forth by Resolution N° 009-1197, with the exception of the microcredit portfolio for which, a 2% general provision on the principal balance is kept by the Bank, in accordance with the provisions contained in Resolution N° 021.18. Furthermore, according to Resolution N° 146.13 Standards Relating to the Creation of the Counter-cyclical Provision, the Bank maintains a 0.75% provision on the gross balance of the loan portfolio. In order to revert these provisions, clearance from the Superintendency is required.

The Bank maintains a provision of 100% of the portfolio unmoved, which is comprised of the portfolio due and under litigation. This provision is applicable when the sum of the specific provisions and the generic provision is lower than the abovementioned percentages.

The term to write off the overdue portfolio shall not exceed 24 months, beginning on the registration date of the entire loan in the “Overdue Loans” account. However, a balance may be maintained in the portfolio in litigation for those loans in connection to which judicial collection actions have been initiated provided that they are pending decision by the respective court; nevertheless, at 24 months beginning on the date on which the “Loans in Litigation”, a provision of 100% must have been created.

Regarding contingent memorandum accounts arising from guarantees granted, a 1% generic provision must be created, as well as a specific provision based on the guidelines established for credit operations.

(e) *Interests and Commissions Receivable*

Interest and commissions receivable from investment securities, loan portfolio, contingent credits, services rendered and other accounts receivable, are recognized and recorded as income based on the amount of the uncollected principal.

Uncollected interest on the loan portfolio requires a provision based on the specific provision percentage applicable to the related loans when their risk classification is either normal or potential. When the loan's risk classification is real, interest earned and credited to income is fully provisioned for, and interest earned on loans classified in categories D and E is not recognized; such interest is controlled in memorandum accounts and recorded as income based on the amounts effectively collected.

Interest originated by the current and restructured loan portfolio with a term for collection equal to or more than six months must be registered monthly in the portion corresponding to deferred income in the item of Accruals and other Deferred Liabilities-Income, until effectively collected.

Interest in arrears is earned by the loan portfolio in installments and at fixed terms in case of current or restructured loans and are recognized as income when the period of arrears is less than 30 days; if collection has not been made by that time, a provision of 100% is required. Interest in arrears collected after said term is recorded under memorandum accounts.

When the loan (fixed term) or the installment loan is overdue or in litigation, it will not bear interest as income, and said amount will be entered under the memorandum accounts, Interest Receivable, where subsequent income will be recorded.

Profit receivable on investment securities that have not been collected within 30 days from the date on which the collection should have been made, must be provisioned at 100%, the yields that are generated subsequently are recorded in memorandum accounts and are recognized as income based on the amount actually collected.

Interest from investment securities, contingent loans, services rendered or other accounts receivable, pending collection, requiring the creation of a specific provision based on its recovery risk.

(f) *Realizable Assets*

Realizable assets are stated at acquisition or incorporation value. The value of incorporation of realizable assets (received in lieu of payment) is determined based on the lesser amount between the value determined by the judicial authority in the transfer, the accounting balance of the corresponding credit capital and recoverable disbursements originated by the collection process of the loan paid, the market value of said property and the amount of the valuation.

The incorporation value (cost) may be increased only by the number of improvements or additions to such value up to the amount by which such improvements or additions increase their useful lives or realizable value; other expenditures made in connection with these assets should be expensed in the period in which they are incurred.

Realizable assets must be disposed of within a period of one to three years from the date of acquisition, and a valuation reserve must be created one month after the date of entry into the Bank or registration in this group, in order to reach 100% of these assets at the end of the period in which they must be disposed of.

The Bank does not recognize realizable assets until they are collected.

Discontinued assets must be disincorporated within a term of 24 months, and the carrying amount shall not exceed its realization value.

(g) Fixed Assets and Depreciation

Fixed assets are initially recognized at their original cost, which is the acquisition cost or construction cost or restated cost, as the case may be, plus all necessary expenses to maintain the asset in place and conditions for use.

Depreciation is calculated using the straight-line method based on an estimated useful life for the different assets, as follows:

	<u>Years</u>
Buildings and facilities (at cost)	40
Computers equipment	4
Furniture and equipment	10
Equipment for transportation	<u>5</u>

Upgrades and facilities are depreciated in the remaining useful life of the main asset.

Fixed assets owned by the Bank, cannot be given on lease.

(h) Other Assets

Deferred expenses are presented at cost and are amortized by the straight-line method in monthly installments beginning in the month following the that when the expense was incurred, as mentioned below:

- Capital gains will be amortized over a period not exceeding five years.
- Leasehold improvements, software and licenses purchased will be amortized over a period not to exceed four years.
- Expenses related to the implementation of the monetary reconversion process will be amortized between three and eight years from the date they are included in this account.
- Expenses related to the Contribution to the National Fund for Development (FONDEN, S.A.) shall be amortized in a period of two years as of their incorporation to such account.

Service expenses recorded in subaccount 188.06 "Other prepaid expenses" should be amortized over a period not to exceed one year. Any prepaid service expense paid in advance for more than one year will be considered as a loan and should therefore be recorded in the loan portfolio.

The items in this group remain for a maximum of 360 days, counted from the date of maturity or due date. If after this period they have not been realized, a provision of 100% is made and, with prior authorization, they are written off and the balance is recorded in the corresponding memorandum account. Excepted from this maximum period are miscellaneous goods, value added tax (VAT) resulting from leasing transactions, income tax (ISLR) paid in advance, tax stamps paid to states of the nation and items that, as required by the National Integrated Customs and Tax Administration Service (SENIAT), must remain in said account [tax on large financial transactions (IGTF)].

The Bank assesses the collectability of items recorded in other assets, by means of similar criteria, to the extent applicable, to those established for the loan portfolio. Additionally, it maintains provisions for all those items thus requiring it, based on their age and nature, as well as by requirements of the Superintendency.

(i) Income Tax and Deferred Income Tax

Income tax expense for the year consists of current and deferred taxes. The provision for current income tax is calculated on the basis of the Bank's net taxable income, determined in accordance with current Venezuelan tax legislation and using tax rates in effect (or substantially in effect in the foreseeable future) at the balance sheet date (see note 18).

A deferred income tax asset and/or liability should be recognized based on the tax amount expected to be recovered over temporary differences represented by income or expenses incurred in different periods for tax and accounting purposes.

The value of deferred assets and liabilities is determined based on the tax rates that are expected to be applicable to taxable income in the year in which the temporary differences will be deducted or taxed. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the results of operations in the year in which they become effective.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which it can be utilized. The Bank's management believes that estimates of future taxable income are reasonable and sufficient to realize the deferred tax asset recognized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow some or all of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax will be calculated provided that the financial institution has generated income tax in any of the last three fiscal years and there will be no creation of a deferred tax asset, with credit to the consolidated statement of income and net income allocation, for an amount greater than the current tax based on taxable income.

(j) Labor Benefits

On 13 November 2020, the renewal of the Collective Bargaining Agreement that was in effect until 1 July 2020 was entered into, in which a revision and extension of the clauses of the previously approved Collective Bargaining Agreement was made, and it is established that it will be in effect until there is a new agreement between the parties. This Collective Bargaining Agreement was in effect until 30 June 2021, and on 23 July 2021 the renewal of this agreement was signed, where the clauses of the previous agreement were reviewed, which did not have significant changes. This new Collective Bargaining Agreement is effective at 1 July 2021 and its term will be three years.

Accrual for severance indemnities

The Bank accrues and transfers monthly to a trust on behalf of each employee, as a guarantee of social benefits, the equivalent of 15 days of salary, up to a total of 60 days per year of service, calculated based on the last salary earned by the employee at the end of each quarter. Additionally, as from the second year of service, the Bank accrues to each employee two additional days per year of service or fraction greater than six months, cumulative up to a maximum of 30 days. During the semesters ended 31 December and 30 June 2023, the Bank determined the effect of the retroactivity scheme through a non-actuarial calculation, which consisted in the determination of the social benefits in accordance with Article 142 (b) of the Organic Labor Law, recognizing additional expenses and liabilities for the employees which calculation was greater than the accrued social benefits guarantee.

Upon termination of the labor relationship, the Bank will make the retroactive calculation of social benefits, based on 30 days of salary for each year of service or fraction greater than six months, taking for this purpose the last salary earned by the employee; and will pay the amount that is greater between the social benefits guarantee and the retroactive calculation.

Profit-sharing

The Bank's Collective Labor Agreement requires the Bank to distribute an annual profit sharing to all of its employees for a maximum amount equivalent to 150 days of salary, which is payable in April and July, and the remainder in November each year.

Vacation and vacation bonus

Based on the provisions of the Organic Labor Law and the Collective Labor Agreement, the Bank grants annually at least 15 days of effective vacation and 23 days of salary for vacation bonus, based on the seniority of the employees.

(k) Financial Income

Financial income is included in the results of operations as earned, with the exception of interest accrued by loans and matures discounts and under litigation, which are recognized as income when collected.

Deferred income from short- and long-term loans is recognized as income during the term of the loan or upon presentation and settlement of the valuations, in the case of the loan portfolio to construction workers.

(l) Financial Expenses

Financial expenses are included in the results of operations as incurred.

(m) Investments in Subsidiaries, Affiliated companies and Branches

Investments in subsidiaries and affiliates other than banks are valued by the equity method when:

- More than 20% equity interest is held over the equity of the subsidiary or affiliate.
- Less than 20% of the subsidiary's or affiliate's equity is owned, but there is significant influence in the management of the subsidiary or affiliate; that is, when without having a majority of the votes, the Bank is in a position to influence operational and financial decisions and the Bank intends to be maintained over time.

The basis for calculation is the audited financial statements of the subsidiary or affiliate in nominal bolivars. If this documentation is not available, such share is calculated based on the most recent unaudited financial information provided by the subsidiary or affiliate.

Other investments in companies in which the Company holds less than 20% of the subsidiary's or affiliate's equity and does not have significant influence in the management of the subsidiary or affiliate are recorded in accordance with the cost method. Long-term investments in shares of other companies are measured and recorded, at the date of acquisition of the shares, at the total amount paid for them. This total includes the acquisition cost plus all commissions and other costs incurred to purchase them, provided that the total does not exceed the market value.

(n) Trust Assets

Accounts in the trust's balance are presented with the same parameters used by the Bank to value its balance sheets accounts, except for investment securities which must be presented and valued at acquisition cost and, it must be consistent with market value, adjusted by amortization of the premium and/or discount. If permanent impairment is observed in the investment's value, it is recorded in the results for the period when impairment occurred.

Overdue investment securities and the corresponding interest are reclassified to other assets, and if after 30 days subsequent to their maturity date they have not been collected, the amounts must be fully provisioned 100%.

The Bank's Trust consider the quoted value on the stock exchange as market value, which is also considered similar to fair value as set forth in the Accounting Manual for Banks.

The loans are granted by directed funds and by loan requests from the beneficiaries of the funds, and therefore no provisions are required. For the overdue loan portfolio of administration trusts, the Trust's management conducts an analysis of its maturity and establishes a provision.

(o) Off-balance-sheet Financial Instruments

In the ordinary course of business, the Bank enters into off-balance sheet financial instruments, consisting of commitments to extend credit and commitments on credit card agreements. Such instruments are reflected as commitments when the related contract is entered into and are recorded in the financial statements when the disbursement is made, i.e., when they are triggered by the allocation of funds or when the related fees are incurred or received. In cases of non-utilization of credit lines, no additional costs are incurred by the Bank.

(p) Net Income per Share

Net income (net profit) per share has been determined by dividing the net income for the semester by the weighted average of circulating shares during the semester.

(q) Consolidated Statements of Cash Flows

For the purpose of the consolidated statements of cash flows, the Bank considers its cash and due from banks, such as cash and cash equivalents.

(r) Commitments and Contingencies

The effects of long-term commitments with third parties, such as supply contracts with clients or suppliers, are recorded in the consolidated financial statements considering the economic substance of the agreements on the basis of the amounts incurred or earned, and the relevant commitments are disclosed in the notes to the consolidated financial statements. Obligations or losses associated with contingencies from claims, litigation, fines or penalties in general are recognized as liabilities in the balance sheets, when a certain or legal obligation resulting from past events exists and it is probable that a disbursement will be necessary to pay for the obligation and the amount can be fairly estimated; otherwise, quality details on the situation causing the contingency are disclosed in the notes to the consolidated financial statements. No contingent assets, income or revenues are recognized.

(4) Risk Management

The Bank is mainly exposed to credit, liquidity, market and operating risks. The Bank's risk policy to manage these risks is described as follows:

- **Credit Risk:** The Bank assumes the credit risk exposure as the risk of a counterparty being incapable of paying debts entirely upon maturity. Credit risk exposure is monitored by the Bank by means of a regular analysis of the borrower's payment capability. The Bank structures the credit risk level placing limits in relation to a borrower or group of borrowers.
- **Liquidity Risk:** It is the risk where the Bank may face difficulty to comply with obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Bank reviews daily its resources available in cash, overnight placements, current accounts, loans and guarantees. The Bank's investment strategy aims towards guaranteeing the adequate level of liquidity. A significant part of cash is invested in guarantee deposits at the BCV.
- **Market Risk:** The market risk is materialized when market conditions change adversely, affecting liquidity and the value of the financial instruments the institution maintains in investment portfolios or contingent positions, resulting into a loss for the institution. The market risk is mainly constituted by interest rates risks and exchange rate risks.

The interest rate risk materializes due to the temporary differences existing between assets and liabilities in the balance. This difference, before adverse interest rate changes, generates a potential impact over the institution's financial margin. The Bank establishes a maximum exposure to be assumed before the change in interest rate. This limit is fixed as the maximum loss the Bank is willing to assume before a significant variation. Such variation is analyzed by the Risks Integral Committee on a monthly basis. There is a low interest rate risk exposure, as these are ruled by the BCV.

The interest rate risk is the risk that the value of a financial instrument fluctuates due to changes in the foreign currency rates. The Bank's operations are essentially conducted in bolivars. The Bank identifies a market opportunity in the short and medium term, investments shall be placed in foreign currency instruments, observing the regulatory limits established. The extent of this risk the Bank assumes is determined by the net position and predominant volatility of the exchange rates (the greater the position or volatility of the exchange rate, the greater the risk will be). The quantification of the exposure to the exchange rate will be measured as the net open position in each currency. Due to the exchange control regime existing in the country, the Bank does not assume significant risks for this concept.

- **Operating Risk:** The operating risk is the risk that a direct or indirect loss provided by a broad variety of causes associated to the Bank's processes, personnel, technology and infrastructure, and the external factors other than credit risks, liquidity and market, such as those arising in the legal and regulatory requirements, as well as the generally accepted standards of corporate conduct. Operating risks arise from all the Bank's operations.

It is assumed by the Bank as the loss resulting from deficiencies or failures in internal processes, human resources or systems, or as those derived from external circumstances.

The Bank's objective is to manage operating risk in order to balance the prevention of financial losses and damages to the Bank's reputation with the cost's general effectiveness and avoid control procedures that restrict initiative and creativity.

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At 31 December and 30 June 2023, the Bank does not maintain hedging instruments that allow minimizing the abovementioned risks. Management's overall risk management focuses on the unpredictable nature of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance.

(5) Cash and cash equivalents

A detail of cash accounts follows (in bolivars, except for the amounts in US dollars, Euros, and Colombian pesos):

	Notes	31 December 2023	30 June 2023
Notes and coins:			
National		364,761,607	199,462,762
Foreign (including US\$114,119,863, €5.809,951 and COP11,837,410; and US\$208,616,243, €5,605,647 and COP360,617,000, respectively)	6 and 24	4,324,275,533	6,003,412,877
Foreign notes and coins acquired in operations as per Free-convertibility Exchange Market System (including US\$6,144,827, €192,425 and COP1,590; and US\$2,666,682 and €112,621, respectively)	6	228,053,841	77,958,428
		<u>4,917,090,981</u>	<u>6,280,834,067</u>

A detail of the BCV accounts follows (in bolivars, except for the amounts in US dollars and Euros):

	Notes	31 December 2023	30 June 2023
Legal reserve		2,159,429,756	1,376,043,727
Foreign notes and coins under the custody of the BCV (Including US\$56,454,431 and €30; and US\$3,904,161 and €30, respectively)	6	2,024,987,754	109,107,375
Other deposits in the BCV (US\$21,000, for both semesters)	6 and 17	753,257	586,870
Sight deposits		10,575,316	398,132
		<u>4,195,746,083</u>	<u>1,486,136,104</u>

Legal reserve

The Bank is required to maintain in the account of the Central Bank of Venezuela (BCV account) a legal reserve in legal tender (bolivars) corresponding to the total of net obligations in local and foreign currency. The minimum legal reserve requirement is 73% of the amount of net obligations in local currency, and 31% of the amount of net obligations in foreign currency, for the semesters ended 31 December and 30 June 2023. These legal reserve obligations have caused and may continue to cause challenges for the Bank in its monetary liquidity and financial intermediation.

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A detail of the legal reserve at the date of the financial statements follows (in bolivars):

	31 December 2023	30 June 2023
Legal reserve maintained	2,159,429,756	1,376,043,727
Legal reserve required - Theoretical	4,099,707,960	1,925,822,848
Deductions in conformity with the provisions of the BCV	<u>(1,940,278,204)</u>	<u>(549,779,121)</u>
Legal reserve required, net of deductions	<u>2,159,429,756</u>	<u>1,376,043,727</u>
Surplus (deficit) of the legal reserve	<u>-</u>	<u>-</u>

A detail of deductions applied to the requirements of the legal reserve in conformity with the provisions of the BCV through notices and resolutions follows (in bolivars):

		31 December 2023	30 June 2023
Bank intervention	(a)	1,930,478,204	289,813,859
Deficit interests	(b)	-	257,965,262
Hedging securities	(c)	<u>9,800,000</u>	<u>2,000,000</u>
		<u>1,940,278,204</u>	<u>549,779,121</u>

- (a) Corresponding to the foreign exchange intervention in accordance with BCV Resolution No. 19-09-03 dated 21 October 2019, according to which the constitution of the legal reserve must be made as of the day the foreign exchange intervention was executed and until the last day of the subsequent week, where the BCV will deduct the amount in bolivars equivalent to the amount applied in the operation; as well as, in the case of interbank operations destined to the final demand, the deduction will be made the following bank working day and until the last day of the subsequent week.
- (b) In accordance with BCV Notice S/N dated 22 October 2021, issued by the BCV, according to which discounts will be calculated daily and will be determined by the sum of the interest paid to the BCV on the deficit of the legal reserve.
- (c) In accordance with BCV Notice S/N dated 28 March 2022, according to which the deduction will be equivalent to the amount liquidated to individuals and legal entities, on the occasion of the acquisition of the Hedging Securities, which will be applied from the day on which the liquidity absorption operation is liquidated until the last day of the following week.

Interests to the BCV

During the six-month periods ended 31 December and 30 June 2023, the Bank recorded the amounts of Bs215,678,259 and Bs75,743,006, respectively, in the consolidated statements of income and net income allocation, included in the other financial expenses account, corresponding to the payment of interest on the legal reserve deficit.

Exchange Operations

At 31 December and 30 June 2023, the Bank maintains Bs3,669,468,175 (including US\$51,613,347 and €33,410,784) and Bs1,548,814,934 (including US\$44,298,355 and €10,192,016), respectively, in Banks and correspondents abroad. Furthermore, it includes the amount of US\$3,818 in both six-month periods, equivalent to Bs136,936 and Bs106,688, respectively, deposited in the BNC International Banking Corporation, corresponding to customers' deposits received from the Bank in accordance with Exchange Agreement N° 20 (see note 24).

During the semesters ended 31 December and 30 June 2023, the Bank recognized interest income of Bs4,567,409 and Bs2,322,764, respectively, recorded in the interest income from cash and cash equivalents account in the consolidated statements of income and net income allocation, as a result of the yields obtained from deposits in foreign correspondent banks.

