

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

Report of Independent Accountants and Financial
Statements

June 30, 2014 and December 31, 2013

Report of Independent Accountants

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

Report on the financial statements

We have audited the accompanying financial statements of Banco Nacional de Crédito, C.A., Banco Universal (the Bank) and its Curacao Branch (the Branch), which comprise the balance sheet at June 30, 2014 and December 31, 2013 and the related statements of income, changes in equity and cash flows for the six-month periods then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Nacional de Crédito, C.A., Banco Universal and its Curacao Branch at June 30, 2014 and December 31, 2013, and the results of their operations and their cash flows for the six-month periods then ended, in conformity with the accounting rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN).

Espiñeira, Pacheco y Asociados

A handwritten signature in black ink, appearing to read 'Juan J. Camacho', written over a faint, larger version of the same signature.

Juan J. Camacho
CPC 16072
CP 498
CNV C-841

August 22, 2014

Banco Nacional de Crédito, C.A., Banco Universal
Balance sheet
June 30, 2014 and December 31, 2013

	June 30, 2014	December 31, 2013
	(In bolivars)	
Assets		
Cash and due from banks (Notes 3, 4 and 29)	<u>15,703,648,751</u>	<u>10,627,433,630</u>
Cash	1,594,435,762	1,202,460,075
Central Bank of Venezuela	12,462,608,417	8,280,276,115
Venezuelan banks and other financial institutions	208,549	106,144
Foreign and correspondent banks	416,432,874	336,494,278
Pending cash items	1,229,970,701	808,107,054
Provision for cash and due from banks	(7,552)	(10,036)
Investment securities (Note 5)	<u>13,598,383,929</u>	<u>10,958,921,807</u>
Deposits with the BCV and overnight deposits	450,000,000	592,996,000
Investments in available-for-sale securities	4,975,326,543	5,074,839,015
Investments in held-to-maturity securities	5,289,800,977	3,290,234,631
Restricted investments	39,936,832	33,904,921
Investments in other securities	2,843,419,577	1,967,047,240
(Provision for investment securities)	(100,000)	(100,000)
Loan portfolio (Note 6)	<u>25,215,993,960</u>	<u>19,514,876,766</u>
Current	25,591,020,727	19,753,890,181
Rescheduled	139,165,783	106,797,223
Overdue	16,857,285	11,646,807
(Allowance for losses on loan portfolio)	(531,049,835)	(357,457,445)
Interest and commissions receivable (Note 7)	<u>431,120,045</u>	<u>310,912,011</u>
Interest receivable on investment securities	221,664,902	165,049,726
Interest receivable on loan portfolio	213,847,211	154,421,168
Commissions receivable	1,632,332	1,410,165
(Provision for interest receivable and other)	(6,024,400)	(9,969,048)
Investments in subsidiaries, affiliates and branches (Note 8)	<u>-</u>	<u>-</u>
Available-for-sale assets (Note 9)	<u>2,095,167</u>	<u>22,863,593</u>
Property and equipment (Note 10)	<u>867,097,965</u>	<u>708,169,972</u>
Other assets (Notes 11 and 12)	<u>516,349,509</u>	<u>393,875,663</u>
Total assets	<u>56,334,689,326</u>	<u>42,537,053,442</u>
Memorandum accounts (Note 22)		
Contingent debtor accounts	1,640,361,351	1,593,707,912
Assets received in trust	1,809,370,477	1,505,770,392
Debtor accounts from other special trust services (Housing Loan System)	895,919,741	733,842,985
Other debtor memorandum accounts	<u>77,658,420,857</u>	<u>69,368,116,591</u>
	<u>82,004,072,426</u>	<u>73,201,437,880</u>

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Balance sheet
June 30, 2014 and December 31, 2013