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On 5 September 2019, the BCV issued Resolution N° 19-09-03, which establishes that when the BCV deems it pertinent, it may carry out foreign currency sale transactions to financial institutions by debiting the single account held by such financial institutions with the BCV for the amount of bolivars equivalent to the foreign currency sold by the BCV. Likewise, the total foreign currency position sold must be used in foreign currency purchase and sale operations integrated to the Foreign Exchange Market System, to its private sector clients at the official exchange rate in effect on the date of the transaction, except for those that integrate the banking and stock market sectors. The amount in bolivars equivalent to the amount of the exchange intervention will be deducted from the amount of the legal reserve from the date of the transaction until the last day of the following week. Additionally, this Resolution establishes that in the event that the banking institutions do not manage to apply all the foreign currency sold that was liquidated as a result of the foreign exchange intervention, the balance not applied in purchase and sale operations will not be subject to the deduction of the legal reserve fund for the following week. At 31 December and 30 June 2023, the Bank maintains bills for Bs2,024,987,754 (US\$56,454,431) and Bs109,107,375 (US\$3,904,194), respectively, under custody of the BCV, which are sold to customers through this mechanism, which in turn are part of the customers' deposits included in the current accounts according to the Free Convertibility Exchange Market System. Also, during the semesters ended 31 December and 30 June 2023, the Bank charged its customers commissions for exchange intervention operations and transfer of banknotes to customers for Bs51,178,331 and Bs15,893,340, respectively, which are included in the other operating income account in the consolidated statements of income and net income allocation (see note 19).

Bills for immediate collection

At 31 December and 30 June 2023, the account of immediately collectible bills of exchange for Bs23,213 and Bs700,497, respectively, corresponds to clearing house operations in charge of the BCV and other banks.

(6) Foreign Currency Operations

At 31 December and 30 June 2023, the Bank valued its assets, liabilities and memorandum accounts in foreign currency at the exchange rates in effect at those dates, corresponding to the weighted average of the transactions traded in the Foreign Exchange Market System, in accordance with Exchange Agreement N° 1 dated September 2018, as follows:

	31 December 2023	30 June 2023
Bolivars per US\$1	35.8694	27.9462
Bolivars per €1	39.7171	30.4988
Bolivars per COP1	0.0093	0.0067

A summary of income from operations conducted in foreign currency, which are presented as part of the consolidated statement of income and net income allocation (in bolivars):

		Semesters ended	
	Notes	31 December 2023	30 June 2023
Other operating income -			
Income from exchange difference	19	1,686,303	1,720,848
Other operating expenses -			
Loss from exchange difference	20	1,444,106	1,271,385

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A detail of assets, liabilities and memorandum accounts in foreign currency follows:

	31 December 2023			30 June 2023		
	US\$	€	COP	US\$	€	COP
Assets -						
Cash and cash equivalents	244,332,265	39,604,569	11,839,000	259,454,590	15,910,313	360,617,000
Investment securities	18,551,030	-	-	15,219,222	-	-
Loan portfolio	25,016,694	-	-	18,181,868	-	-
Provision for loan portfolio	(1,158,406)	-	-	(1,085,509)	-	-
Interests and commissions receivable	4,322,170	-	-	4,007,478	-	-
Provision for returns receivable	(4,194,613)	-	-	(3,918,165)	-	-
Investments in affiliates, subsidiaries and branches	-	97,965	-	-	97,965	-
Realizable assets	-	-	-	108,109	-	-
Fixed assets	14,690	-	-	19,605	-	-
Other assets	3,515,811	17,652,364	-	24,369,000	353,032	-
Provision for other assets	-	-	-	(445,700)	-	-
Total long position	290,399,641	57,354,898	11,839,000	315,910,498	16,361,310	360,617,000
Liabilities -						
Customers' deposits	239,761,594	17,428,334	11,837,410	230,529,401	11,878,620	360,617,000
Other financing obtained	51,818	-	-	51,857	-	-
Interests and commissions payable	111,826	-	-	26,158	-	-
Accruals and other liabilities	26,239,682	18,651,412	1,590	28,222,491	1,758,085	-
Total short position	266,164,920	36,079,746	11,839,000	258,829,907	13,636,705	360,617,000
Net long position	24,234,721	21,275,152	-	57,080,591	2,724,605	-
Memorandum accounts -						
Trust assets	65,651,719	-	-	65,651,719	-	-
Memorandum accounts	126,720,532	-	-	140,588,486	-	-
Total memorandum accounts	192,372,251	-	-	206,240,205	-	-

On 5 April 2019, by means of Resolution N° 19-04-01 published in Official Gazette of the Republic of Venezuela N° 41.611, the BCV established the Rules Regarding Foreign Currency Positions of Banking Institutions, according to which:

- The BCV will determine the maximum limit that the global net foreign currency position of each banking institution may reach at the close of each day's operations.
- The BCV will review at least semiannually the limits determined for each banking institution and may modify them whenever the situation and circumstances so advise.
- The percentage of interest to be paid by the banking institutions that exceed the limits is established.
- The BCV may authorize banking institutions to exclude certain transactions from the calculation of the foreign currency position authorized for such purpose, or to maintain in any way a total risk position in excess of that resulting from the maximum limit established.

Notice VOI/GOC/DNPC-004 dated 8 April 2019 of the BCV establishes:

- When the result of the net global position in foreign currency is that of a liability or of short-term, the maximum limit will be considered exceeded, and the amount exceeded will be charged the corresponding rate.
- All assets and liabilities in foreign currency shall be part of the global net position.
- The global net asset or net long-term position in foreign currency will not be subject to the maximum limit temporarily.

At 31 December and 30 June 2023, the Bank maintains a net foreign currency asset position of US\$24,234,719 and €21,275,152; and US\$57,080,591 and €2,724,605, respectively.

At 31 December and 30 June 2023, the Bank maintains a net foreign currency asset position in the memorandum accounts of the trust of US\$65,651,719, for both semesters.

Exchange Control Regime

On 29 November 2013, Decree N° 601 established the creation of CENCOEX and the Venezuelan Corporation for Foreign Trade. On 14 April 2014, Decree N° 903 set forth the suppression of CADIVI and its competencies were assumed by CENCOEX.

Exchange Agreement N° 1

Extraordinary Official Gazette of the Republic N° 6.405 dated 7 September 2018, published Exchange Agreement N° 1, which repealed the 39 exchange agreements issued since January 2003 and its purpose is to establish the free convertibility of the currency throughout the national territory, with the purpose of favoring the development of the economic activity, in an orderly exchange market in which actions can be deployed to ensure its optimum operation. The agreement establishes that the exchange rate is governed according to the supply and demand of individuals and legal entities through the Exchange Market System, a system for the purchase and sale of foreign currency, in bolivars, in which demanders and suppliers participate without any restriction and which operation is in charge of the BCV. The exchange rate is published on the web page of the state banking institution. Additionally, individuals and legal entities in the private exporting sector may retain and manage 80% of the income they receive in foreign currency, the remainder must be sold to the BCV.

Other Control Exchange Standards

Official Gazette of the Bolivarian Republic of Venezuela N° 41.452, dated 2 August 2018, published Derogatory Constituent Decree for the Foreign Currency Exchange Control Regime and its Infringements, whereby derogating the Decree with Rank, Value and Force of Law of the Exchange Regime and its Infringements, published in Extraordinary Official Gazette of the Bolivarian Republic of Venezuela N° 6.210 dated 30 December 2015.

In Official Gazette of the Bolivarian Republic of Venezuela N° 41.580 dated 6 February 2019, the Central Bank of Venezuela, through an Official Notice, regulates the terms for the retail sale of foreign currency to the general public, contemplated in Exchange Agreement N° 1 issued back in September 2018. In accordance with the abovementioned regulations, universal banks may sell up to 1,000 Euro or the amount equivalent thereto in another currency, on a daily basis, per client, i.e., 4,000 Euro per calendar month or 8,500 Euro per calendar year. This Official Notice indicates that in the event that the operation's object is the purchase of foreign notes, the operation may not exceed from the amount of 500 Euro per day or the amount equivalent thereto in another currency. Similarly, the provisions set forth that the minimum amount permitted for retail sale of foreign currency for individuals is 50 Euro or the amount equivalent thereto in another currency, whilst the minimum amount has been set for legal entities in 500 Euro.

During the semesters ended 31 December and 30 June 2023, the Bank recorded gains mainly originated by the variation in the official exchange rate of the US dollar and the euro for Bs594,460,240 and Bs1,081,455,672, respectively, which were included in the consolidated statements of changes in equity under the item of income or losses for exchange variations for net assets and liabilities in foreign currency [see note 23(c)].

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(7) Investment Securities

Details on investment securities based on the intent of the Bank's management (in bolivars) follow:

	31 December 2023	30 June 2023
Placements in Central Bank of Venezuela and interbank operations	-	2,000,000
Available for sale	107,818,026	38,246,126
Held to maturity	177,948,282	98,383,675
Of restricted availability	383,563,773	288,856,348
	<u>669,330,081</u>	<u>427,486,149</u>

Details on investment securities (in bolivars, except the amounts in U.S. dollars, maturities and percentage of participation or interest rates) follow:

**Placements in Central Bank of Venezuela
and interbank operations -**

	Realization value	Nominal values	Maturities	Interest rates (%)
30 June 2023 -				
Other certificates of deposit:				
Hedging securities BCV	<u>2,000,000</u>	<u>2,000,000</u>	<u>07-07-2023</u>	<u>16.00</u>

During the semesters ended at 31 December and 30 June 2023, the Bank recognized interest income for Bs236,777 and Bs36,112,801, respectively, recorded in the consolidated statements of income and net income allocation, in the investment securities financial income item, as a result of the profit obtained from placements in the BCV and interbank transactions.

Available-for-Sale Investment Securities

	Note	Acquisition cost	Unrealized net income or loss	Fair market value
31 December 2023 -				
Investment securities issued or endorsed by the Nation - Vebonos, with a nominal value of Bs80, annual return of 26.19% and maturing in August 2025		80	-	80 (a)
Global Bonds, equivalent to US\$3,005,848, with a nominal value of US\$15,340,500, annual return of 0.0001% and 9.25%, and maturing in September 2027 and August 2031	6	<u>55,256,972</u>	<u>52,560,974</u>	<u>107,817,946</u> (a)
		<u>55,257,052</u>	<u>52,560,974</u>	<u>107,818,026</u>
30 June 2023 -				
Investment securities issued or endorsed by the Nation - Vebonos, with a nominal value of Bs120, annual return of 26.19% and maturing in August 2025		120	-	120 (a)
Global Bonds, equivalent to US\$1,368,558, with a nominal value of US\$15,340,500, annual return of 0.0001% and 9.25%, and maturing in September 2027 and August 2031	6	<u>43,051,246</u>	<u>(4,805,240)</u>	<u>38,246,006</u> (a)
		<u>43,051,366</u>	<u>(4,805,240)</u>	<u>38,246,126</u>

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- (a) The estimated fair value determined by the purchase and sale operations in the secondary market according to the valuation system screens or curves of return.

Available for sale investments at 31 December and 30 June 2023 are under custody and details thereon, follow:

<u>Investment securities</u>	<u>Custodian</u>
Investment securities issued or endorsed by the Nation	Central Bank of Venezuela
Global Bonds	C.V.V. Caja Venezolana de Valores, S.A. AV. Securities, INC

Through Ruling SIB-II-GGIBPV2-40535 dated 13 December 2012, the Superintendency informed the Bank that the *Reuters* and *Bloomberg* valuation systems cluster referential prices for the entire financial market, therefore, when no referential prices are found in these systems, the Bank will consider a similar system, or by default, will apply the present value (Curve of Return) for valuation of its available for sale investment portfolio, according to the provisions contained in the Accounting Manual. The Bank used these guidelines for valuation of these available for sale investment securities at 31 December and 30 June 2023.

At 31 December and 30 June 2023, the Bank recorded in the consolidated statements of changes in stockholders' equity unrealized net income and (losses) in investment securities available for sale for Bs52,560,974 and Bs(4,805,240), respectively, corresponding to foreign currency securities issued or endorsed by the Nation.

During the semesters ended 31 December and 30 June 2023, the Bank recognized interest income for Bs1,239 and Bs908, respectively, recorded in the consolidated statements of income and net income allocation, in the investment securities financial income item, as a result of the returns obtained from "available for sale investment securities."

A classification of available for sale investment securities, according to their maturities (in bolivars), follows:

	<u>Fair market value</u>	
	<u>31 December</u> <u>2023</u>	<u>30 June</u> <u>2023</u>
Between 6 months and 5 years	102,958,413	36,211,726
Over 5 years	4,859,613	2,034,400
	<u>107,818,026</u>	<u>38,246,126</u>

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Held-to-maturity investment securities

	Note	Acquisition cost	Amortized cost	Fair market value
31 December 2023 -				
Investment securities issued or endorsed by the Nation -				
Global Bond in foreign currency, equivalent to US\$3,960,204, with a nominal value of US\$7,225,000, annual return of 9.25% and maturing in September 2027				
	6	27,945,087	142,050,137	50,846,489 (a)
Sovereign Bonds, equivalent to US\$98, with a nominal value of US\$100, annual return of 8.25% and maturing in October 2024				
	6	2,754	3,524	549 (a)
		<u>27,947,841</u>	<u>142,053,661</u>	<u>50,847,038</u>
Bonds and obligations issued by the Nation's non-financial institutions -				
PDVSA Bonds, issued by Petróleos de Venezuela, S.A., equivalent to US\$703, with a nominal value of US\$900, annual returns between 5.38% and 5.50%, and maturing in April 2027 and 2037				
	6	16,217	25,221	3,507 (a)
Time deposits in financial institutions abroad -				
Banco Do Brasil, S. A., equivalent to US\$1,000,000, with a nominal value of US\$1,000,000, with 5.38% return and maturing in January 2024				
	6	35,869,400	35,869,400	35,869,400 (a)
		<u>35,885,617</u>	<u>35,894,621</u>	<u>35,872,907</u>
		<u>63,833,458</u>	<u>177,948,282</u>	<u>86,719,945</u>
	Note	Acquisition cost	Amortized cost	Fair market value
30 June 2023 -				
Investment securities issued or endorsed by the Nation -				
Global Bond in foreign currency, equivalent to US\$3,519,677, with a nominal value of US\$7,225,000, annual return of 9.25% and maturing in September 2027				
	6	21,772,291	98,361,588	17,883,283 (a)
Sovereign Bonds, equivalent to US\$96, with a nominal value of US\$100, with annual return of 8.25% and maturing in October 2024				
	6	2,145	2,714	242 (a)
		<u>21,774,436</u>	<u>98,364,302</u>	<u>17,883,525</u>
Bonds and obligations issued by the Nation's non-financial institutions -				
PDVSA Bonds, issued by Petróleos de Venezuela, S.A., equivalent to US\$693, with a nominal value of US\$900, with annual returns between 5.38% and 5.50%, and maturing in April 2027 and 2037				
	6	12,635	19,373	866 (a)
		<u>21,787,071</u>	<u>98,383,675</u>	<u>17,884,391</u>

(a) The market value determined by the purchase and sale operations in the secondary market according to the valuation system screens or the present value of estimated future cash flows.

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Held to maturity investment securities at 31 December and 30 June 2023 are under custody as detailed below:

Investment securities	Custodian
Investment securities issued or endorsed by the Nation	Euroclear Bank C.V.V. Caja Venezolana De Valores, S.A. AV. Securities, INC Central Bank of Venezuela
Bonds and obligations issued by the Nation's non-financial institutions	Euroclear Bank
Time deposits in financial institutions abroad	Banco Do Brasil, S. A.

During the semesters ended 31 December and 30 June 2023, the Bank recognized interest income for Bs11,851,479 and Bs8,059,429, respectively, recorded in the consolidated statements of income and net income allocation, in the investment securities financial income item, as a result of the return obtained from "held-to-maturity investment securities."

During the semesters ended 31 December and 30 June 2023, the Bank recorded amortization income from discounts on held-to-maturity investments of Bs14,613,832 and Bs10,624,732, respectively, recorded in the consolidated statements of income and net income allocation, in the other operating income item (see note 19).

A classification of held-to-maturity investment securities, according to their maturities (in bolivars), follows:

	31 December 2023		30 June 2023	
	Amortized cost	Fair market value	Amortized cost	Fair market value
Between 1 month and 5 years	177,929,452	86,717,218	98,369,189	17,883,728
Over 10 years	18,830	2,727	14,486	663
	<u>177,948,282</u>	<u>86,719,945</u>	<u>98,383,675</u>	<u>17,884,391</u>

The Bank's capability and intention is for these securities to be held to maturity.

At 31 December and 30 June 2023, the Bank holds an account at Euroclear Bank in the name of the BCV, in order to hold foreign currency securities in custody that are held in other financial institutions overseas, in accordance with the provisions contained in Article N° 51 of the Law of Banking Institutions.

At 31 December and 30 June 2023, the Bank has not recognized impairment on securities issued or endorsed by the Bolivarian Republic of Venezuela, even though the market value of these investments is below amortized cost, management considers that this decrease is temporary, as it may recover its face value at maturity by paying taxes and contributions.

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Restricted Availability Investments

Notes	31 December 2023		30 June 2023		
	Amortized cost	Fair market value	Amortized cost	Fair market value	
Certificates of deposit:					
Social Fund for Contingencies - Banco Exterior, C.A., Banco Universal	23	941,054	941,054	166,616	166,616 (a)
Collateral Trust - Mercantil, C. A., Banco Universal		2,974,615	2,974,615	-	- (a)
PNC Bank, with a nominal value of US\$5,613,298 and US\$5,475,938, respectively	6	201,345,635	201,345,635	153,031,668	153,031,668 (a)
JP Morgan Chase Bank, with a nominal value of US\$4,520,880 and US\$4,404,258, respectively	6	162,161,239	162,161,239	123,082,273	123,082,273 (a)
Standard Chartered Bank, with a nominal value of US\$450,000, for both semesters	6	16,141,230	16,141,230	12,575,791	12,575,791 (a)
		<u>383,563,773</u>	<u>383,563,773</u>	<u>288,856,348</u>	<u>288,856,348</u>

(a) Market value is the equivalent to nominal value. For foreign currency deposit certificates, value is the equivalent to the official exchange rate.

At 31 December and 30 June 2023, the deposit certificates at JP Morgan Chase Bank, PNC Bank and Standard Chartered Bank are used as collateral to guarantee the Bank's operations with VISA, MasterCard and American Express credit cards, respectively.

During the semesters ended 31 December and 30 June 2023, the Bank recognized interest income for Bs8,788,471 and Bs5,822,075, respectively, recorded in the consolidated statements of income and net income allocation, in the investment securities financial income item, as a result of the return obtained from "restricted availability investments."

During the semesters ended 31 December and 30 June 2023, the Bank paid commissions for Bs73,446,478 and Bs41,176,146, respectively, recorded under other operating expenses, for use of trademarks and rights of use of its technology platform for processing VISA, American Express and MasterCard credit cards, as well Proyecto Naiguatá for processing debit and credit cards (see note 20).

Investment securities are concentrated as shown below (in bolivars):

	%	Placement in Central Bank of Venezuela	Available for sale	Held to maturity	Of restricted availability	Total
31 December 2023 -						
Central Bank of Venezuela	0.00%	-	80	3,524	-	3,604
Bolivarian Republic of Venezuela	37.33%	-	107,817,946	142,050,137	-	249,868,083
Petróleos de Venezuela, S.A.	0.00%	-	-	25,221	-	25,221
Banco Exterior, C.A. Banco Universal	0.14%	-	-	-	941,054	941,054
JP Morgan Chase Bank	24.23%	-	-	-	162,161,239	162,161,239
PNC Bank	30.08%	-	-	-	201,345,635	201,345,635
Standard Chartered Bank	2.41%	-	-	-	16,141,230	16,141,230
Banco Do Brasil, S. A.	5.36%	-	-	35,869,400	-	35,869,400
Mercantil, C. A., Banco Universal	0.44%	-	-	-	2,974,615	2,974,615
	<u>100.00%</u>	<u>-</u>	<u>107,818,026</u>	<u>177,948,282</u>	<u>383,563,773</u>	<u>669,330,081</u>
30 June 2023 -						
Central Bank of Venezuela	0.47%	2,000,000	120	2,714	-	2,002,834
Bolivarian Republic of Venezuela	31.96%	-	38,246,006	98,361,588	-	136,607,594
Petróleos de Venezuela, S.A.	0.00%	-	-	19,373	-	19,373
Banco Exterior, C.A. Banco Universal	0.04%	-	-	-	166,616	166,616
JP Morgan Chase Bank	28.79%	-	-	-	123,082,273	123,082,273
PNC Bank	35.80%	-	-	-	153,031,668	153,031,668
Standard Chartered Bank	2.94%	-	-	-	12,575,791	12,575,791
	<u>100.00%</u>	<u>2,000,000</u>	<u>38,246,126</u>	<u>98,383,675</u>	<u>288,856,348</u>	<u>427,486,149</u>

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(8) Loan Portfolio

A summary of the loan portfolio and risk concentrations per economic activity, per type of guarantee, per maturity and per type of loan (in bolivars), follows:

	31 December 2023			30 June 2023		
	Effective	Overdue	Total	Effective	Overdue	Total
Per type of economic activity - Operations in Venezuela						
Manufacturing industry	1,607,061,910	5,845,956	1,612,907,866	1,290,526,199	86,353	1,290,612,552
Agriculture, fisheries and forestry	1,160,314,050	6,950,609	1,167,264,659	764,516,791	9,169,498	773,686,289
Wholesale and retail, restaurants and hotels	1,053,713,853	8,577,093	1,062,290,946	594,556,980	3,399,176	597,956,156
Financial institutions, insurance, properties and services (see note 6)	828,251,903	73,592,346	901,844,249	471,557,706	177,995	471,735,701
Communal, social and personal services	402,828,721	5,489,304	408,318,025	163,461,280	1,107,050	164,568,330
Exploitation of mines and hydrocarbons	-	2,200,829	2,200,829	-	-	-
Transportation, storage and communications	134,349,819	85,100	134,434,919	112,912,544	83,997	112,996,541
Electricity, gas and water	65,013,360	9,810	65,023,170	42,872,830	-	42,872,830
Construction	50,019,308	630,353	50,649,661	22,091,686	101	22,091,787
	<u>5,301,552,924</u>	<u>103,381,400</u>	<u>5,404,934,324</u>	<u>3,462,496,016</u>	<u>14,024,170</u>	<u>3,476,520,186</u>
Per type of economic activity - Operations in Foreign Branch						
Manufacturing industry, equivalent to US\$6,964,125 and US\$6,057,250, respectively (see note 6)	249,798,985	-	249,798,985	169,277,120	-	169,277,120
Agriculture, fisheries and forestry, equivalent to US\$6,517,000 and US\$4,989,666, respectively (see note 6)	233,760,880	-	233,760,880	139,442,223	-	139,442,223
Financial institutions, insurance, properties and services, equivalent to US\$2,095,200 and US\$4,310,234, respectively (see note 6)	73,819,225	1,334,342	75,153,567	119,415,055	1,039,599	120,454,654
Wholesale and retail, restaurants and hotels equivalent to US\$4,025,600 and US\$1,009,000, respectively (see note 6)	143,893,685	502,172	144,395,857	27,806,469	391,247	28,197,716
Communal, social and personal services, equivalent to US\$3,472,321 and US\$1,515,718, respectively (see note 6)	124,550,054	-	124,550,054	42,358,555	-	42,358,555
Transportation, storage and communications, equivalent to US\$1,942,448 and US\$300,000, respectively (see note 6)	58,913,624	10,760,820	69,674,444	-	8,383,860	8,383,860
	<u>884,736,453</u>	<u>12,597,334</u>	<u>897,333,787</u>	<u>498,299,422</u>	<u>9,814,706</u>	<u>508,114,128</u>
	<u>6,186,289,377</u>	<u>115,978,734</u>	<u>6,302,268,111</u>	<u>3,960,795,438</u>	<u>23,838,876</u>	<u>3,984,634,314</u>
Provision for loan portfolio, including US\$1,158,406 and US\$1,085,509, respectively (see note 6)			<u>(216,365,626)</u>			<u>(101,992,541)</u>
			<u>6,085,902,485</u>			<u>3,882,641,773</u>

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	31 December 2023			30 June 2023		
	Effective	Overdue	Total	Effective	Overdue	Total
Per type of guarantee - Operations in Venezuela -						
Bond	2,845,239,228	20,508,873	2,865,748,101	1,608,290,009	10,645,029	1,618,935,038
Collateral	880,921,978	17,060,347	897,982,325	674,755,707	691,093	675,446,800
Free	756,782,559	48,943,757	805,726,316	494,386,649	277,582	494,664,231
Endorsement	411,818,624	10,270,514	422,089,138	348,436,511	2,410,466	350,846,977
Real estate mortgage (see note 6)	405,088,862	6,597,909	411,686,771	274,595,657	-	274,595,657
Property mortgage	1,701,673	-	1,701,673	2,391,544	-	2,391,544
Commercial documents	-	-	-	59,639,939	-	59,639,939
	<u>5,301,552,924</u>	<u>103,381,400</u>	<u>5,404,934,324</u>	<u>3,462,496,016</u>	<u>14,024,170</u>	<u>3,476,520,186</u>
Per type of guarantee - Operations in Foreign Branch -						
Collateral, equivalent to US\$16,256,406 and US\$7,383,500, respectively (see note 6)	583,107,528	-	583,107,528	206,340,768	-	206,340,768
Bond, equivalent to US\$559,375 and US\$7,670,450, respectively (see note 6)	20,064,446	-	20,064,446	213,968,694	391,247	214,359,941
Free, equivalent to US\$5,976,321 and US\$2,705,218, respectively (see note 6)	203,606,211	10,760,820	214,367,031	67,216,700	8,383,860	75,600,560
Endorsement, equivalent to US\$1,249,200 and US\$414,200, respectively (see note 6)	42,971,541	1,836,514	44,808,055	10,535,717	1,039,599	11,575,316
Other guarantees, equivalent to US\$975,392 and US\$8,500, respectively (see note 6)	34,986,727	-	34,986,727	237,543	-	237,543
	<u>884,736,453</u>	<u>12,597,334</u>	<u>897,333,787</u>	<u>498,299,422</u>	<u>9,814,706</u>	<u>508,114,128</u>
	<u>6,186,289,377</u>	<u>115,978,734</u>	<u>6,302,268,111</u>	<u>3,960,795,438</u>	<u>23,838,876</u>	<u>3,984,634,314</u>
Per maturity - Operations in Venezuela -						
Overdue	78,087,681	73,991,097	152,078,778	109,931,555	3,785,058	113,716,613
Up to 30 days	505,739,133	856,569	506,595,702	300,642,693	762	300,643,455
From 31 to 60 days	713,729,386	6,758,019	720,487,405	392,399,808	58	392,399,866
From 61 to 90 days	479,091,528	307	479,091,835	285,576,463	122	285,576,585
From 91 to 180 days	1,545,699,462	449,705	1,546,149,167	1,252,101,022	641,564	1,252,742,586
From 181 to 360 days	1,588,794,336	15,594	1,588,809,930	804,539,050	408,677	804,947,727
Over 360 days	390,411,398	21,310,109	411,721,507	317,305,425	9,187,929	326,493,354
	<u>5,301,552,924</u>	<u>103,381,400</u>	<u>5,404,934,324</u>	<u>3,462,496,016</u>	<u>14,024,170</u>	<u>3,476,520,186</u>
Per maturity - Operations in Foreign Branch -						
Overdue	28,695,520	12,597,334	41,292,854	6,986,550	9,814,706	16,801,256
Up to 30 days	112,073,940	-	112,073,940	135,050,954	-	135,050,954
From 31 to 60 days	44,765,011	-	44,765,011	20,875,811	-	20,875,811
From 61 to 90 days	170,047,858	-	170,047,858	27,582,899	-	27,582,899
From 91 to 180 days	137,034,560	-	137,034,560	174,505,958	-	174,505,958
From 181 to 360 days	195,242,740	-	195,242,740	52,727,493	-	52,727,493
Over 360 days	196,876,824	-	196,876,824	80,569,757	-	80,569,757
	<u>884,736,453</u>	<u>12,597,334</u>	<u>897,333,787</u>	<u>498,299,422</u>	<u>9,814,706</u>	<u>508,114,128</u>
	<u>6,186,289,377</u>	<u>115,978,734</u>	<u>6,302,268,111</u>	<u>3,960,795,438</u>	<u>23,838,876</u>	<u>3,984,634,314</u>
Per type of loans - Operations in Venezuela -						
Commercial credits granted by means of UVC National Sole Productive Loan Portfolio granted through UVC	931,714,820	-	931,714,820	730,374,457	-	730,374,457
Microcredits granted through UVC	85,649,300	10,243,792	95,893,092	78,975,652	1,188,532	80,164,184
Credits to employees	20,556,686	348,840	20,905,526	15,695,105	-	15,695,105
Credit cards	9,594,619	35,136	9,629,755	1,016,818	29,306	1,046,124
Checking account loans	1,777,505	28,324	1,805,829	289,596	9,130	298,726
Mortgage loans	33,805,901	-	33,805,901	18,226,658	-	18,226,658
	<u>5,301,552,924</u>	<u>103,381,400</u>	<u>5,404,934,324</u>	<u>3,462,496,016</u>	<u>14,024,170</u>	<u>3,476,520,186</u>
Per type of loans - Operations in Foreign Branch -						
Commercial promissory notes, equivalent to US\$24,986,673 and US\$18,145,450, respectively (see note 6)	883,659,636	12,597,334	896,256,970	497,281,680	9,814,706	507,096,386
Loans to employees, equivalent to US\$30,021 and US\$36,418, respectively (see note 6)	1,076,817	-	1,076,817	1,017,742	-	1,017,742
	<u>884,736,453</u>	<u>12,597,334</u>	<u>897,333,787</u>	<u>498,299,422</u>	<u>9,814,706</u>	<u>508,114,128</u>
	<u>6,186,289,377</u>	<u>115,978,734</u>	<u>6,302,268,111</u>	<u>3,960,795,438</u>	<u>23,838,876</u>	<u>3,984,634,314</u>

National Sole Productive Loan Portfolio

On 29 January 2020, the National Constituent Assembly issued a constituent decree published in the Official Gazette of the Bolivarian Republic of Venezuela N° 6.507, whereby the National Sole Productive Loan Portfolio is created. As a result, all regulatory provisions governing the mandatory loan portfolios are derogated and, the Governing Committee of the National Sole Productive Loan Portfolio is created. This Governing Committee will establish the value and other calculation parameters for the National Sole Productive Loan Portfolio each month through resolutions issued to that effect, which shall be equivalent to a minimum mandatory percentage of 10% and a maximum percentage of 25%, of the gross loan portfolio.

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The Superintendency, through Notice SIB-II-GGR-GNP-CCD-05550 dated 11 August 2022, established that banking institutions must allocate to the Single National Productive Portfolio a minimum mandatory monthly percentage of 25% of the gross loan portfolio balance at the end of the immediately preceding quarter, discounting the increase due to capital restatement resulting from the application of the UVC, generated on commercial loans.

At 31 December and 30 June 2023, the gross loan portfolio corresponding to the productive sectors indicated by the Governing Committee of the National Sole Productive Loan Portfolio, follows:

Type of loan	Percentage required	Percentage maintained	Balance maintained in bolivars	Number of debtors	Number of loans	Calculation bases of gross loan portfolio
31 December 2023 -						
UVC Agri-food loans UVC loans aimed at production industry developed by women and mortgage loans	25%	25.79%	965,520,721	119	136	Gross loan portfolio at 30 September 2023, without the update of UVC commercial loans.
30 June 2023 -						
UVC Agri-food loans and mortgage loans	25%	32.10%	748,601,115	93	113	Gross loan portfolio at 31 March 2023, without the update of UVC commercial loans.

Microcredits

The detail of the classification of the microcredit portfolio, as established in Article 6 of Resolution N° 021.18 dated 5 April 2018, follows (expressed in bolivars, percentages, number of debtors and credits, as well as their calculation bases):

Type of loan	Percentage required	Percentage maintained	Balance maintained in bolivars	Number of debtors	Number of creditors
31 December 2023 -					
Microcredits -					
Trading activities (maximum 40% of the allocated microcredit portfolio)	Max. 40%	68.65%	65,831,764	1,221	1,255
Provision of services (maximum 40% of the allocated microcredit portfolio)	Max. 40%	23.55%	22,587,491	38	41
Transformation and production of agri-food and traditional industry (minimum 20% of the allocated microcredit portfolio)	<u>Min. 20%</u>	<u>7.79%</u>	<u>7,473,837</u>	<u>16</u>	<u>18</u>
(a)	<u>Min. 3%</u>	<u>2.76%</u>	<u>95,893,092</u>	<u>1,275</u>	<u>1,314</u>
30 June 2023 -					
Microcredits -					
Trading activities (maximum 40% of the allocated microcredit portfolio)	Max. 40%	47.56%	38,127,684	466	476
Provision of services (maximum 40% of the allocated microcredit portfolio)	Max. 40%	45.78%	36,701,813	38	39
Transformation and production of agri-food and traditional industry (minimum 20% of the allocated microcredit portfolio)	<u>Min. 20%</u>	<u>6.65%</u>	<u>5,334,687</u>	<u>10</u>	<u>11</u>
(a)	<u>Min. 3%</u>	<u>4.89%</u>	<u>80,164,184</u>	<u>514</u>	<u>526</u>

(a) According to the Fourth Transitory Provision of the Law of Banking Institutions, a 3% minimum compliance percentage for the microcredit's portfolio was established, its calculation base is the gross portfolio of the immediately prior semester.

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During the six-month periods ended 31 December and 30 June 2023, income accrued and recorded in the income from loan portfolio account in the consolidated statements of income and net income allocation comprises the following (in bolivars):

	Note	Semesters ended	
		31 December 2023	30 June 2023
Financial interests		596,098,080	497,228,458
Increase in the investment Index of Loans			
Value unit of loans collected	23	765,610,903	782,859,898
Fiat commission		44,328,703	27,862,287
		<u>1,406,037,686</u>	<u>1,307,950,643</u>

During the semesters ended 31 December and 30 June 2023, the Bank obtained net benefits from the variation in the capital of the UVC loans, which were recorded in the consolidated statements of changes in equity for Bs760,019,655 and Bs706,465,536, respectively. Additionally, the Bank applied to the results of the semesters ended 31 December and 30 June 2023, Bs765,610,903 and Bs782,859,898, respectively, of the net benefits previously mentioned, corresponding to the loans granted by means of UVC which are part of the income from loan portfolio [see note 23(c)].

In accordance with Resolution N° 009-1197 dated 28 November 1997, issued by the Superintendency, at 31 December and 30 June 2023, the Bank maintains a generic provision for loan portfolio contingencies of Bs66,250,440 and Bs41,948,446, respectively; and a Counter-cyclical provision of Bs47,267,011 and Bs29,886,513, respectively.

Changes in the provision for loan portfolio follow (in bolivars):

	Notes	Semesters ended	
		31 December 2023	30 June 2023
Balances at the beginning of the semester		101,992,541	59,189,286
Provision carried to expenses for uncollectibility of financial assets		111,074,209	34,243,129
Credit write-off		(9,201,444)	(2,148,969)
Release of provision for loan recovery		(7,259)	(4,985)
Reclassification from (to) provision for returns receivable	9	2,023,113	(4,636)
Reclassification to provision for contingent loans	17	(2,461)	(2,100)
Adjustment for exchange rate variation		10,486,927	10,720,816
Balances at semester-end		<u>216,365,626</u>	<u>101,992,541</u>

At 31 December and 30 June 2023, past due loans on which interest has ceased to accrue interest amount to Bs115,978,734 and Bs23,838,876, respectively. At 31 December and 30 June 2023, memorandum accounts are included for Bs1,549,535 and Bs1,071,292, respectively, corresponding to interest not recognized as income on loans on which interest has ceased to accrue (see note 22).

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During the semesters ended 31 December and 30 June 2023, the Bank charged commissions to its clients for Bs258,564,143 and Bs153,181,953, respectively, for the documentation of loans granted in UVC, recorded in other operating income in the consolidated statements of income and net income allocation (see note 19).

At 31 December and 30 June 2023, the Bank maintains interest collected from debtors in advance at the time of settling the loan for Bs10,862,541 and Bs1,645,312, respectively, which are part of deferred income in the accruals and other liabilities group (see note 17). Such interest will be recorded as income as accrued.

During the six-month period ended 31 December 2023, the Bank entered into an agreement with Cartera de Inversiones Venezolanas, C.A., for the payment of three commercial promissory notes through a dation in payment with a property owned by the debtor, which establishes a term of 18 months for the dation to be executed. At 31 December 2023, the commercial promissory notes are recorded as past due loans until the respective notarization of the transaction is conducted.

At 31 December and 30 June 2023, the Bank's loan portfolio maintains risk concentrations in 10 individual customers, which represent 32% and 27% of the gross loan portfolio balance, respectively. Furthermore, the loan portfolio at 31 December and 30 June 2023, maintains risk concentrations in 10 groups of related companies, which represent 34% of the gross loan portfolio, for both semesters.

The Superintendency, through Administrative Notice SIB-DSB-CJ-OD-00317 dated 21 January 2021, establishes that banking institutions may grant loans in foreign currency with funds obtained through deposits from the public in foreign currency or any other modality, with the prior authorization of the BCV and this regulatory entity.

At 31 December and 30 June 2023, the Bank does not maintain loans in foreign currency, except those granted by the Foreign Branch.

The Superintendency, through Notice SIB-DSB-CJ-OD-00712 of 11 February 2022, instructs that banking institutions may grant loans in bolivars with the proceeds from customers' deposits in foreign currency, up to a maximum of 10% of such deposits registered in the group of current accounts, according to the Free Convertibility Exchange Market System as of 21 January 2022, which must be offered by the banking institution in the foreign exchange market system, for subsequent settlement in bolivars in the different credit modalities provided for in the Banking Sector Institutions Law and complementary regulations, which must be measured and expressed only through the use of UVC. Furthermore, the banking institutions that intend to enter into such credit operations must submit a contract proposal to the Superintendency for its subsequent approval.