	June 30, 2014	December 31, 2013
	(In bolivars)	
Liabilities and Equity		
Customer deposits (Note 13)	<u>51,140,550,242</u>	<u>38,473,335,572</u>
Demand deposits	<u>37,597,461,348</u>	<u>27,959,333,604</u>
Non-interest-bearing checking accounts	22,847,715,361	17,911,660,305
Interest-bearing checking accounts	8,009,033,127	6,707,584,756
Checking accounts under Exchange Agreement No. 20	317,304,412	266,851
Demand deposits and certificates	6,423,408,448	3,339,821,692
Other demand deposits	649,858,256	858,678,868
Savings deposits	10,290,518,717	8,664,072,030
Time deposits	2,541,575,613	991,251,070
Restricted customer deposits	61,136,308	-
Borrowings (Note 14)	<u>64,259,289</u>	<u>1,798,456</u>
Venezuelan financial institutions, up to one year	723,438	1,287,303
Foreign financial institutions, up to one year	63,535,851	511,153
Other liabilities from financial intermediation (Note 15)	<u>25,485,703</u>	<u>109,311,041</u>
Interest and commissions payable (Note 16)	<u>56,037,205</u>	<u>18,131,858</u>
Expenses payable on customer deposits	55,905,382	18,131,858
Expenses payable on other liabilities	131,823	-
Accruals and other liabilities (Note 17)	<u>998,258,726</u>	<u>945,616,762</u>
Total liabilities	<u>52,284,591,165</u>	<u>39,548,193,689</u>
Equity (Note 25)		
Capital stock	623,930,372	623,930,372
Convertible bonds (Note 24)	-	-
Contributions pending capitalization	380,029,665	315,837,058
Capital reserves	462,473,987	362,382,065
Retained earnings	1,367,182,996	984,408,870
Exchange gain from holding foreign currency assets and liabilities	1,107,009,134	431,509,292
Net unrealized gain on investments in available-for-sale securities (Note 5)	<u>109,472,007</u>	<u>270,792,096</u>
Total equity	<u>4,050,098,161</u>	<u>2,988,859,753</u>
Total liabilities and equity	<u>56,334,689,326</u>	<u>42,537,053,442</u>

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Income statement
Six-month periods ended June 30, 2014 and December 31, 2013

	June 30, 2014	December 31, 2013
	(In bolivars)	
Interest income	<u>2,604,116,228</u>	<u>2,010,323,547</u>
Income from cash and due from banks	23,665	31,583
Income from investment securities	640,836,689	489,619,441
Income from loan portfolio	1,838,093,077	1,381,050,018
Income from other accounts receivable	125,140,141	139,613,187
Other interest income	22,656	9,318
Interest expense	<u>(856,052,848)</u>	<u>(649,284,355)</u>
Expenses from customer deposits	(844,418,935)	(644,969,288)
Expenses from borrowings (Note 14)	(752,514)	(73,792)
Expenses from convertible bonds (Note 24)	-	(3,774,146)
Other interest expense	(10,881,399)	(467,129)
Gross financial margin	<u>1,748,063,380</u>	<u>1,361,039,192</u>
Income from financial assets recovered (Note 6)	5,139,906	9,065,574
Expenses from uncollectible loans and other accounts receivable (Notes 6 and 7)	(173,471,412)	(34,857,374)
Expenses from provision for cash and due from banks	<u>(8,052)</u>	<u>(10,036)</u>
Net financial margin	<u>1,579,723,822</u>	<u>1,335,237,356</u>
Other operating income (Note 19)	475,980,056	225,427,118
Other operating expenses (Note 20)	<u>(279,401,008)</u>	<u>(82,637,411)</u>
Financial intermediation margin	<u>1,776,302,870</u>	<u>1,478,027,063</u>
Operating expenses	<u>(1,329,455,617)</u>	<u>(1,034,690,631)</u>
Salaries and employee benefits (Note 2-j)	(399,912,941)	(273,396,324)
General and administrative expenses (Note 21)	(654,725,956)	(554,203,529)
Fees paid to the Social Bank Deposit Protection Fund (Note 27)	(252,954,446)	(190,415,062)
Fees paid to the Superintendency of Banking Sector Institutions (Note 28)	<u>(21,862,274)</u>	<u>(16,675,716)</u>
Gross operating margin	<u>446,847,253</u>	<u>443,336,432</u>
Income from available-for-sale assets (Note 9)	49,429,671	2,652,596
Sundry operating income (Note 19)	51,904,345	4,628,091
Expenses from available-for-sale assets (Note 9)	(4,737,268)	(11,595,655)
Sundry operating expenses (Note 20)	<u>(55,399,977)</u>	<u>(51,938,259)</u>
Net operating margin	<u>488,044,024</u>	<u>387,083,205</u>
Extraordinary income	558,605	-
Extraordinary expenses	<u>(2,545,273)</u>	<u>(9,819,123)</u>
Gross income before tax	486,057,356	377,264,082
Income tax (Note 18)	<u>(1,196,006)</u>	<u>(48,438)</u>
Net income	<u>484,861,350</u>	<u>377,215,644</u>
Appropriation of net income		
Legal reserve	96,972,270	75,443,128
Retained earnings	<u>387,889,080</u>	<u>301,772,516</u>
	<u>484,861,350</u>	<u>377,215,644</u>
Provision for the Antidrug Law (Notes 1 and 20)	<u>4,910,034</u>	<u>3,818,340</u>

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Cash flow statement
Six-month periods ended June 30, 2014 and December 31, 2013