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(9) Interests and Commissions Receivable

A summary of interests and commissions receivable follows (in bolivars):

	Note	31 December 2023	30 June 2023
Investment securities -			
Available for sale, including US\$540 and US\$503, respectively	6	19,365	14,056
Held to maturity, equivalent to US\$4,193,116 and US\$3,846,785, respectively	6	<u>150,404,534</u>	<u>107,503,020</u>
		<u>150,423,899</u>	<u>107,517,076</u>
Loan portfolio -			
Effective loans, including US\$115,411 and US\$90,167, respectively	6	4,579,330	2,693,054
Overdue loans, including US\$13,103 and US\$70,023, respectively	6	<u>508,238</u>	<u>1,966,410</u>
		<u>5,087,568</u>	<u>4,659,464</u>
Commissions receivable -			
Trust fund		<u>695,544</u>	<u>321,483</u>
		156,207,011	112,498,023
Provision for returns receivable and others, including US\$4,194,613 and US\$3,918,165, respectively	6	<u>(151,238,011)</u>	<u>(109,508,669)</u>
		<u>4,969,000</u>	<u>2,989,354</u>

A summary of changes in provisions for returns on capital receivable and others follows (in bolivars):

		Semesters ended	
	Note	31 December 2023	30 June 2023
Balances at the beginning of semester		109,508,669	62,163,067
Provision carried to expenses for uncollectibility of financial assets		13,887,977	8,350,982
Write-off applied		(6,115)	-
Reclassification (to) from provision for loan portfolio	8	(2,023,113)	4,636
Adjustment for exchange rate variation		<u>29,870,593</u>	<u>38,989,984</u>
Balances at semester-end		<u>151,238,011</u>	<u>109,508,669</u>

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(10) Investments in Subsidiaries and Branches

A detail of investments in subsidiaries, affiliates and branches follows (in bolivars):

	<u>Note</u>	<u>Number of nominal shares held</u>	<u>Equity carrying value of the Bank</u>	<u>Equity percentage</u>	<u>Income from net equity share (see note 19)</u>
31 December 2023 -					
Issuing entity:					
Consortio Credicard, C.A.		340	303,050,832	33.33	105,259,280
Proyectos CONEXUS, C.A.		1,500	12,150,311	33.33	8,064,934
S.W.I.F.T. SCRL (€97,966)	6	22	3,890,886	0.01	-
Corporación Suiche 7B, C.A.		<u>73,600</u>	<u>-</u>	<u>7.15</u>	<u>-</u>
			<u>319,092,029</u>		<u>113,324,214</u>
30 June 2023 -					
Issuing entity:					
Consortio Credicard, C.A.		340	164,984,179	33.33	67,836,220
Proyectos CONEXUS, C.A.		1,500	7,863,727	33.33	6,619,174
S.W.I.F.T. SCRL (€97,966)	6	22	2,987,815	0.01	-
Corporación Suiche 7B, C.A.		<u>73,600</u>	<u>-</u>	<u>7.15</u>	<u>-</u>
			<u>175,835,721</u>		<u>74,455,394</u>

During the six-month period ended 30 June 2022, the Bank acquired through the transfer of the rights and obligations of the operations of Banco Occidental de Descuento, Banco Universal C.A. [see note 1(c)], participation rights of 33.33% over Consortio Credicard, C.A., 33.33% on Conexus, C.A. and 7.15% on Corporación Suiche 7B, C.A., recorded at acquisition cost, which was determined through an appraisal that generated an excess of cost over the net assets of these entities, which has been recorded in other assets (see note 13).

The Superintendency, by means of Ruling SIB-DSB-CJ-OD-02850 dated 8 May 2023, indicated that the referred contract, according to the provisions of Article 245 of the Decree with Rank, Value and Force of the Law of Institutions of the Banking Sector, was approved as an extraordinary transfer mechanism; therefore, it is the responsibility of Banco Nacional de Crédito, C.A., Banco Universal, to make the relevant requests before corporation Proyecto Conexus, C.A., in order to materialize its registration in the stockholders' ledger.

The Superintendency, by means of Official Letter SIB-DSB-CJ-OD-02860 dated 8 May 2023, communicated to the Bank that since it had not received any response from Proyecto Conexus C.A., regarding the different requests that have been made, in order to formalize in the respective Stockholders' Ledger, the transfer on behalf of Banco Nacional de Crédito, C.A., Banco Universal, of 1,500 shares representing 33.33% of the Company's capital stock, the Bank may file before the competent judicial jurisdiction, the legal actions it deems appropriate to exercise the defense of its rights and interests.

At Extraordinary General Stockholders' Meeting of Proyectos Conexus, C.A., held on 10 August 2023, in accordance with the instructions of the Superintendency, the transfer of 1,500 shares to Banco Nacional de Crédito, C.A., Banco Universal was formalized.

During the six-month period ended 30 June 2023, the Bank received cash dividends for Bs29,705,464, corresponding to the equity participation of Consortio Credicard, C.A., which is included in the surplus to be applied as part of the equity.

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At 31 December and 30 June 2023, the Bank maintains an investment recorded at acquisition cost of €97,966 (see note 6), equivalent to Bs3,890,886 and Bs2,987,815, respectively, provided by 22 shares, with a nominal value of €125, acquired in September 2019 from Society for Worldwide Interbank Financial Telecommunications (SWIFT), an entity domiciled in Belgium, in which the Bank has less than 0.01% interest of its capital stock; therefore, the Bank does not have significant influence over such entity. Furthermore, such acquisition of shares was conducted in reference to and as a requirement for the rendering of the service.

During the six-month period ended 31 December and 30 June 2023, the Bank recognized equity investments of its subsidiaries and affiliates in other operating income from equity investment in subsidiaries and affiliates for Bs113,324,214 and Bs74,455,394, respectively (see note 19).

A summary of the non-audited financial information of Consorcio Credicard, C.A. follows (in bolivars):

	30 November 2023	31 May 2023
Noncurrent assets -		
Intangible assets	50,122,660	23,462,693
Property, plant and equipment	519,474,412	67,668,711
Other assets	86,750,019	171,777,319
Total noncurrent assets	<u>656,347,091</u>	<u>262,908,723</u>
Current assets -		
Cash and cash equivalents	414,673,838	159,802,041
Trade receivable and other accounts receivable	487,662,250	291,043,563
Inventories	117,072,382	132,019,890
Prepaid expenses	283,877,303	215,834,997
Total noncurrent assets	<u>1,303,285,773</u>	<u>798,700,491</u>
Total assets	<u><u>1,959,632,864</u></u>	<u><u>1,061,609,214</u></u>
Liabilities -		
Current	91,833,238	70,762,464
Noncurrent	960,025,506	497,314,013
Total liabilities	<u>1,051,858,744</u>	<u>568,076,477</u>
Stockholders' equity	<u>907,774,120</u>	<u>493,532,737</u>
Total liabilities and stockholders' equity	<u><u>1,959,632,864</u></u>	<u><u>1,061,609,214</u></u>

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	Semesters ended	
	30 November 2023	31 May 2023
Income -		
Income from ordinary activities	1,893,813,075	689,157,471
Cost of sales	(55,028,816)	(9,364,044)
Operating costs	(186,420,575)	(69,490,553)
Gross income	<u>1,652,363,684</u>	<u>610,302,874</u>
General and administrative expenses	(884,669,275)	(303,724,004)
Financial income (cost), net	(140,285,280)	(67,223,316)
Operating income before income taxes	627,409,129	239,355,554
Income taxes	(85,330,930)	(13,086,777)
Net income for the period	<u><u>542,078,199</u></u>	<u><u>226,268,777</u></u>

A summary of the non-audited financial information of Proyecto Conexus, C.A. follows (in bolivars):

	30 November 2023	31 May 2023
Assets -		
Cash and equivalents	39,419,825	20,122,589
Investment securities	1,978,579	682,764
Fixed assets	32,025,743	25,143,386
Other assets	14,923,165	7,850,472
Total assets	<u><u>88,347,312</u></u>	<u><u>53,799,211</u></u>
Liabilities and Stockholders' Equity -		
Liabilities	38,474,108	16,787,046
Stockholders' equity	49,873,204	37,012,165
Total liabilities and stockholders' equity	<u><u>88,347,312</u></u>	<u><u>53,799,211</u></u>

	Semesters ended	
	30 November 2023	31 May 2023
Income -		
Income from ordinary activities	63,681,842	19,660,012
Operating costs	(23,739,722)	(4,135,189)
Gross operating income	<u>39,942,120</u>	<u>15,524,823</u>
Administrative and general expenses	(20,481,418)	(3,792,932)
Financial income, net	(2,363,928)	(591,125)
Net income for the period	<u><u>17,096,774</u></u>	<u><u>11,140,766</u></u>

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A summary of the financial statements of the Foreign Branch integrated to the financial statements of Banco Nacional de Crédito, C.A., Banco Universal follows (in US dollars and bolivars):

	31 December 2023		30 June 2023	
	US\$	Bs	US\$	Bs
Assets				
Cash and cash equivalents	19,648,929	704,795,328	18,840,439	526,518,666
Investment securities	1,143,173	41,004,932	139,669	3,903,220
Loan portfolio	23,858,288	855,782,517	17,096,359	477,778,272
Interests and commissions receivable	127,557	4,575,393	89,313	2,495,952
Realizable assets	-	-	108,109	3,021,217
Fixed assets	14,690	526,922	19,605	547,884
Other assets	144,386	5,179,039	454,574	12,703,641
Total assets	44,937,023	1,611,864,131	36,748,068	1,026,968,852
Liabilities and Stockholders' Equity				
Liabilities:				
Customers' deposits	23,915,770	857,844,362	21,269,784	594,409,650
Other financing obtained	5,470,135	196,210,470	891,226	24,906,381
Interests and commissions payable	111,826	4,011,132	26,158	731,028
Accruals and other liabilities	460,187	16,506,632	176,338	4,927,982
Total liabilities	29,957,918	1,074,572,596	22,363,506	624,975,041
Stockholders' equity:				
Capital stock	7,599,462	272,588,156	7,599,462	212,376,086
Capital reserves	2,766,551	99,234,529	2,766,551	77,314,551
Accumulated results	4,613,092	165,468,850	4,018,549	112,303,174
Total stockholders' equity	14,979,105	537,291,535	14,384,562	401,993,811
Total liabilities and stockholders' equity	44,937,023	1,611,864,131	36,748,068	1,026,968,852
Semesters ended				
	31 December 2023		30 June 2023	
	US\$	Bs	US\$	Bs
Financial income	1,697,648	60,893,618	1,493,180	41,728,646
Financial expenses	(155,868)	(5,590,892)	(104,213)	(2,912,358)
Expenses from uncollectibility of loans	(15,123)	(542,453)	(30,177)	(843,329)
Other operating income	47,021	1,686,615	61,602	1,721,548
Other operating expenses	(535,813)	(19,219,292)	(698,683)	(19,525,533)
Transformation expenses	(425,854)	(15,275,128)	(401,092)	(11,208,995)
Miscellaneous operating income	93	3,336	11,151	311,628
Miscellaneous operating expenses	(3,618)	(129,775)	(3,876)	(108,317)
Expenses from realizable assets	(5,692)	(204,169)	(2,142)	(59,859)
Income tax expense	(8,251)	(295,958)	(11,885)	(332,143)
Net income for the semester	594,543	21,325,902	313,865	8,771,288

At 31 December and 30 June 2023, assets, liabilities, equity and results of the Foreign Branch were translated from U.S. dollars to bolivars at the exchange rate in effect at those dates, corresponding to the Exchange System Market (see note 6) of Bs35,8694 and Bs27,9462 per US\$1, respectively.

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(11) Realizable Assets

A summary of changes in realizable assets follows (in bolivars):

	<u>Property</u>
Cost -	
Balance at 31 December 2022	25,980,195
Effect of conversion of Foreign Branch	15,638,334
Balance at 30 June 2023	41,618,529
Effect of conversion of Foreign Branch	-
Balance at 31 December 2023	<u>41,618,529</u>
Accrued amortization -	
Balance at 31 December 2022	(17,599,164)
Amortization recognized in expenses	(10,404,632)
Effect of conversion of Foreign Branch	(10,593,516)
Balance at 30 June 2023	<u>(38,597,312)</u>
Amortization recognized in expenses	(3,877,781)
Effect of conversion of Foreign Branch	856,564
Balance at 31 December 2023	<u>(41,618,529)</u>
Balance at 30 June 2023	<u>3,021,217</u>
Balance at 31 December 2023	<u>-</u>

During the six-month period ended 31 December and 30 June 2023, the Bank recorded amortization of realizable assets for Bs3,877,781 and Bs10,404,632, respectively, included in the consolidated statements of income and net income allocation, in the available-for-sale assets expense account. It also recorded maintenance expenses for goods received in payment of Bs204,186 and Bs59,872, respectively.

During the six-month period ended 31 December 2023, the Bank sold properties to third parties, recording profit on such sale for Bs37,674,824, in the account of income from realizable assets, in the consolidated statement of income and net income allocation.

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(12) Fixed Assets

A detail of fixed assets follows (in bolivars):

	Note	Buildings and facilities	Computer equipment	Furniture and equipment	Transportation equipment	Works in progress	Lands	Other assets	Total
Cost -									
Balances at 31 December 2022		536,403,533	45,255,397	16,930,247	298,590	14,701,852	-	15,053	613,604,672
Additions		36,794,779	29,669,619	21,149,547	1,927,548	55,647,376	-	-	145,188,869
Effect of conversion of Foreign Branch		150,546	961,160	389,905	-	-	-	-	1,501,611
Disposals and/or reclassifications		(10,102,805)	2,432,996	(399,018)	-	(3,717,910)	-	-	(11,786,737)
Balances at 30 June 2023		563,246,053	78,319,172	38,070,681	2,226,138	66,631,318	-	15,053	748,508,415
Additions		89,422,415	48,000,851	26,033,552	502	77,128,249	1,011,994	-	241,597,563
Effect of conversion of Foreign Branch		-	594,624	294,156	-	-	-	-	888,780
Disposals		(36,461,483)	-	(11,038,862)	-	(850,888)	-	-	(48,351,233)
Balances at 31 December 2023		616,206,985	126,914,647	53,359,527	2,226,640	142,908,679	1,011,994	15,053	942,643,525
Accumulated depreciation -									
Balances at 31 December 2022		(6,313,744)	(7,977,676)	(1,292,761)	(78,340)	-	-	-	(15,662,521)
Depreciation recognized in expenses	21	(7,243,043)	(7,481,873)	(1,539,353)	(61,956)	-	-	-	(16,326,225)
Effect of conversion of Foreign Branch		(150,546)	(837,086)	(276,875)	-	-	-	-	(1,264,507)
Disposals		293,006	3,552	16,714	-	-	-	-	313,272
Balances at 30 June 2023		(13,414,327)	(16,293,083)	(3,092,275)	(140,296)	-	-	-	(32,939,981)
Depreciation recognized in expenses	21	(7,483,409)	(16,219,312)	(3,916,863)	(223,090)	-	-	-	(27,842,674)
Effect of conversion of Foreign Branch		-	(658,847)	(212,468)	-	-	-	-	(871,315)
Disposals		87,163	-	-	-	-	-	-	87,163
Balances at 31 December 2023		(20,810,573)	(33,171,242)	(7,221,606)	(363,386)	-	-	-	(61,566,807)
Balances at 30 June 2023		549,831,726	62,026,089	34,978,406	2,085,842	66,631,318	-	15,053	715,568,434
Balances at 31 December 2023		595,396,412	93,743,405	46,137,921	1,863,254	142,908,679	1,011,994	15,053	881,076,718

During the semesters ended 31 December and 30 June 2023, additions to buildings and facilities include Bs89,422,415 and Bs36,794,779, respectively, corresponding to improvements made to the Bank's agencies network.

During the six-month period ended 31 December and 30 June 2023, the Bank sold property to third parties, recording revenues from such sales for Bs22,783,838 and Bs86,052,639, respectively, in the extraordinary income item in the statement of income and net income allocation. Additionally, at 31 December and 30 June 2023, the Bank recorded deferred income for Bs9,712,936 and Bs11,992,809 (see note 17).

At 31 December and 30 June 2023, works in progress correspond to construction in progress and remodeling at the main headquarters.

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(13) Other Assets

A detail of other assets follows (in bolivars):

	Notes	31 December 2023	30 June 2023
Deferred expenses		100,523,485	89,603,620
Miscellaneous assets		9,093,990	6,053,600
Deferred income taxes	18(b)	7,082,022	6,893,387
Items pending application (including US\$103,287 and €17,419,405, and US\$958,679 and €349,091, respectively)	6	2,567,967,434	653,840,950
Investment securities matured (US\$445,700 at 30 June 2023)		-	12,455,621
Miscellaneous -			
Operations provided by international credit cards (US\$2,542,564 and US\$1,983,645, respectively)	6	91,200,242	55,435,344
Advances to suppliers (including US\$3,330 and €231,748 at 31 December 2023)	6	132,524,650	101,245,881
Accounts receivable and offsetting of balances for credit cards (including US\$4,074 and US\$145,375, respectively)		350,954	4,237,387
Prepaid taxes		100,867,581	44,051,918
MasterCard Project (Debit Card)		15,823,150	15,832,466
Mobile payment operations in foreign currency (including US\$116,729 and €2,741; and at 30 June 2023)		117,536,187	119,885,156
Advances for purchase option of commercial facilities (including US\$180,475, for both semesters)	6	6,473,530	5,897,455
Other prepaid expenses		69,722,605	51,306,289
Sale of foreign currencies to exporters		1,336,208	5,087,040
Insurance (including US\$116,369 and US\$118,744, respectively)	6	4,174,099	3,354,333
Loans granted for free-convertibility agreement		648,883,126	513,412,310
Other miscellaneous accounts receivable (including US\$533,097 and €1,200; and US\$2,044,870 and €1,200, respectively)	6	76,725,450	94,621,791
Total miscellaneous		<u>1,265,617,782</u>	<u>1,014,367,370</u>
		3,950,284,713	1,783,214,548
Provision for other assets (including US\$445,700 at 30 June 2023)	6	<u>(104,256)</u>	<u>(12,559,877)</u>
		<u><u>3,950,180,457</u></u>	<u><u>1,770,654,671</u></u>

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Deferred expenses are comprised of the following items (in bolivars):

Note	Goodwill				Leasehold improvements	Licenses	Operating systems (software)	Expenses from New Monetary Expression	Contribution to National Development Fund (FONDEN, S.A.)	Total
	Consortio Credicard, C.A.	Corporación Suiche 7B, C.A.	Proyecto Conexus, C.A.	American Express						
Cost:										
Balances at 31 December 2022	34,964,024	3,356,393	436,049	10,987,800	23,012,134	4,447,725	378,979	728,590	3,988,633	82,300,327
Additions	-	-	-	-	8,320,935	22,872,941	3,259,156	-	-	34,453,032
Disposals	-	-	-	-	-	(1,079,218)	(21,143)	-	-	(1,100,361)
Balances at 30 June 2023	34,964,024	3,356,393	436,049	10,987,800	31,333,069	26,241,448	3,616,992	728,590	3,988,633	115,652,998
Additions	-	-	-	-	9,650,707	27,846,979	9,106,365	5,202	-	46,609,253
Disposals	-	-	-	-	(7,234)	(2,471,334)	(7,194,915)	-	-	(9,673,483)
Balances at 31 December 2023	34,964,024	3,356,393	436,049	10,987,800	40,976,542	51,617,093	5,528,442	733,792	3,988,633	152,588,768
Accrued amortization:										
Balances at 31 December 2022	(3,496,402)	(335,639)	(43,605)	(1,098,780)	(1,387,127)	(1,698,039)	(198,290)	(280,867)	(997,158)	(9,535,907)
Amortization carried to expenses	21 (3,496,402)	(335,639)	(43,605)	(1,098,780)	(2,274,368)	(5,811,871)	(3,434,642)	(121,367)	(997,158)	(17,613,832)
Disposals	-	-	-	-	-	1,079,218	21,143	-	-	1,100,361
Balances at 30 June 2023	(6,992,804)	(671,278)	(87,210)	(2,197,560)	(3,661,495)	(6,430,692)	(3,611,789)	(402,234)	(1,994,316)	(26,049,378)
Amortization carried to expenses	21 (3,496,402)	(335,639)	(43,605)	(1,098,780)	(3,312,668)	(18,203,580)	(8,074,222)	(122,130)	(997,159)	(35,684,185)
Disposals	-	-	-	-	7,234	2,471,334	7,189,712	-	-	9,668,280
Balances at 31 December 2023	(10,489,206)	(1,006,917)	(130,815)	(3,296,340)	(6,966,929)	(22,162,938)	(4,496,299)	(524,364)	(2,991,475)	(52,065,283)
Net carrying amount:										
Balances at 30 June 2023	27,971,220	2,685,115	348,839	8,790,240	27,671,574	19,810,756	5,203	326,356	1,994,317	89,603,620
Balances at 31 December 2023	24,474,818	2,349,476	305,234	7,691,460	34,009,613	29,454,155	1,032,143	209,428	997,158	100,523,485

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The Superintendency in Notice SIB-DSB-CJ-OD-08227 dated 9 November 2022, informs all banking institutions that the National Development Fund (FONDEN, S.A.) will be the collector of the resources contributed by the Public and Private Banks, related to the donation of financial resources for the support and recovery of the population of Las Tejerías. On 30 November 2022, the Superintendency in Notice SIB-II-GGR-GNP-08823, indicates the instructions for the deferral of the expense, and authorizes the recording of the donated amount in sub-account 181.06 "Other deferred expenses", which will be amortized in a term that will not exceed four semesters of accounting closing, by the straight line method, in monthly, equal and consecutive installments, as from the month following the month in which the expense is originated.

A detail of items pending application follows (in bolivars):

	Note	31 December 2023	30 June 2023
Foreign exchange office transactions (including US\$98,715 and €15,853,307; and US\$1,335,900 and €349,091, respectively)	6	634,740,007	37,443,647
Interbank mobile payment transactions receivable (including US\$1,904 and €30 at 31 December 2023)		639,211,371	145,535,171
Transactions in transit points of sale		883,339,987	370,914,865
Immediate credit transactions		337,658,579	81,655,887
Retail operations (including US\$1,005 and €1,566,067 at 31 December 2023)	6	67,760,496	18,145,000
Other items applicable (including US\$243, for both semesters)		5,194,825	100,328
Cash shortage (US\$1,420 and US\$950, respectively)	6	62,169	46,052
		<u>2,567,967,434</u>	<u>653,840,950</u>

At 31 December and 30 June 2023, the transactions per foreign exchange office correspond to agreed transactions of purchase and sale of foreign currencies between the Bank's customers, in accordance with the provisions of Resolution N° 19-05-01 dated 2 May 2019, issued by the BCV. These were automatically adjusted during the first days of January 2024 and July 2023. Additionally, during the semesters ended 31 December and 30 June 2023, the Bank recorded income from commissions collected for this concept for Bs31,788,645 and Bs34,650,306, respectively, under other operating income, in the consolidated statements of income and net income allocation (see note 19).

At 31 December and 30 June 2023, the interbank mobile payment transactions receivable correspond to bank transfers in customers' accounts from other banking institutions through the mobile application, which were automatically adjusted during the first days of January 2024 and July 2023. Additionally, during the semesters ended 31 December and 30 June 2023, the Bank recorded income from commissions charged to its customers for Bs91,022,854 and Bs41,279,389, respectively, for transactions carried out through said application in other operating income in the consolidated statements of income and net income allocation (see note 19).

At 31 December and 30 June 2023, the transactions in transit points of sale correspond to commissions charged to the affiliated stores for consumption made through the points of sale by customers with debit cards, which were automatically adjusted during the first days of January 2024 and July 2023. Additionally, during the semesters ended 31 December and 30 June 2023, the Bank recorded income from commissions on point-of-sale transactions for Bs191,575,476 and Bs101,414,132, respectively (see note 19). Also, during the six-month periods ended 31 December and 30 June 2023, the Bank recorded income from commissions collected for Bs36,371,474 and Bs33,258,954, respectively, for reimbursement of operating costs of point-of-sale terminals to merchants, which are included in other operating income in the consolidated statements of income and net income allocation (see note 19).

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At 31 December and 30 June 2023, immediate credit operations correspond to instantaneous bank transfers in customers' accounts from other banking institutions, which were automatically adjusted during the first days of January 2024 and July 2023. Additionally, during the semesters ended 31 December and 30 June 2023, the Bank recorded income for this concept for Bs142,975,091 and Bs56,361,168, respectively, in other operating income in the consolidated statements of income and net income allocation (see note 19).

At 31 December and 30 June 2023, the advances for option to purchase new Bank's premises correspond to contractual rights on the purchase of administrative offices located in Centro Empresarial Boleíta, in the Sucre Municipality, State of Miranda.

At 31 December and 30 June 2023, advances to suppliers correspond mainly to advances for the purchase of equipment, updating of technological information systems, ATMs and remodeling of branches and administrative headquarters.

A detail of other prepaid expenses follows (in bolivars):

	31 December 2023	30 June 2023
Insurance	26,519,428	34,082,330
Contribution LOCTI	24,870,039	9,809,736
Contribution SUDEBAN	8,054,983	-
Licenses	6,740,704	5,442,983
Marketing	2,250,418	789,181
Other	468,725	468,725
Improvements to agencies	354,607	355,255
Bloomberg services	457,758	352,136
Traveling expenses paid to employees	5,943	5,943
	69,722,605	51,306,289

At 31 December and 30 June 2023, liquidated funds from customers' deposits in foreign currency amounting to Bs648,883,126 and Bs513,412,310, respectively, correspond to freely convertible funds from collections made in bolivars for loans granted in accordance with Notice SIB-DSB-CJ-OD-00712 dated 11 February 2022, which establishes that banking institutions may grant loans in local currency with the proceeds from a portion of the customers' deposits in foreign currency up to a maximum equivalent to 10% of such funds, with the prior authorization of the BCV and the Superintendency.

The Superintendency in Notice SIB-II-GGR-GNP-00335 dated 18 January 2023, informs banking institutions that they may grant loans in local currency to clients with the proceeds from customers' deposits in foreign currency, up to a maximum of resources equivalent to 30% of such deposits, which will be determined considering the balance of the customers' deposits in foreign currency recorded in the sub-account "Current accounts under the Free Convertibility Exchange Market System". Furthermore, loans granted in accordance with the provisions of this Notice must be settled exclusively in local currency.

A summary of changes in the balance for the provision maintained for other assets follows (in bolivars):

		Semesters ended	
	Note	31 December 2023	30 June 2023
Balances at the beginning of the semester		12,559,877	90,112
Provision carried to miscellaneous operating expenses	20	-	100,000
Adjustments to nominal value of investment securities matured		(12,455,621)	12,455,621
Write-offs		-	(85,856)
Balances at semester-end		104,256	12,559,877

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(14) Customers' Deposits

A summary of customers' deposits follows (in bolivars):

	Notes	31 December 2023	30 June 2023
Checking account deposits and sight certificates -			
Non-interest bearing checking accounts		3,840,041,863	1,704,242,236
Checking accounts as per the Exchange Market System of Free Convertibility (US\$200,582,505, €17,306,580 and COP11,837,410; and US\$192,759,289, €11,789,193 and COP360,617,000, respectively)	6	7,862,748,132	5,748,862,053
Interest bearing checking accounts		257,656,637	148,239,765
Checking accounts as per Exchange Agreement N° 20 (including US\$15,667,387 and €1,500; and US\$16,323,473 and €1,500, respectively)	6	562,039,345	456,224,791
Non-negotiable sight deposits and certificates bearing annual interests of 3% and 100%		876,470,650	437,079,158
Public, state and municipal administration levels		232,891,673	178,174,806
Special funds in trust (US\$272,812, for both semesters)	6	9,785,594	7,624,052
		<u>13,641,633,894</u>	<u>8,680,446,861</u>
Other sight obligations -			
Cashier's checks issued		2,041,750	1,678,986
Trust obligations		5,925,586	5,602,587
Advanced collections to customers for credit cards		632,108	163,857
Obligations Mandatory Savings Fund for Housing	22(b)	8,609	27,595
Previous deposits for credit bills		33	7
		<u>8,608,086</u>	<u>7,473,032</u>
Saving deposits, with annual interests of 32% in individual accounts and 0.06% for customer deposits in foreign currency (including US\$16,609,854 and €120,254; and US\$14,615,362 and €87,927, respectively)	6	1,326,796,991	895,313,480
Time deposits, bearing annual interests of 36% for customer deposits in bolivars and between 0.10% and 7% for customer deposits in foreign currency (including US\$7,172,765 and US\$6,558,465, respectively), with the following maturities:	6		
Up to 30 days		243,912	2,710,781
From 31 to 60 days		5,179,022	10,843,126
From 61 to 90 days		-	45,552,306
From 91 to 180 days		252,375,843	124,177,961
From 181 to 360 days		40,000	4,000
		<u>257,838,777</u>	<u>183,288,174</u>
		<u>15,234,877,748</u>	<u>9,766,521,547</u>

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At 31 December and 30 June 2023, checking accounts under the Free Convertibility Exchange Market System correspond to customers' deposits in foreign currency, held in Venezuela, in accordance with the provisions of Exchange Agreement N° 1 (see note 6). Additionally, during the semesters ended 31 December and 30 June 2023, the Bank charged commissions to its customers between 0.80% and 3% of the amount in cash in foreign currency withdrawn at branches and ticket offices, accruing income of Bs493,931,952 and Bs362,041,948, respectively, which are included in other operating income in the consolidated statements of income and net income allocation (see note 19).

During the semesters ended 31 December and 30 June 2023, the Bank recorded income from commissions related to transfers to foreign banks for Bs9,537,098 (US\$265,884) and Bs4,545,226 (US\$162,642), respectively, which are included in income from other accounts receivable in the consolidated statements of income and net income allocation. Also, during the six-month periods ended 31 December and 30 June 2023, the Bank paid commissions for bank transfers through correspondent banks abroad of Bs13,897,420 (US\$387,445) and Bs7,842,604 (US\$280,632), respectively, which are included in other operating expenses in the consolidated statements of income and net income allocation (see note 20).

At 31 December and 30 June 2023, the Bank maintains customers' deposits from official entities for Bs537,398,173 and Bs480,090,415, respectively.

Customers' deposits for operations in Venezuela bear interest in accordance with the rate ranges presented below:

	31 December 2023		30 June 2023	
	Tasa (%)			
	minimum	maximum	minimum	maximum
Operations in Venezuela, per type of obligation -				
Interest-bearing checking accounts	0,25	0,25	0,25	0,25
Deposits and sight deposits	36	36	36	36
Saving deposits	32	32	32	32
Term deposits	36	36	36	36
Operations in Foreign Branch, per type of obligation -				
Saving deposits	0,06	0,06	0,06	0,06
Term deposits	0,27	3	0,27	3

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(15) Other Financing Obtained

A detail of other financing obtained follows (in bolivars):

	<u>Notes</u>	<u>31 December 2023</u>	<u>30 June 2023</u>
Obligations with national financial institutions for up to a year -			
Financing from other national financial institutions under the overnight method, with annual returns between 13% and 15%, and 5% and 20%; and maturing in January 2024 and July 2023, respectively		620,560,997	245,000,000
Sight deposit from local financial institutions:			
Banco de Venezuela, S.A. Banco Universal, with annual returns of 50% and 90%, and maturing in January 2024 and July 2023, respectively		370,353,297	148,648,938
Banco del Tesoro, C.A. Banco Universal, with annual returns of 85%; and between 93% and 93%, and maturing in January 2024 and July 2023, respectively		171,905,512	123,981,261
Banco de Desarrollo Económico y Social de Venezuela (BANDES), with annual return of 60%; and between 30% and 55%, and maturing in January 2024 and July 2023, respectively		77,000,000	108,000,000
Banco Bicentenario, Banco Universal, C.A., with annual returns of 75%; and between 50% and 80%, and maturing in January 2024 and July 2023, respectively		81,000,000	119,000,000
Banco de la Fuerza Armada Nacional Bolivariana with annual return of 50%, and maturing in January 2024 and July 2023, respectively		35,000,000	40,000,000
Banco Sofitasa Banco Universal, C. A. with annual return of 95%, and maturing in July 2023		-	13,000,000
Del Sur Banco Universal, C. A. with annual return of 93%, and maturing in July 2023		-	5,000,000
		<u>1,355,819,806</u>	<u>802,630,199</u>
Sight deposit in non-interest bearing checking accounts		12,862	50,122
		<u>1,355,832,668</u>	<u>802,680,321</u>
Obligations with financial institutions abroad up to a year -			
Sight deposits of financial institutions abroad:			
BNC International Banking Corporation (US\$51,818 and US\$51,857, respectively)	6 and 24	1,930,408	1,449,201
Arca Internacional Bank, Inc.		1	1
		<u>1,930,409</u>	<u>1,449,202</u>
		<u>1,357,763,077</u>	<u>804,129,523</u>

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A detail of expenses from other financing obtained follows (in bolivars):

	Semesters ended	
	31 December 2023	30 June 2023
Obligations with local financial institutions for up to a year -		
Overnight operations	52,792,214	31,230,941
Sight deposits	235,681,190	133,691,460
Obligations with foreign financial institutions for up to a year -		
Sight deposits	-	91,483
Financing	-	21,914
	<u>288,473,404</u>	<u>165,035,798</u>

On 13 August 2014, the Superintendency, through Resolution N° 113.14, established that interbank placement will be limited by the lower amount resulting from comparing 10% of the equity at the close of the previous month of the entity placing the funds and 10% of the equity at the close of the previous month of the entity accepting the funds. At 31 December and 30 June 2023, the Bank is in full compliance with the requirements of this Resolution.

(16) Interests and Commissions Payable

A detail of interests and commissions payable follows (in bolivars):

	Note	31 December 2023	30 June 2023
Expenses payable for customers' deposits -			
Non-negotiable certificates of sight deposits		14,283,692	10,610,034
Time deposits (including US\$111,826 and US\$26,158, respectively)	6	4,024,920	731,060
		<u>18,308,612</u>	<u>11,341,094</u>
Expenses payable for other financing obtained -			
Expenses payable for obligations with local financial institutions for up to a year		16,608,808	7,495,407
		<u>34,917,420</u>	<u>18,836,501</u>

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(17) Accruals and Other Liabilities

A detail of accruals and other liabilities follows (in bolivars):

	Notes	31 December 2023	30 June 2023
Items pending application (including US\$511,632, €17,455,623 and COP1,590; and US\$1,597,155 and €798,819, respectively)	6	1,482,633,882	223,365,591
Capital and interests payable to BOD clients (US\$10,046,989 and US\$10,215,271, respectively)	6 and 1(c)	360,379,455	285,477,999
Dividends payable	23(a)	1,175,604	67,872,630
Accounts payable in foreign currency (including US\$12,083,926 and €250,412; US\$12,204,234 and €13,888, respectively)	6	479,524,688	458,720,663
Deferred income (including US\$44,378 and €13,283; and US\$778,478 and €13,283, respectively)	6	44,189,771	34,377,436
Accruals for labor indemnities		25,043,627	28,884,784
Withheld taxes (including US\$10,097 and US\$112,136, respectively)	6	45,219,985	30,763,694
Transactions with international credit cards (including US\$2,233,169 and US\$1,765,657, respectively)	6	80,102,449	49,343,410
Provision for income taxes (including US\$20,136 and US\$11,885, respectively)	6 and 18(a)	213,498,487	146,248,368
Services payable		11,258,757	10,303,296
MasterCard Project (Debit Card)		53,873,184	53,873,184
Vacations and vacation bonus payable (including US\$46,692 and US\$38,926, respectively)	6	11,365,571	10,489,671
Deferred income taxes	18(b)	20,624,499	17,397,498
Sale of foreign currencies to exporters (US\$37,252 and US\$182,030, respectively)	6	1,336,208	5,087,040
Bank insurance policies (including €932,095, for both semesters)	6	37,020,094	28,427,767
Provision for net worth tax		601	8,635,016
Provision for Science, Technology and Innovation		28,036,034	12,317,669
Tax on economic activities and other taxes payable	18	6,000,908	15,783,224
Fees payable (including US\$12,803 and US\$7,541, respectively)	6	459,269	1,113,608
Commissions for credit and debit card services		-	5,875,954
Profit-sharing payable (US\$2,011 at 30 June 2023)	6	-	3,234,686
Suppliers and other miscellaneous accounts payable (including US\$12,432 and US\$1,199,419, respectively)	6	2,253,918	39,808,731
Leases payable		14,320,843	8,759,303
Comprehensive prevention against money laundering and terrorism financing		12,560,604	8,537,587
Credit cards (including US\$106,395 for both semesters)	6	3,816,317	3,028,243
Organic Law on Sports, Physical Activity and Physical Education		10,526,649	6,978,649
Contributions and labor withholdings payable		865,570	621,329
Provision for contingent credits	8	7,038	4,577
Credit and debit card surcharges (including US\$475 and US\$1,355, respectively)		17,032	38,263
Other provisions		144,340	144,340
		<u>2,946,255,384</u>	<u>1,565,514,210</u>

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A detail of items pending allocation follows (in bolivars):

	Notes	31 December 2023	30 June 2023
Exchange desk transactions (including US\$139,340 and €15,855,688; and US\$958,871 and €349,127, respectively)	6	634,740,006	37,444,747
Electronic transfer for consideration		510,037,611	130,042,743
Mobile payment operations payable (including US\$49,754 and €293; and US\$116,729 and €2,741, respectively)	6	4,244,642	6,672,193
Collection of local and municipal funds		50,744,755	20,806,758
Retail operations (including US\$117,980 and €1,599,528; and US\$161,603 and €446,864, respectively)	6	222,264,274	18,145,024
Client transactions (including US\$66,837 and €5; and US\$180,377 and €77, respectively)	6	2,397,569	5,043,225
Other items applicable (including US\$114,909 and €110; and US\$158,575 and €9, respectively)	6	57,451,768	4,529,348
Commissions to the Central Bank of Venezuela		-	33
Transactions conducted through SICAD (US\$21,000, for both semesters)	5 and 6	753,257	586,870
Point of sale transactions payable		-	94,650
		1,482,633,882	223,365,591

At 31 December and 30 June 2023, the electronic transfers for compensation correspond to transfers made by the Bank's customers to other banking institutions on the last days of December and June 2023, respectively, which were made effective on the first days of January 2024 and July 2023, respectively.

At 31 December and 30 June 2023, electronic transfers payable correspond to transfers made by the Bank's customers to other banking institutions during the last days of December and June 2023, respectively, which became effective the first days of January 2024 and July 2023, respectively. Additionally, during the semesters ended 31 December and 30 June 2023, the Bank recorded expenses for commissions paid to its customers for Bs54,943,362 and Bs35,471,517, respectively, respectively, for transactions carried out through said application under other operating expenses in the consolidated statements of income and net income allocation (see note 19).

At 31 December and 30 June 2023, mobile payment transactions payable correspond to bank transfers from customers' accounts to other banking institutions by means of the mobile application, which were automatically regularized on the first days of January 2024 and July 2023. Additionally, during the semesters ended 31 December and 30 June 2023, the Bank recorded expenses for commissions paid to its customers for Bs25,979,894 and Bs10,243,475, respectively, for transactions made through said application in other operating expenses in the consolidated statements of income and net income allocation (see note 20).

At 31 December and 30 June 2023, point of sale transactions payable correspond to the use of points of sale of other financial institutions by the Bank's customers, which have been adjusted during the first days of January 2024 and July 2023. During the semesters ended 31 December and 30 June 2023, the Bank recorded expenses for commissions charged to merchants for the use of points of sale for Bs53,058,177 and Bs27,646,526, respectively, which are included in other operating expenses in the consolidated statements of income and net income allocation (see note 20).

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At 31 December and 30 June 2023, accounts payable in foreign currency mainly include interest payable on customer securities held in custody by the Bank, which to date have not been claimed. The Bank's management is taking the necessary measures to settle these liabilities with their respective beneficiaries.