	June 30, 2014	December 31, 2013
	(In bolivars)	
Cash flows from operating activities		
Net income	484,861,350	377,215,644
Adjustments to reconcile net income to net cash provided by operating activities		
Release of provision for investment securities	-	100,000
Allowance for losses on loan portfolio	173,471,412	34,846,244
Provision for interest receivable	-	11,130
Provision for other assets	11,566,511	6,895,497
Depreciation of property and equipment and amortization of available-for-sale and other assets	64,267,051	59,536,148
Accrual for length-of-service benefits	71,804,400	34,499,710
Transfers to trust fund and payment of length-of-service benefits	(50,673,642)	(31,829,423)
Income tax provision	1,246,245	826,527
Deferred tax asset	(50,239)	(771,450)
Net change in		
Overnight deposits	142,996,000	407,004,000
Interest and commissions receivable	(119,933,769)	(70,964,987)
Other assets	(157,378,312)	(150,264,784)
Accruals and other liabilities	<u>28,116,373</u>	<u>468,802,372</u>
Net cash provided by operating activities	<u>650,293,380</u>	<u>1,135,906,628</u>
Cash flows from financing activities		
Contributions pending capitalization	64,192,607	148,125,979
Maturity and payment of convertible bonds	-	(500,009)
Net change in		
Customer deposits	12,667,214,670	9,025,263,640
Borrowings	62,460,833	(78,942)
Other liabilities from financial intermediation	(83,825,338)	95,068,030
Interest and commissions payable	<u>37,905,347</u>	<u>(3,636,152)</u>
Net cash provided by financing activities	<u>12,747,948,119</u>	<u>9,264,242,546</u>
Cash flows from investing activities		
Loans granted during the period	(16,620,301,970)	(16,062,211,898)
Loans collected during the period	10,745,592,385	10,362,047,264
Equity adjustments for participation in SICAD II transactions (Note 25)	675,499,842	-
Net change in		
Investments in available-for-sale securities	(61,807,617)	(1,674,502,825)
Investments in held-to-maturity securities	(1,999,566,346)	211,883,670
Restricted investments	(6,031,911)	27,630,280
Investments in other securities	(876,372,337)	(669,708,698)
Available-for-sale assets	16,031,158	2,356,162
Property and equipment	<u>(195,069,582)</u>	<u>(164,973,612)</u>
Net cash used in investing activities	<u>(8,322,026,378)</u>	<u>(7,967,479,657)</u>
Cash and due from banks		
Net change in cash and cash equivalents	5,076,215,121	2,432,669,517
At the beginning of the period	<u>10,627,433,630</u>	<u>8,194,764,113</u>
At the end of the period	<u>15,703,648,751</u>	<u>10,627,433,630</u>
Supplementary information on non-cash activities		
Write-off of uncollectible loans (principal)	-	3,069,324
Write-off of uncollectible loans (interest)	-	199,623
Reclassification of excess in (Notes 6 and 7)		
Allowance for losses on loan portfolio to provision for contingent loans	(153,283)	(2,985,773)
Provision for interest receivable to allowance for losses on loan portfolio	274,261	-
Provision for interest receivable to provision for contingent loans	(3,670,387)	(1,521,343)
Net change in unrealized gain (loss) on investments in available-for-sale securities	(161,320,089)	188,229,578
Creation of the Social Contingency Fund	3,119,652	3,119,652
Reclassification of equity to deferred income per SUDEBAN instructions	1,995,302	-

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Notes to the financial statements
June 30, 2014 and December 31, 2013

1. Activities and regulatory environment

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

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

Most of the Bank's assets are located in the Bolivarian Republic of Venezuela. At June 30, 2014 and December 31, 2013, the Bank has 163 and 159 offices and external counter, respectively, a branch in Curacao, a main office, 3,039 and 3,024 employees, respectively.

The Bank's shares are traded on the Caracas Stock Exchange (Note 25).

The Bank conducts transactions with related companies (Note 26).

The Bank's financial statements at June 30, 2014 and December 31, 2013 were approved for issue by the Board of Directors on July 9 and January 13, 2014, respectively.

In August 2003, the Superintendency of Banking Sector Institutions (SUDEBAN) issued Resolution No. 202-03 dated August 4, 2003, published in Official Gazette No. 37,748 on August 7, 2003, authorizing the Bank's fiduciary operations.

The Law on Banking Sector Institutions, issued by the Venezuelan government on December 28, 2010 and amended and reissued on March 2, 2011 as the Partial Reform of the Law on Banking Sector Institutions (hereinafter the Law on Banking Sector Institutions), defines banking as a public service, requires the creation of a social contingency fund and a contribution of 5% of pre-tax income for the fulfillment of social responsibilities, and expands the regulations for bank operations and customer service, as well as for accounting, auditing and bank secrecy.

The Bank's activities are ruled by the Law on Banking Sector Institutions and the Stock Market Law, as well as the rules and instructions of SUDEBAN, the Higher Authority of the National Financial System (OSFIN), the Central Bank of Venezuela (Banco Central de Venezuela - BCV) and the Venezuelan Securities Superintendency (SNV).