A detail of deferred income follows (in bolivars):

	Notes	31 December 2023	30 June 2023
Options to purchase property (including US\$639,600 and US\$734,100, respectively)		22,942,068	20,515,305
Deferred income from sale of property	12	9,712,936	11,992,809
Interests charged in advance for loan portfolio (including US\$44,378 and €13.283; and US\$44,378 and €13,283, respectively)	8	10,862,541	1,645,312
Data center leasing		672,226	224,010
		<u>44,189,771</u>	<u>34,377,436</u>

A detail of taxes withheld follows (in bolivars):

	31 December 2023	30 June 2023
Value added tax	6,100,987	6,804,343
Income tax	19,342,789	10,370,589
Tax on large financial transactions (including US\$112,136, at 30 June 2023)	17,873,483	10,590,257
Revenue stamps	1,887,604	2,972,402
Municipal taxes	15,122	26,103
	<u>45,219,985</u>	<u>30,763,694</u>

A summary of changes in the provision for contingent loan portfolio follows (in bolivars):

		Semesters ended	
	Note	31 December 2023	30 June 2023
Balances at the beginning of the semester		4,577	2,477
Reclassification of provision for loan portfolio	8	2,461	2,100
Balances at semester-end		<u>7,038</u>	<u>4,577</u>

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(18) Taxes

(a) Income Tax

The Bank's fiscal year ends on 31 December each year. The main differences between taxable income and financial income are originated by provisions and reserves, which are normally deductible for tax purposes in subsequent periods when they are actually incurred; income tax-exempt income generated by National Public Debt Bonds and other securities issued by the Bolivarian Republic of Venezuela.

The Income Tax Law in force establishes, among other aspects, for institutions engaged in banking and financial activities, a proportional tax of 40% on income, and the exclusion of the tax inflation adjustment system. The law also establishes that net operating losses may be carried forward during the following three fiscal years and may be offset only up to a maximum of 25% of the annual income.

A detail of reconciliations between financial income and net tax income of the Bank, regarding operations in Venezuela, for the tax period ended 31 December 2023 follows (in bolivars):

Tax fee as per Income Tax Law (%)	40
Financial income for the year before income taxes	1,351,677,610
Difference between accounting income and tax income	
Unpaid taxes	8,164,223
Loan portfolio, net	154,813,474
Incidental cost	(59,750,661)
Exempted income, net of related expenses	(43,575,646)
Non-deductible items	99,485,029
Non-taxable items	(978,873,428)
	<u>531,940,601</u>
Tax income for the year in Venezuela	531,940,601
Losses from previous years used	-
	<u>531,940,601</u>
Taxable net world income	531,940,601
Provision for current income tax in Venezuela	<u>212,776,240</u>

At 30 June 2023, the provision for income tax was determined based on the Bank's financial statements as of that date and its projection at the end of the fiscal year.

During the semesters ended 31 December and 30 June 2023, the Foreign Branch recorded an estimated income tax expense of US\$8,251 (equivalent to Bs295,955) and US\$11,885 (equivalent to Bs332,143), respectively. On 27 June 2019, the Overseas Branch received from the tax authorities of Curaçao the approval of Tax Ruling UR 19-0115 until 31 December 2024. Such Ruling establishes at 7% the basis for the determination of income tax, from the beginning of its operations, of all costs related to the activities carried out by the Branch Abroad, except for costs with the character of disbursements and interest on debts. Costs for third-party services that are not an integral part of the activities of the Foreign Branch, excluding service fees, office and equipment rental, and telecommunication expenses, among others, are considered disbursements.

At 31 December and 30 June 2023, the Bank maintains an income tax provision of Bs213,498,487 and Bs146,248,368, which include US\$8,251 (Bs295,958) and US\$11,885 (Bs332,143), respectively, corresponding to the Foreign Branch (see note 17). Furthermore, at 31 December and 30 June 2023, the Bank maintains prepaid income tax of Bs106,664,917 and Bs42,679,462, respectively, which are part of other assets and are included in the Prepaid taxes and subscriptions group.

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A summary of income tax expenses follows (in bolivars):

	31 December 2023	30 June 2023
Income tax -		
Current income tax for operations in Venezuela	67,100,000	148,780,961
Current income tax for operations in foreign branch	295,955	332,143
Deferred (income) expenses	3,038,366	12,328,865
	<u>70,434,321</u>	<u>161,441,969</u>

Regime for the Payment of Advances on Income Tax

On 21 August 2018, the National Government published the Constituent Decree Establishing the Temporary Regime for the Payment of Advances on Income Tax for Taxpayers Qualified as Special Taxpayers who are engaged in economic activities other than the exploitation of mines, hydrocarbons and related activities, and who do not perceive royalties derived from such exploitation. The abovementioned Decree establishes that the advance payment of taxes payable in the case of Income Taxes will be determined on the basis of gross income from sales of goods and services obtained in the taxable period of the previous month within the National Territory and it will be between a minimum limit of zero-point five percent (0.5%) and a maximum of two percent (2%). The National Government will be able to establish different rates, without exceeding the limit established in said Decree. The percentage of advance payment of income taxes will be set at:

- two percent (2%) for financial institutions, the banking, insurance and reinsurance sector.
- one percent (1%) for the rest of taxpayers.

These advances will be deductible in the final income tax return. The advance payment regime established in this decree will be in force until its total or partial repeal by the National Government.

(b) Deferred Taxes

The Bank's management recognizes a deferred income tax asset in its financial statements when there is a reasonable expectation that future taxable income will allow its realization. In addition, the Accounting Manual establishes, among other aspects, that the Bank may not recognize deferred income tax in an amount greater than tax expenses.

The Bank's management determined and evaluated the recording of deferred income tax. The main differences between the tax basis and the financial basis at 31 December and 30 June 2023, that give way to it correspond to prepaid expenses, other provisions and accruals. At 31 December and 30 June 2023, the Bank maintains net deferred tax liabilities for Bs13,542,477 and Bs10,504,111, respectively.

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A detail of net deferred income taxes follows (in bolivars):

	Notes	31 December 2023	30 June 2023
Assets -			
Other assets	13	7,082,022	6,893,387
Liabilities -			
Accruals and other liabilities	17	(20,624,499)	(17,397,498)
Net, deferred income tax asset (liabilities)		<u>(13,542,477)</u>	<u>(10,504,111)</u>

A detail of changes in the accounts of deferred income tax assets for the semesters ended 31 December and 30 June 2023 follows (in bolivars):

	Other assets	Accruals and other liabilities	Deferred income tax (liability) asset
Balances at 31 December 2022	5,211,402	(3,386,648)	1,824,754
Charges (credits) in income	<u>1,681,985</u>	<u>(14,010,850)</u>	<u>(12,328,865)</u>
Balances at 30 June 2023	6,893,387	(17,397,498)	(10,504,111)
Charges (credits) in income	<u>188,635</u>	<u>(3,227,001)</u>	<u>(3,038,366)</u>
Balances at 31 December 2023	<u>7,082,022</u>	<u>(20,624,499)</u>	<u>(13,542,477)</u>

(c) Transfer Pricing Regulations

In accordance with the transfer pricing regulations, taxpayers subject to income tax who enter into transactions with related parties abroad are required to determine their income, costs and deductions by applying the methodology established in the abovementioned law. The Bank carries out transactions with related parties abroad. The Bank carried out the transfer pricing analysis for the fiscal period ended 31 December 2023 with no impact on the taxable income. At 30 June 2023, the Bank filed the informative declaration of transactions with related parties abroad, form PT-99, for the fiscal year ended 31 December 2022.

(d) Tax on Economic Activities

The Constitution of the Republic and the Organic Law of the Municipal Public Power appoint the Municipalities with the power to establish taxes on economic activities, which is levied on the gross income arising from any economic activity, industry, commerce, services of a similar nature, carried out on a regular or occasional basis in the jurisdiction of a given municipality, and which may be subject to a commercial establishment, premises, office or physical place and which purpose is profit.

The Bank recorded expenses for this concept for the semesters ended 31 December and 30 June 2023 for Bs67,263,147 and Bs68,510,718, respectively, which are presented in the general and administrative expenses element (see note 21), corresponding to the economic activities carried out in its offices throughout the national territory. At 31 December and 30 June 2023, the outstanding balance payable for this concept amounts to Bs6,000,908 and Bs15,783,224, respectively, which are part of accruals and other liabilities, and are included in the group of Tax on economic activities and other taxes payable (see note 17).

(e) Law of Taxes on Large Financial Transactions

On 30 December 2015, the tax on large financial transactions was established, which levies a 0.75% tax rate on financial transactions carried out by legal entities and economic entities without legal personality, qualified by the National Integrated Customs and Tax Administration Service (SENIAT) as special taxpayers, or by legal entities and economic entities without legal personality that are legally related to them, or that make payments on their behalf. Furthermore, banks and other financial institutions in the country are taxpayers of this tax for the generating events provided by law.

On 21 August 2018, a Constituent Decree was published in the Extraordinary Official Gazette of the Republic, which amends the Decree with Rank, Value and Force of Law on the Tax on Large Financial Transactions; such Constituent Decree establishes that the aliquot of this tax may be modified by the National Executive and may be set up to a limit of 2%. The National Government fixed the aliquot of this tax at 2% as of November 2018.

On 25 February 2022, the Law of Partial Reform of the Decree with Rank, Value and Force of Law on Tax on Large Financial Transactions was published, establishing a 3% tax on transactions in foreign currencies or cryptocurrencies other than the bolivar and the Petro, carried out by individuals and companies.

During the semesters ended 31 December and 30 June 2023, the Bank recorded expenses for this concept for Bs35,411,081 and Bs22,386,591, respectively, which is presented under the caption of general and administrative expenses (see note 21).

(f) Net Worth Tax

Official Gazette of the Republic N° 41.696 dated 16 August 2019, published the Official Ruling of 15 August 2019, which corrected due to a material error the Constitutional Law that creates the tax on large estates issued by the National Constituent Assembly and published in the Official Gazette of the Republic N° 41.667 on 3 July 2019, which establishes that special taxpayers, which net worth is equal or higher than 150,000,000 TU, are required to pay between 0.25% and 1.50% on the value of the net worth determined at 30 September each year. The payment of the tax must be made in the terms, forms and modalities established by the Tax Administration. This Constitutional Law became effective as from its publication in the Official Gazette.

During the semesters ended 31 December and 30 June 2023, the Bank recorded expenses for this concept for Bs3,026,984 and Bs8,634,976, respectively, in the consolidated statements of income and net income allocation.

(19) Other Operating Income

A detail of other operating income follows (in bolivars):

	Notes	Semesters ended	
		31 December 2023	30 June 2023
Commissions for services		1,506,974,044	923,019,535
Income from investments in affiliates	10 and 23	113,324,214	74,455,394
Income from amortization of discount in investments held to maturity	7	14,613,832	10,624,732
Income from exchange difference	6	1,686,303	1,720,848
		<u>1,636,598,393</u>	<u>1,009,820,509</u>

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A detail of commissions for services rendered follows (in bolivars):

	Notes	Semesters ended	
		31 December 2023	30 June 2023
Cash withdrawals in foreign currency	14	493,931,952	362,041,948
Documentation of credits granted in UVC	8	258,564,143	153,181,953
Point of sale transactions	13	191,575,476	101,414,132
Interbank mobile payment	13	91,022,854	41,279,389
Immediate credit transactions	13	142,975,091	56,361,168
Exchange intervention transactions	5	51,178,331	15,893,340
Commission for use of points of sale		56,001,205	25,879,347
Interbank electronic transactions	17	54,943,362	35,471,517
Exchange office transactions	13	31,788,645	34,650,306
Services provided to Social Security pensioners		9,069,505	6,844,230
Reimbursement of operating costs of point of sale terminals to commercial establishments	13	36,371,474	33,258,954
Transportation of securities		877,026	579,446
Suiche 7B P2P services		33,836,038	19,080,682
Phone credit recharge		7,925,725	4,671,048
Credit card commissions		13,454,021	4,900,092
Domiciliation services		4,165,070	3,285,824
Custody of securities		2,925,054	1,524,045
Affiliation of payroll account		3,849,108	1,776,382
Retail operations		9,978,784	4,267,052
Transactions with debit cards in USD		1,305,599	768,504
Minimum balances of customer's deposits		501,736	313,311
Trust funds		2,868,537	1,318,616
Other non-financial commissions		559,234	10,213,714
Others		7,306,074	4,044,535
		<u>1,506,974,044</u>	<u>923,019,535</u>

(20) Other Operating Expenses and Miscellaneous Operating Expenses

A detail of other operating expenses follows (in bolivars):

	Note	Semesters ended	
		31 December 2023	30 June 2023
Commissions from services rendered		172,387,400	90,099,059
Loss from exchange difference	6	1,444,106	1,271,385
Expenses from investments in affiliates and subsidiaries		1,476,903	-
Loss from investment securities		159	982,258
		<u>175,308,568</u>	<u>92,352,702</u>

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A detail of commissions for services follows (in bolivars):

	Notes	Semesters ended	
		31 December 2023	30 June 2023
Commissions to suppliers			
processing credit cards	7	73,446,478	41,176,146
Transactions with points of sale	17	53,058,177	27,646,526
Bank transfers by means of			
corresponding banks	14	13,897,420	7,842,604
Interbank mobile payment	17	25,979,894	10,243,475
Suiche 7B ATMs		1,792,286	1,470,899
Other expenses from service commissions		4,213,145	1,719,409
		<u>172,387,400</u>	<u>90,099,059</u>

A detail of miscellaneous operating expenses follows (in bolivars):

	Note	Semesters ended	
		31 December 2023	30 June 2023
Contribution to Organic Law on Drugs		4,069,000	8,450,000
Contribution to Organic Law on Sports, Physical Activity and Physical Education		3,548,000	7,550,000
Contribution to the National Fund for Municipal Councils		46,200,349	13,388,553
Contribution to Organic Law on Science, Technology and Innovation		15,718,365	18,070,221
Provision for other assets	13	-	100,000
Provision for other services		426,097	12,065
Tasks related to ML/TF/FPWMD activities		92,620	400,000
Others		134,987	108,327
		<u>70,189,418</u>	<u>48,079,166</u>

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(21) Administrative and General Expenses

A detail of administrative and general expenses follows (in bolivars):

	Notes	Semesters ended	
		31 December 2023	30 June 2023
Maintenance and repairs of fixed assets		209,798,428	164,899,863
Expenses for transportation and communications		124,501,400	76,256,324
Advisory and external audit		95,691,492	75,500,860
Transportation of securities and overall surveillance	24	105,956,962	70,143,204
Tax on economic activities	18(d)	67,263,147	68,510,718
Expenses for leases		74,336,355	51,933,014
Expenses for external services		68,242,376	45,647,686
Advertisement and publicity expenses		42,924,977	26,593,278
Miscellaneous general expenses		45,315,423	24,176,713
Tax on large financial transactions	18(e)	35,411,081	22,386,591
Amortization of deferred expenses	13	35,684,185	17,613,832
Depreciation and downgrading of fixed assets	12	27,842,674	16,326,225
Water, electricity and gas services		19,762,703	11,191,774
Insurance expenses		19,546,457	6,362,274
Other taxes and contributions		7,514,492	6,056,931
Legal advisory		5,338,699	3,753,636
Stationery and office supplies		4,791,430	2,114,272
Others		1,767,254	1,536,505
Public Relations		2,531,747	709,518
Legal expenses		2,062,033	378,674
Infrastructure expenses		-	28,971
		<u>996,283,315</u>	<u>692,120,863</u>

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Notes to the Consolidated Financial Statements

31 December and 30 June 2023

(22) Memorandum Accounts

A detail of memorandum accounts follows (in bolivars):

	Notes	31 December 2023	30 June 2023
Debtor contingent accounts -			
Guarantees granted		703,819	457,683
Credit lines for credit cards		12,168,844	3,869,521
Credit lines for discounts and purchase of invoices		3	3
		<u>12,872,666</u>	<u>4,327,207</u>
Trust assets		<u>555,339,278</u>	<u>461,165,020</u>
Debtor accounts for other trustworthy assignments (Housing and Habitat Loan Regime)		<u>149,114</u>	<u>111,336</u>
Other debtor memorandum accounts -			
Guarantees received (including US\$16,314,551 and US\$50,212,181, respectively)	6	9,435,433,992	6,427,804,878
Custody received (including US\$51,493,441 and US\$51,015,727, respectively)	6	1,956,992,230	1,518,173,483
BOD Operation (including US\$10,879,200 and and US\$11,079,200, respectively)	6	393,027,416	310,993,711
Securities under custody in other financial institutions (equivalent to US\$21,588,691, at 30 June 2023)	6	767,558,207	603,321,876
Non-negotiable credit lines pending granting (including US\$3,220,500, at 30 June 2023)	6	1,577,645,623	799,291,457
Bad debts written off		80,188,979	53,527,675
Collections in foreign currency (equivalent to US\$1,664,007 and US\$1,664,009, respectively)	6	59,686,932	46,502,672
Financial instruments written-off (equivalent to US\$1,882,314 and US\$1,436,614, respectively)	6	67,517,464	40,147,895
Reconciling items written off (equivalent to US\$299,732, at 30 June 2023)	6	26,783,278	15,231,174
Returns receivable deferred on overdue loan portfolio (equivalent to US\$38,334, at 30 June 2023)	6 and 8	1,549,535	1,071,292
Foreign currency granted through SICAD (equivalent to US\$21,000 for both semesters)	6	753,257	586,870
Others (including US\$12,500, for both semesters)	6	448,368	349,569
		<u>14,367,585,282</u>	<u>9,817,002,552</u>
		<u>14,935,946,340</u>	<u>10,282,606,115</u>

At 31 December and 30 June 2023, the custody of securities of other financial institutions are held in the custody of Euroclear Bank, Pershing LLC and Morgan Stanley Smith Barney.

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(a) Trust fund Assets

In August 2003, the Superintendency, through Resolution N° 202-03 dated 4 August 2003, published in Official Gazette of the Republic N° 37.748 dated 7 August 2003, authorized the Bank to operate as trustee.

According to the combined financial statements of the Bank's Trust, the trust accounts consist of the following balances (in bolivars):

	31 December 2023	30 June 2023
Assets -		
Cash and cash equivalents	16,101,015	13,530,363
Investment securities	78,566,180	35,091,408
Loan portfolio	93,472,452	47,255,847
Interests and commissions receivable	4,518,687	2,789,597
Other assets	362,680,944	362,497,805
Total assets	<u>555,339,278</u>	<u>461,165,020</u>
Liabilities -		
Other accounts payable	695,544	321,607
Other liabilities	137,109	120,626
Total liabilities	<u>832,653</u>	<u>442,233</u>
Trust fund equity -		
Equity appointed to trust funds	534,500,001	451,322,991
Adjustments to equity	2,247,653	-
Accrued income	17,758,971	9,399,796
Total stockholders' equity	<u>554,506,625</u>	<u>460,722,787</u>
Total liabilities and stockholders' equity	<u>555,339,278</u>	<u>461,165,020</u>

The Bank's Trust fund Assets accounts are comprised as follows (in bolivars):

	31 December 2023	30 June 2023
Trust equity -		
Guarantee	362,474,138	362,474,138
Labor indemnities	154,992,152	89,976,708
Management	36,506,692	8,013,007
Investment	533,643	258,934
	<u>554,506,625</u>	<u>460,722,787</u>

At 31 December and 30 June 2023, cash and cash equivalents include Bs16,101,015 and Bs13,530,363, respectively, include concentrating accounts of the Trust's liquid funds held at the Bank, which accrue interest at a rate of 6% for both semesters.

The Superintendency, through Notice SIB-II-GGR-GNP-03636 issued on 5 June 2023, established that the gain and/or loss of account group 700 Trusts and Trusteeships generated after the closing of June 2023, will be recorded in account 733.00 Adjustments to equity and, when such gain and/or loss is realized, as a result of the transactions carried out with the assets and/or liabilities that originated it or when the settlement of the trust fund to which it corresponds is formalized, it may be reclassified to account 731.00 Appointed equity of trusts.

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Investment Securities

Investment securities included in the Trust fund accounts, recorded at amortized cost, are comprised by the following items (in bolivars, except for maturities and the percentage of interest rates):

	Acquisition cost	Carrying amount/amortized cost	Fair market value	Nominal value	Maturities	Interest rates (%)
31 December 2023 -						
Investments in local financial institutions:						
Time deposits -						
Banco Exterior, C.A., Banco Universal	27,100,000	27,100,000	27,100,000	27,100,000	05-01-2024 al 12-01-2024	55,00 al 70,00
Bonds and national public debt obligations -						
Vebonos	14	14	9	14	07-08-2025 al 30-11-2028	13,19 al 26,19
Other investment securities -						
Banco Occidental de Descuento, C.A. Banco Universal	19	19	-	19	-	-
Obligations issued by non-financial private companies -						
Genia Care, C. A.	6,384,753	6,384,753	6,384,753	6,384,753	10-01-2024	12,00
Marsoca, C. A. Procesadora	7,102,141	7,102,141	7,102,141	7,102,141	04-03-2024 al 30-04-2024	13,00
Calox Internacional, C.A.	3,000,000	3,000,000	3,000,000	3,000,000	01-01-2024 al 06-02-2024	70,00 al 80,00
Steritex, C. A.	5,326,500	5,326,500	5,326,500	5,326,500	04-04-2024	75,00
Alice Neumáticos de Venezuela, C. A.	2,920,000	2,920,000	2,920,000	2,920,000	26-01-2024	70,00
Compañía Venezolana de Cerámica, C. A.	2,380,000	2,380,000	2,380,000	2,380,000	27-3-24 al 20-04-2024	60,00
Montana Grafica, C. A.	1,580,000	1,580,000	1,580,000	1,580,000	06-02-2024	70,00
Laboratorio Vicenti, C. A.	3,740,000	3,740,000	3,740,000	3,740,000	14-02-2024	50,00
Industrias Iberia, C. A.	1,700,000	1,700,000	1,700,000	1,700,000	29-01-2024	70,00
Corporación Telemic, C. A.	3,600,000	3,600,000	3,600,000	3,600,000	27-01-2024 al 19-02-2024	70,00
Mercantil Servicios Financieros, C.A.	7,000,000	6,993,649	7,000,000	7,000,000	22-02-2024 al 16-04-2024	65,00 al 70,00
Grupo Nueve Once, C. A.	2,152,164	2,152,164	2,152,164	2,152,164	14-03-2024	13,00
Alimentos FM, C.A.	1,000,000	1,000,000	1,000,000	1,000,000	17-03-2024	60,00
Lucky Trade, C. A.	1,793,470	1,793,470	1,793,470	1,793,470	17-01-2024	12,00
Procafe Lara, C.A.	1,793,470	1,793,470	1,793,470	1,793,470	07-02-2024	11,00
	<u>51,472,498</u>	<u>51,466,147</u>	<u>51,472,498</u>	<u>51,472,498</u>		
	<u>78,572,531</u>	<u>78,566,180</u>	<u>78,572,507</u>	<u>78,572,531</u>		
30 June 2023 -						
Investments in local financial institutions:						
Bonds and national public debt obligations -						
Vebonos	19	19	14	19	07-08-2025 al 30-11-2028	13,19 al 26,19
Other investment securities -						
Banco Occidental de Descuento, Banco Universal, C.A.	19	19	-	19	-	-
Obligations issued by non-financial private companies -						
Genia Care, C. A.	6,232,850	6,232,003	6,232,850	6,232,850	07-07-2023 al 06-12-2023	12,00
Marsoca, C. A. Procesadora	5,981,100	5,980,538	5,981,100	5,981,100	03-07-2023 al 29-11-2023	13,00 al 70,00
Calox Internacional, C.A.	2,400,000	2,400,000	2,400,000	2,400,000	30-07-2023 al 24-08-2023	70,00 al 80,00
Steritex, C. A.	2,229,600	2,229,600	2,229,600	2,229,600	30-07-2023 al 21-08-2023	70,00
General de Alimentos Nisa, C. A.	2,110,570	2,110,570	2,110,570	2,110,570	11-08-2023 al 08-10-2023	70,00
Alice Neumáticos de Venezuela, C. A.	2,000,000	2,000,000	2,000,000	2,000,000	11-08-2023	70,00
Productos Químicos L.M.V, C. A.	1,960,900	1,960,900	1,960,900	1,960,900	20-07-2023 al 06-09-2023	60,00
Compañía Venezolana de Cerámica, C. A.	1,700,000	1,700,000	1,700,000	1,700,000	27-07-2023	70,00
Montana Grafica, C. A.	1,580,000	1,580,000	1,580,000	1,580,000	05-09-2023	60,00
Laboratorio Vicenti, C. A.	1,430,000	1,430,000	1,430,000	1,430,000	24-08-2023 al 11-09-2023	60,00 al 70,00
Grupo Apradoc, C. A.	1,397,500	1,397,310	1,397,500	1,397,500	14-10-2023	12,00
Industrias Iberia, C. A.	1,300,000	1,300,000	1,300,000	1,300,000	04-09-2023 al 13-10-2023	70,00
Corporación Telemic, C. A.	996,700	996,700	996,700	996,700	25-09-2023	70,00
Mercantil Servicios Financieros, C.A.	966,000	966,000	966,000	966,000	07-07-2023 al 24-10-2023	70,00
Distribuidora Agrícola, C. A.	894,400	894,278	894,400	894,400	16-12-2023	12,00
Grupo Nueve Once, C. A.	838,500	838,386	838,500	838,500	17-09-2023	13,00
Alimentos FM, C.A.	600,000	600,000	600,000	600,000	21-07-2023 al 20-08-2023	70,00
Lucky Trade, C. A.	475,150	475,085	475,150	475,150	24-09-2023	12,00
	<u>35,093,270</u>	<u>35,091,370</u>	<u>35,093,270</u>	<u>35,093,270</u>		
	<u>35,093,308</u>	<u>35,091,408</u>	<u>35,093,284</u>	<u>35,093,308</u>		

(1) It corresponds to the nominal value, which is considered its fair value.

(2) Fair market value determined by purchase and sale operations in the secondary market or the current value of future cash flows of the estimated cash.

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Investment security	Custodian
Investments in local financial institutions	Central Bank of Venezuela C.V.V. Caja Venezolana De Valores, S.A.

A detail of the reclassification of investment securities pursuant to their maturities follows (in bolivars):

	31 December 2023		30 June 2023	
	Amortized cost	Fair market value	Amortized cost	Fair market value
Up to six months	78,566,147	78,572,498	35,091,370	35,093,270
From one to five years	9	9	14	14
From five to ten years	5	-	5	-
Over ten years	19	-	19	-
	<u>78,566,180</u>	<u>78,572,507</u>	<u>35,091,408</u>	<u>35,093,284</u>

At 31 December and 30 June 2023, the trust fund purchased investments for Bs46,472,898 and Bs14,357,390, respectively.

Investments securities are concentrated in the issuers as follows (in bolivars):

	31 December 2023	30 June 2023
Banco Exterior, C.A., Banco Universal	27,100,000	-
Marsoca, C. A. Procesadora	7,102,141	5,980,538
Mercantil Servicios Financieros, C.A.	6,993,649	966,000
Genia Care, C. A.	6,384,753	6,232,003
Steritex, C. A.	5,326,500	2,229,600
Laboratorio Vicenti, C. A.	3,740,000	1,430,000
Corporación Telemic, C. A.	3,600,000	996,700
Calox International, C.A.	3,000,000	2,400,000
Alice Neumáticos de Venezuela, C. A.	2,920,000	2,000,000
Compañía Venezolana de Cerámica, C. A.	2,380,000	1,700,000
Grupo Nueve Once, C. A.	2,152,164	838,386
Lucky Trade, C. A.	1,793,470	475,085
Procafé Lara, C.A.	1,793,470	-
Industrias Iberia, C. A.	1,700,000	1,300,000
Montana Gráfica, C. A.	1,580,000	1,580,000
Alimentos FM, C.A.	1,000,000	600,000
Banco Occidental de Descuento, C.A., Banco Universal	19	19
Bolivarian Republic of Venezuela	14	19
General de Alimentos Nisa, C. A.	-	2,110,570
Productos Químicos L.M.V, C. A.	-	1,960,900
Grupo Apradoc, C. A.	-	1,397,310
Distribuidora Agrícola, C. A.	-	894,278
	<u>78,566,180</u>	<u>35,091,408</u>

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At 31 December and 30 June 2023, the loan portfolio includes loans and advances of social benefits to Bank employees for Bs1,978,778 and Bs1,083,145, respectively. Furthermore, it includes Bs82,630,142 and Bs41,503,445, respectively, corresponding to loans and advances of social benefits from private entities; and Bs8,863,532 and Bs4,669,257, respectively, from public entities.

At 31 December and 30 June 2023, there are labor indemnity trusts in favor of the Bank's employees for Bs7,874,405 and Bs5,018,933, respectively.

On 22 May 2013, Official Gazette of the Republic N° 40.172 published Administrative Ruling N° 0010, dated 21 May 2013, issued by the National Treasury Office, called "Administrative Ruling that regulates the return to the Treasury of the amounts credited in the trusts constituted by the Republic and its decentralized entities that are immobilized for more than four months", which establishes that the Republic's organs and entities which have constituted trusts with budgetary resources in public or private banks, without having made disbursements or payments related to their purpose for periods equal to or longer than four months, with the exception of labor trusts, must pay both the trust capital and the dividends generated to the accounts of the National Treasury. At 31 December and 30 June 2023, the trusts constituted by the Republic, or its decentralized entities correspond mainly to labor indemnity and administration trusts, which have been mobilized during the last four months.

(b) Debtor accounts for other trust commissions (Housing and Habitat Benefits Regime) and Saving Funds for Housing

A detail of debtor accounts for other trust commissions (Housing and Habitat Benefits Regime) and Saving Funds for Housing follows (in bolivars):

	Note	31 December 2023	30 June 2023
Assets -			
Cash and cash equivalents	14	8,609	27,595
Investment securities		140,505	83,741
Total assets		<u>149,114</u>	<u>111,336</u>
Liabilities -			
Contributions for saving funds for housing		149,114	111,336
Total liabilities		<u>149,114</u>	<u>111,336</u>

Housing programs, direct demand subsidies, eligibility system, Guarantee Fund and Rescue Fund are subject to the Housing and Habitat Benefit System Law. These programs are aimed primarily at families that apply for housing assistance with the resources of the Mutual Housing Fund. The financial institutions authorized as financial operators by the *Banco Nacional de Vivienda y Habitat* (BANAVIH) receive the deposits of the monthly contributions of the employers, employees and employees of the private and public sector, and deposit such amounts in the single account of the *Fondo Mutual Habitacional*, in the name of each employee. These funds will be used for short and long-term loans for the construction, acquisition and remodeling of primary residence.

At 31 December and 30 June 2023, the investment trust is maintained in the BANAVIH for Bs140,505 and Bs83,741, respectively, as a result of the deposits of the Housing and Habitat Benefit System Law collected and transferred by the Bank which, in accordance with the Accounting Manual, are presented as investment securities.

The Law of the Housing and Habitat Benefit System establishes that the amount of the monthly payment installments of the loans granted will be between 5% and 20% of the family's monthly income. It also provides that the loans will accrue a social interest rate established by the People's Power Ministry for Housing and Habitat.

(23) Equity Accounts and Reserves**(a) Capital Stock and Authorized Capital**

At 31 December and 30 June 2023, the Bank's paid-in capital stock is Bs128,959,650, for both semesters, represented by 128,959,650,000 common, nominative, non-convertible bearer shares, of the same class, with a par value of Bs0.001, fully subscribed and paid.

At the Extraordinary General Stockholders' Meeting held on 13 July 2022, an increase in the value of the Bank's shares to Bs0.001 was approved through a capitalization of Bs17,810,184, charged to the account "Gain or Loss on Exchange Fluctuations from Holding and Sale of Foreign Currency under the Free Convertibility Exchange Market System". Additionally, it was approved to increase the capital stock with its own resources by Bs100,000,000,000, through the issue of 100,000,000,000 common, nominative, non-convertible bearer shares, with a par value of Bs0.001, offered exclusively to the Bank's Stockholders. The Superintendency in Official Letter SIB-II-GGR-GA-09315 dated 15 December 2022, after a favorable pronouncement from OSFIN; and SUNAVAL, through Ruling N° 248 and N° 249, respectively, dated 23 December 2022, authorized the Bank to increase its capital stock by the referred amounts. For this concept, at 31 December 2022, the Bank maintains Bs82,816,267 recorded in the non-capitalized equity contributions item.

At the General Ordinary Stockholders' Meeting held on 21 September 2022, a dividend distribution of Bs15,838,600 was approved, to be paid in full in shares, through the issue of 15,838,600,000 shares with a par value of Bs0.001, with a charge to the account of Surplus to be applied. The Superintendency in Ruling SIB-II-GGR-GA-09300 dated 15 December 2022, after a favorable pronouncement from OSFIN, authorized the Bank to increase its capital stock by the referred amount.

On 25 January 2023, through the capitalization of non-capitalized equity contributions of Bs82,816,267 and Bs17,183,733, the Bank completed the capitalization of 100,000,000,000 of new common shares, nominative of a single class, non-convertible to bearer, with a par value of Bs0.001, increasing the capital stock to Bs128,959,650, in accordance with the provisions of Ruling SIB-II-GGR-GA-09315 dated 15 December 2022 and Ruling N° 249, dated 23 December 2022.

At the General Ordinary Stockholders' Meeting held on 22 March 2023, a dividend distribution of Bs113,121,050 was approved, to be paid in 40%, through the issue of 45,248,420,000 shares with a par value of Bs0.001 and 60% equivalent to Bs67,872,630 payable in cash, with a charge to the account of Surplus to be applied, said dividend decree is recorded in the accruals and other liabilities as dividends payable (see note 17). The Superintendency, in Official Letter SIB-II-GGIBPV-GIBPV4-04525 dated 30 June 2023, indicates that the Bank must request authorization for the application of the capital increase in shares, and also states that it must submit the supporting documentation evidencing the cash inflow from stockholders' equity. At 31 December 2023, the Bank is awaiting approval from the Superintendency for the registration of the capital increase corresponding to 40% decreed through the issue of shares.

At the Extraordinary General Stockholders' Meeting held on 22 March 2023, the Stockholders approved the Equity Restructuring and Capitalization Plan, the capital increase and the increase in the nominal value per share by Bs1, and consequently, the amendment of Article 4 of the Bank's Bylaws. At 31 December 2023, this plan is in the process of being approved by the Superintendency.

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The Superintendency, in Ruling SIB-II-GGIBPV-GIBPV4-04666 dated 19 July 2023, based on the provisions of Notice SIB-II-GGR-GNP-03636, authorizes the Bank to offset the accumulated loss of Bs1,180,805 against the Adjustments to Stockholders' Equity account. The Superintendency, in Official Letter SIB-II-GGIBPV-08607 dated 28 December 2023, indicates that, once the accounting vouchers have been reviewed, as well as the figures reflected in the accounting AT03, transmitted through the Integral Financial Information System (SIF), it authorizes the replacement of the loss.

At the General Ordinary Stockholders' Meeting held on 20 September 2023, a dividend distribution of Bs386,878,950 was approved, to be paid 40% through the issue of 154,751,580,000 shares with a par value of Bs0.001 and 60% equivalent to Bs232,127,370 payable in cash, with a charge to the account of Surplus to be applied. At 31 December 2023, the Bank is awaiting approval from the Superintendency for the registration of the capital increase corresponding to 40% decreed through the issue of shares.

The share certificates subscribed by the stockholders are identified as non-convertible nominative common bearer shares distributed as follows:

	31 December 2023		30 June 2023	
	Number of shares	Share (%)	Number of shares	Share (%)
Stockholders -				
Nogueroles García, Jorge Luis	13,958,729,600	10.82	13,945,763,000	10.81
Sociedad Financiera Internacional, Ltd.	11,276,414,000	8.74	11,276,414,000	8.74
Valores Torre Casa, C.A.	9,885,635,000	7.67	9,885,635,000	7.67
Halabi Harb, Anuar	8,512,946,000	6.60	8,512,946,000	6.60
Alintio International, S.L.	6,449,227,930	5.00	6,404,227,630	4.97
Pívca Promotora de Inversiones y Valores, C.A.	5,196,736,000	4.03	5,158,386,000	4.00
Curbelo Pérez, Juan Ramón	5,091,895,010	3.95	5,091,895,010	3.95
Starlight Investments, S.L.	5,063,484,845	3.93	5,063,484,845	3.93
Inversiones Clatal, C.A.	3,964,626,210	3.07	3,979,296,210	3.09
Corporación Friport, C.A.	3,592,702,743	2.79	3,809,252,843	2.95
Osio Montiel, Carmen Inés	3,328,679,480	2.58	3,328,679,480	2.58
Inversiones Grial, C.A.	2,971,729,000	2.30	2,971,729,000	2.30
Kozma Solymosy, Nicolás A.	2,762,433,250	2.14	2,762,433,250	2.14
Pembrokepines Investments LLC Venezuelan Branch	2,541,732,046	1.97	2,536,000,046	1.97
Inversiones Tosuman, C.A.	2,346,801,810	1.86	2,404,644,810	1.86
García Arroyo, Sagrario	2,397,886,000	1.82	2,397,886,000	1.86
Tamayo Degwitz, Carlos Enrique	2,335,342,800	1.81	2,360,839,900	1.83
Somoza Mosquera, David	2,278,118,165	1.77	2,278,118,165	1.77
Grupo Ebenezer, C.A.	-	-	1,934,394,750	1.50
Fernandez Rangel, Ely Jose	1,934,395,000	1.50	-	-
Consorcio Toyomarca, S.A.	1,919,428,623	1.49	1,919,428,623	1.49
Da Silva Frade, Silverio Junior	1,712,639,140	1.33	-	-
Kozma Ingenuo, Alejandro Nicola	1,632,999,220	1.27	1,632,999,220	1.27
Kozma Ingenuo, Carolina María	1,632,999,220	1.27	1,632,999,220	1.27
Chaar Chaar, Mouada	1,466,882,850	1.14	1,466,882,850	1.14
Fospuca Baruta, C.A.	1,289,596,500	1.00	1,289,596,500	1.00
Arocha Moreno, Gregorio José	1,289,596,500	1.00	1,289,596,500	1.00
Valores Agropecuarios La Florida, C.A.	1,195,267,855	0.93	1,195,267,855	0.93
Tracto Agro Valencia, C.A.	1,184,154,000	0.92	1,184,154,000	0.92
Zasuma Inversiones, C.A.	1,112,284,430	0.86	1,112,284,430	0.86
Benacerraf Herrera, Mercedes Cecilia	1,092,144,000	0.85	1,092,144,000	0.85
Mota Sanchez y Cia, S.A.	908,633,013	0.70	908,633,013	0.70
Nogueroles Benacerraf, Rodrigo José	846,281,000	0.66	846,281,000	0.66
Others	15,787,228,760	12.23	17,287,356,850	13.41
	<u>128,959,650,000</u>	<u>100.00</u>	<u>128,959,650,000</u>	<u>100.00</u>

Standards regarding the minimum capital stock for the incorporation and operation of banking institutions

Official Gazette of the Republic N° 42.412 dated 6 July 2022 published Resolution N° 014.22 of the Superintendency, whereby the institutions of the banking sector require, for their incorporation and operation, a minimum capital, subscribed and paid in full in cash, not less than 3% of the total assets expressed in the balance sheet. The institutions of the banking sector must adjust their capital stock within a term of less than six months, based on the total assets reflected in the financial statements corresponding to the semester ended 31 December 2021, which may be divided in two equal portions, each one of them contributed within each quarter counted as of the publication of said resolution, prior authorization of the Superintendency and binding opinion of the OSFIN, by means of:

- Cash contributions with stockholders' own resources, which may not be less than 60% of the amount to be increased.
- Capitalization of accumulated results up to 40% of the amount to be increased.

Subsequently, this capital stock must be adjusted annually during the first six months of each year, based on the total assets reflected in the financial statements for the six-month period ended 31 December of the immediately preceding year.

At 31 December and 30 June 2023, the Bank does not maintain the minimum capital requirement in accordance with this provision. The required capital increases were approved at Ordinary Stockholders' Meetings and the corresponding authorization requests were submitted to the Superintendency for consideration and are awaiting a response from the latter.

(b) *Capital Reserves*

Legal Reserve

The Bank, pursuant to the provisions established in its bylaws and the Law on Institutions for the Banking Sector, records a bi-yearly contribution of 20% of its bi-yearly net income for legal reserve until that reserve reaches 50% of the capital stock. Once the legal reserve has reached such limit, the Bank will record, as a provision for legal reserve, 10% of its bi-yearly net income until it reaches 100% of the capital stock. At 31 December and 30 June 2023, capital reserves include Bs128,959,650, for both semesters, corresponding to legal reserve.

Social Funds for Contingencies

The Banking Sector Law establishes in its Article 45, that banking institutions shall constitute a Social Fund for Contingencies through a cash transfer to a trust fund in another banking institution (see note 7), equivalent to 10% of the capital stock, ensuring the payment of the labor debts of employees in the event of an administrative liquidation of the Bank. Such percentage shall be constituted with biyearly contributions of 0.5% of the capital stock until reaching the required 10%. On 14 December 2011, through Resolution N° 305.11, published in Official Gazette N° 39.820 from that same date, the Superintendency issued the "Regulations Regarding the National Fund for Contingencies" regulating the aspects related to the creation, fiduciary selection and accounting of the abovementioned Fund.

On 23 March 2012, the Bank created the Fund by opening an investment trust in Banco Exterior, C.A., Banco Universal, in accordance with Resolution No. 305-11. The Bank made the corresponding accounting records by debiting investments in restricted securities (see note 7) and crediting cash held at the BCV.

At 31 December and 30 June 2023, the capital reserves account includes Bs1,434,858 and Bs790,059, respectively, corresponding to the Social Contingency Fund.

(c) Adjustments to Stockholders' Equity

Income or losses from exchange rate variations on holding assets and liabilities in foreign currency

On 29 March 2019, the Superintendency, through Notice N° SIB-II-GGR-GNP-03578 establishes the rules related to the application of the net profits originated by the effect of the valuation of assets and liabilities at the free convertibility exchange rate fixed by Exchange Agreement N° 1 of 21 August 2018, the criteria and guidelines should be applied considering:

- Income or losses arising from holding assets and liabilities in foreign currency should be recorded in account 352.00 "Income or losses from exchange rate variations from holding assets and liabilities in foreign currency."
- The net credit balance reflected at 31 December 2018 and 30 June 2019, as well as, that corresponding to the following half-yearly closings, must be applied in the following order of priority, upon request and authorization to the Superintendency:
 - Write-off operational losses or deficits.
 - Constitution or coverage of deficit balances in provisions for asset contingencies, adjustments or losses determined by the Superintendency.

When the banking institution, by virtue of its financial situation, does not merit applying the balance recorded in the abovementioned account to the items mentioned above or, in any case, if once the items have been applied there are surplus amounts, the Superintendency, upon request and evaluation, may authorize their application to the results of the fiscal year. Once its application has been authorized, it must set aside 50% of the results to the restricted surplus, in accordance with Resolution N° 329.99 dated 28 December 1999, published in Official Gazette N° 36.859 dated 29 December 1999.

The balance maintained in account 352.00 "Income or losses on foreign exchange variations from holding assets and liabilities in foreign currency" must be considered to determine the primary equity (level I), which is used in the calculation of the Total Equity Adequacy Ratio, provided for in Resolutions N° 305.09 and 117.14 dated 9 July 2009 and 25 August 2014, respectively.

On 5 June 2023, the Superintendency, through Notice SIB-II-GGR-GNP-03636 establishes the rules related to the application of the net profits originated at 30 June 2023 by the effect of the valuation of assets and liabilities in foreign currency at the free convertibility exchange rate fixed by Exchange Agreement N° 1 of 21 August 2018, the criteria and guidelines should be applied considering:

- Income or losses arising from holding assets and liabilities in foreign currency should be recorded in account 352.00 "Income or losses from exchange rate variations from holding assets and liabilities in foreign currency."

- The net credit balance reflected in account 35.00 "Income or losses from exchange rate variations from holding assets and liabilities in foreign currency" at 30 June 2023 and at 31 2023, as well as, that corresponding to the following half-yearly closings, must be applied in the following order of priority, upon request and authorization to the Superintendency:
 - Write-off operational losses or deficits.
 - Constitution or coverage of deficit balances in provisions for asset contingencies, adjustments or losses determined by the Superintendency.
 - Constitution or coverage of deficit balances in provisions for asset contingencies, adjustments or losses, directly related to the assets denominated in foreign currencies that generate such effect.

When the banking institution, by virtue of its financial situation, does not merit applying the balance recorded in the abovementioned account to the items mentioned above or, in any case, if once the items have been applied there are surplus amounts, the Superintendency, upon request and evaluation, may authorize their application to the results of the fiscal year. Once its application has been authorized, it must set aside 50% of the results to sub-account 361.02 "Restricted Surplus," in accordance with Resolution N° 329.99 dated 28 December 1999, published in Official Gazette N° 36.859 dated 29 December 1999.

The balance maintained in account 352.00 "Income or losses on foreign exchange variations from holding assets and liabilities in foreign currency" must be considered to determine the primary equity (level I), which is used in the calculation of the Total Equity Adequacy Ratio.

In addition, Notices SIB-II-GGR-GNP-03578 and SIB-DSB-CJ-OD-05294 dated 29 March 2019 and 14 July 2021, respectively, are repealed.

Variation of credits of the single productive and commercial portfolio determined as established by the BCV

On 18 May 2020 and 20 December 2019, the Superintendency, by means of Resolutions N° 027.07 and 070.19, respectively, establishes the standards related to the application and recording of the net profits generated by the increases or decreases resulting from the variation of the capital of the loans of the single productive and commercial portfolio framed in Resolutions N° 20-02-01 and 19-09-01-01, respectively, of the BCV dated 2 February 2020 and 5 September 2019, respectively, which establishes that the balance recorded in account 358.00 "Variation of credits of the single productive and commercial portfolio determined as established by the BCV", must only be applied for the constitution of generic and counter-cyclical provisions generated from the portions corresponding to the variation of the credit capital.

When the banking institution, by virtue of its financial situation, does not need to apply the balance recorded in the aforementioned account or if once said items have been applied, there are surplus amounts that show amounts actually collected, they may record them in the results of the year, provided that the portion of capital resulting from the variation of the investment rate has been previously recorded in said account. Additionally, the balance maintained in account 358.00 "Variation in loans of the single productive and commercial portfolio determined as established by the BCV", must be considered to determine the primary equity (level I), which is used in the calculation of the Total Equity Adequacy Ratio.

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A detail of changes in the equity adjustment account follows (in bolivars):

	Notes	Semesters ended	
		31 December 2023	30 June 2023
Balances at the beginning of the semester		3,090,531,791	2,058,219,015
Income from net exchange variation	6	594,460,240	1,081,455,672
Reclassification to accrued losses		(1,180,805)	-
Increase provided by the variation of capital loans granted through UVC	8	760,019,655	706,465,536
Allocation charged to income of the benefits yielded by increases in the variation of loans collected and granted through UVC	8	(765,610,903)	(782,859,898)
Reclassification to net income for net income from investments in subsidiaries and affiliates		-	27,251,466
Balances at semester-end		<u>3,678,219,978</u>	<u>3,090,531,791</u>

(d) Accrued Income*Undistributed surplus*

The Superintendency, through Ruling SIB-II-GGIBPV-GIBPV2-07778, dated 30 March 2011, indicated to the Bank that the profits generated by the operations of the Branch abroad are considered non-distributable surplus.

Restricted surplus

At 31 December and 30 June 2023, restricted surplus amounts to Bs664,565,583 and Bs441,886,166, respectively.

On 3 February 2015, in Notice SIB-II-GGR-GNP-03660, the Superintendency established the parameters that banking institutions must consider for the application of the restricted surplus, constituted on the occasion of the equity section of 50% of the results of each semester and indicates that the restricted surplus may be applied or used according to the following order of priority:

- Increase in capital stock.
- Cover losses or deficits arising from operations carried out, maintained in the equity accounts.
- Constitution or coverage of deficit balances in provisions for asset contingencies, adjustments or losses determined by the Superintendency.
- Offset deferred expenses based on special plans approved by the Superintendency; additionally, costs and capital gains generated in mergers or transformations that were reflected in due course will be offset, as well as costs and capital gains generated in mergers or transformations that take place after the issue of this Notice, in accordance with the provisions of current legislation.

Banking institutions must request authorization from the Superintendency for the application of the restricted surplus within the abovementioned concepts. Those banking institutions that by virtue of their financial and equity situation do not merit applying the balance recorded as restricted surplus in the items indicated for its use or application, or in any case, if once applied in said items there are surplus amounts, the Superintendency, upon request, analysis and evaluation of each particular

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case, may authorize its reclassification to the account of Surplus to be Applied. The constitution of the equity reserve equivalent to 50% of the results of the respective semester and its recording in the Restricted Surplus account indicated in Resolution N° 329.99, issued by the Superintendency on 28 December 1999 and published in Official Gazette N° 36.859 dated 29 December 1999, is maintained.

On 28 June 2023, by means of Notice SIB-II-GGR-GNP-04201, the Superintendency established the parameters that banking institutions must consider for the application of the restricted surplus, constituted on the occasion of the 50% of the results of each semester, and indicates that the restricted surplus may only be applied or used to make capital stock increases, upon request for authorization and approval by the Superintendency.

(e) Risk Capital Ratios

The ratios required and maintained by the Bank, calculated based on its published consolidated financial statements, and in accordance with the instructions and regulations of the Superintendency, are indicated below:

	31 December 2023		30 June 2023	
	Required (%)	Maintained (%)	Required (%)	Maintained (%)
Equity/Assets and contingent weighted operations based on risks	12	44,36%	12	62,53%
Accounting equity/Total assets	9	23,89%	9	28,57%

The Superintendency, through Resolution N° 117.14 of 25 August 2014, established the deferral of the schedule set forth in Article 2 of Resolution N° 145.13 of 10 September 2013, regarding the accounting equity adequacy ratio of 10%, corresponding to 30 June 2015, until such time as the Superintendency so indicates, for which reason they must have a ratio of no less than 9%.

The Superintendency, through Notices SIB-II-GGR-GNP-10189 and SIB-II-GGR-GNP-12738 of 7 and 27 April 2016, respectively, granted banking institutions regulatory exception to determine the "Accounting equity adequacy index", which allows:

- Exclude from total assets the balance of the following items: bonds and debentures issued by the BCV, placements in the BCV, cash and due from banks of the banking institution in the BCV (including legal reserve).
- Include in the accounting equity the amount corresponding to the generic and counter-cyclical provision for the loan and micro-credit portfolio; and in the primary equity (level I), the amount corresponding to the generic and counter-cyclical provision.

(f) Earnings per Share

A detail of the liquidation earnings per share is as follows (in bolivars):

	Semesters ended	
	31 December 2023	30 June 2023
Circulating common shares	128,959,650,000	128,959,650,000
Liquidation earning per share	0.0028	0.0058

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(24) Transactions and Balances with Related Entities

A summary of transactions and balances maintained by the Bank with its related entity follows (in bolivars):

	<u>Notes</u>	<u>31 December 2023</u>	<u>30 June 2023</u>
Assets -			
Cash and cash equivalents:			
Transvalor Orinoco, C.A. -			
Foreign notes and coins (including US\$1,147,211 and €1,389,102; and US\$39,252,330 and €1,199,245, respectively)	5	96,320,875	1,133,001,353
BNC International Banking Corporation -			
Banks and correspondents abroad (including US\$15,269,123 and US\$1,268,304, respectively)			
		419,647,689	35,444,286
Exchange Agreement N° 20 (including US\$3,818 in both semesters)	5	136,936	106,688
Investments in affiliates and subsidiaries -			
Consorcio Credicard, C.A.	10	303,050,832	164,984,179
Proyectos Conexus, C.A.	10	12,150,311	7,863,727
Total assets		<u>831,306,643</u>	<u>1,341,400,233</u>
Liabilities -			
Customer's deposits:			
BNC International Banking Corporation (equivalent to US\$7,020 and US\$4,323,634, respectively)			
		251,809	120,829,144
Latin American Holdings Inc, C.A. (including US\$14,670 and US\$115,064, respectively)		1,648,752	3,215,604
Servicios Latin Pagos 2021, C.A. (including US\$134,431 and US\$125,112, respectively)		5,322,861	3,496,418
Transvalor Orinoco, C.A. (including US\$27,908 and €10; and US\$36,781 and €10, respectively)		1,298,567	1,027,892
Other financing obtained in BNC			
International Banking Corporation -			
Non-interest bearing sight deposits (including US\$51,818 and US\$51,857, respectively)			
	15	1,930,408	1,449,201
Total liabilities		<u>10,452,397</u>	<u>130,018,259</u>

On 26 August 2022, the Bank entered into an agreement with Latin American Holding INC. C.A., (LAH) for the rendering of professional services related to a) the negotiation and sale of real estate assets owned by the Bank, and b) corporate, financial and investment advisory services, as well as business management, analysis and assessment. The Bank has agreed to pay LAH, and LAH has accepted, a consideration equivalent to 5% of each of the real estate sales transactions carried out by LAH. Furthermore, the parties may agree to pay LAH for corporate, financial and investment advisory services, as well as business management, analysis and assessment, the amount, quantity and terms of which shall be established by mutual agreement between the parties on the occasion of each operation, by means of

private communication, without the need to subscribe an addendum to this agreement. This agreement shall be in force indefinitely; however, the parties may terminate the same upon prior notice. In addition, during the six-month periods ended 31 December and 30 June 2023, the Bank has recorded expenses from these services for Bs50,511,913 and Bs52,697,165, respectively, included under administrative and general expenses in the consolidated statements of income and net income allocation.

On 30 November 2022, the Bank entered into an addendum to the framework agreement with Transvalor Orinoco, C.A., which contemplates the terms and conditions related to ATM services, transportation and custody of securities. This agreement is valid for one year, with automatic renewal, unless one of the parties states otherwise. As a consequence of this agreement, foreign notes and coins are in the custody of Transvalor Orinoco, C.A. Additionally, during the semesters ended 31 December and 30 June 2023, the Bank has recorded expenses for these services, transportation and custody of securities for Bs61,715,130 and Bs35,764,940, included in general and administrative expenses in the consolidated statements of income and net income allocation.

(25) Contributions to the Social Protection Fund for Bank Deposits

The Social Protection Fund for Bank Deposits is an autonomous institution with legal status and its own assets, whose main purpose is to guarantee the funds collected from the public in local currency by banking institutions, up to a maximum amount of Bs0.03, as well as to act as liquidator of these institutions and their related companies, in accordance with the provisions of the Law of Institutions of the Banking Sector.

During the semesters ended 31 December and 30 June 2023, the Bank recorded Bs17,789,445 and Bs8,485,901, respectively, in the consolidated statements of income and net income allocation, corresponding to the semiannual contribution equivalent to 0.75% of the total customers' deposits held at the closing of the immediately preceding semester, for both semesters, in accordance with the provisions of Article 121 of the Banking Sector Institutions Law.

(26) Special Contribution to the Superintendency of Banking Institutions

The Law of Institutions of the Banking Sector establishes a special contribution to be paid by Venezuelan banking institutions governed by said law, to support the operations of the Superintendency. Furthermore, the Superintendency through Notices SIB-II-GGR-GNP-2764 and SIB-II-GGR-GNP-15889 dated 14 March 2019 and 21 September 2018, informs that the People's Ministry of Economy and Finance, through account item N° 001 and N° 052 of those same dates, approved an authorization to implement a calculation methodology different from that stipulated of the abovementioned law.

At 31 December and 30 June 2023, the amount corresponding to the contribution paid in the six-month period is based on 0.8 per thousand of the average of the assets of the two months prior to the two-month period to which the payment corresponds. During the semesters ended 31 December and 30 June 2023, the Bank recorded Bs34,582,201 and Bs26,127,021, respectively, in the consolidated statements of income and net income allocation.

(27) Contingencies

At 31 December and 30 June 2023, there are lawsuits and other claims against the Bank arising from the normal course of its operations. Management and its legal advisors consider that such lawsuits and claims are not entirely appropriate, and the allegations and legal appeals filed by the Bank will be favorably received; consequently, the resolution of these contingencies will not significantly affect the Bank's consolidated financial position or results of operations.

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(28) Maturities of Assets and Liabilities

A detail of maturities of monetary assets and liabilities at 31 December 2023 follows (in bolivars):

	30 June 2024	31 December 2024	30 June 2025	31 December 2025	30 June 2026	31 December 2026 or beyond	Total
Assets:							
Cash and cash equivalents	12,872,199,443	-	-	-	-	-	12,872,199,443
Investment securities	419,436,697	-	-	80	-	249,893,304	669,330,081
Loan portfolio	3,909,617,108	1,784,052,670	601,964,451	355	6,597,909	35,618	6,302,268,111
Interests and commissions receivable	4,969,000	-	-	-	-	-	4,969,000
Other assets	3,842,574,950	-	-	-	-	-	3,842,574,950
	<u>21,048,797,198</u>	<u>1,784,052,670</u>	<u>601,964,451</u>	<u>435</u>	<u>6,597,909</u>	<u>249,928,922</u>	<u>23,691,341,585</u>
Liabilities:							
Customer's deposits	15,234,877,748	-	-	-	-	-	15,234,877,748
Other financing obtained	1,357,763,077	-	-	-	-	-	1,357,763,077
Interests and commissions payable	34,917,420	-	-	-	-	-	34,917,420
Accruals and other liabilities	2,946,255,384	-	-	-	-	-	2,946,255,384
	<u>19,573,813,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,573,813,629</u>

(29) Fair Value of Financial Instruments

The estimated fair market value of the Bank's financial instruments, their carrying amounts, the main assumptions assumed, and the methodology used to estimate fair market values are presented below (in bolivars):

	31 December 2023		30 June 2023	
	Carrying value	Fair value	Carrying value	Fair value
Assets -				
Cash and cash equivalents	12,872,199,443	12,872,199,443	9,316,795,786	9,316,795,786
Investment securities	669,330,081	580,101,744	427,486,149	346,986,865
Loan portfolio	6,085,902,485	6,085,902,485	3,882,641,773	3,882,641,773
Interests and commissions receivable	4,969,000	4,969,000	2,989,354	2,989,354
Total assets	<u>19,632,401,009</u>	<u>19,543,172,672</u>	<u>13,629,913,062</u>	<u>13,549,413,778</u>
Liabilities -				
Customer's deposits	15,234,877,748	15,234,877,748	9,766,521,547	9,766,521,547
Other financing obtained	1,357,763,077	1,357,763,077	804,129,523	804,129,523
Interests and commissions payable	34,917,420	34,917,420	18,836,501	18,836,501
Total liabilities	<u>16,627,558,245</u>	<u>16,627,558,245</u>	<u>10,589,487,571</u>	<u>10,589,487,571</u>

The methods and assumptions used to estimate the fair values of on-balance sheet financial instruments are described in note 2(f), "Basis of presentation - Measurement of fair values of financial instruments."

(30) Subsequent Events

(a) Exchange Rate Variation

In accordance with Exchange Agreement N°1 (see note 6), the exchange rates at 9 February 2024, the last one published by the BCV at the date when the Bank's management authorized the issue of the consolidated financial statements [see note 2(b)], is Bs36.23 per US\$1, which is higher than that existing at 31 December 2023. Consequently, the use of these exchange rates for the subsequent measurement of those assets and liabilities denominated in foreign currencies existing at that date, including those arising from 31 December 2023, causes an effect on the consolidated financial statements of the subsequent reporting period.