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

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

Banco Nacional de Crédito, C.A., Banco Universal
Notes to the financial statements
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Management prepared and submitted to SUDEBAN the adjustment plan required by the Law on Banking Sector Institutions. Regarding the investment portfolio, SUDEBAN interpreted that, in addition to securities issued and guaranteed by the Venezuelan government or government agencies, the Law allows other investments in public or private entities of up to 5% of the issuer's capital stock or voting rights. In addition, management is awaiting definition of certain matters contained in this Law and rulings by: a) the Supreme Tribunal of Justice on Article No. 76 of the Law regarding fiduciary limitations; and b) the OSFIN on Article No. 15 regarding non-banking institutions that also belong to the banking sector, Article No. 38 prohibiting anyone with 5% or more equity or voting rights in an institution belonging to the National Financial System from having shareholdings in banks, Article No. 96 prohibiting transactions exceeding the established limits with the same individual, Article No. 97 regarding the definition of related debtors and Article No. 99, numbers 1, 4, 14, 16 and 17 regarding general operating, financial, preventive and managerial prohibitions.

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

Curacao Branch

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

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

Agricultural Loan Law

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

On April 24, 2014, the aforementioned ministries established the minimum percentages of the loan portfolio to be earmarked by each universal bank to finance agriculture during 2014. This percentage is calculated based on the gross loan portfolio at December 31, 2013 and 2012 of each universal bank, and must be applied as follows: 21% in February, March and April; 22% in May; 23% in June; 24% in July, August and September; 25% in October, November and December (Note 6).

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

Also the Resolution establishes that as from April 2014 banks shall discount 0.5% of agricultural loans settled and transfer this amount to the People's Power Ministry for Agriculture and Land on a monthly basis. This balance will be attributable to the respective loans and, therefore, financed under the same terms and conditions established for each credit operation.

Banco Nacional de Crédito, C.A., Banco Universal
Notes to the financial statements
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According to the Resolution, only 5% of loans earmarked for strategic primary agricultural production may be granted without guarantees to borrowers meeting the following conditions:

1. Borrowers must be individuals who are small producers.
2. Borrowers may not have another current agricultural loan with any public or private universal bank at the loan application date.
3. The primary production project must be viable.

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

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

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

Agricultural Aid Law

The Agricultural Aid Law was enacted on May 23, 2012 to meet the needs of producers, farmers and fishermen who were affected by the floods that hit the country in late 2010.

Through Resolution No. 027-13 of March 18, 2013, SUDEBAN set forth the conditions for risk management for restructured loans, as provided in the Agricultural Aid Law. In addition, through Resolution No. 028-13 of March 18, 2013, SUDEBAN established the special terms and conditions concerning information requirements and the creation of provisions to cover risks arising from agricultural loans.

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

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

Law for Creating, Supporting, Promoting and Developing the Microfinancial Business Sector

This Law establishes that the Bank must earmark 3% of its gross loan portfolio at prior semester closing for microcredits or contributions to institutions that create, support, promote and develop the microfinancial and small business sector in Venezuela.

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Notes to the financial statements
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Special Law for Home Mortgagor Protection

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

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

- a. The maximum annual social interest rate applicable to loans granted under the Special Law for Home Mortgagor Protection is 10.66%.
- b. The maximum annual social interest rate applicable to mortgage loans for the acquisition of primary residences, granted or to be granted from the financial institutions' own resources varies between 4.66% and 8.66%, depending on the monthly family income.
- c. The maximum annual social interest rate applicable to mortgage loans for the construction of primary residences, granted or to be granted from the financial institutions' own resources, is 9.66%.
- d. The maximum annual social interest rate applicable to mortgage loans for the improvement, expansion or construction of primary residences varies between 4.66% and 6.6%, depending on the monthly family income.

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

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

On May 8, 2014, the People's Power Ministry for Housing fixed at 20% the minimum percentage of the annual gross loan portfolio to be earmarked by each universal bank from its own resources for mortgages for the acquisition, construction or self-construction of primary residences. At December 31, 2014, this percentage shall be distributed based on the gross loan portfolio at December 31, 2013, taking into account the financed activity and the monthly family income of the loan applicants (Note 6).

The distribution of the percentage for the construction of residences shall be defined by the Higher Authority of the National Housing System.

The measurement of long-term mortgage loans for the acquisition of primary residences is calculated based on: a) the balances of long-term mortgage loans granted at December 31 of the year preceding the year subject to measurement and b) loans actually granted during the year preceding the year subject to measurement. The measurement of short-term mortgage loans granted for construction of primary residences is calculated based on actual payments made during the year preceding the year subject to measurement.

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

Banco Nacional de Crédito, C.A., Banco Universal
Notes to the financial statements
June 30, 2014 and December 31, 2013

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

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

Tourism Law

The Tourism Law was published in Official Gazette No. 39,251 on August 27, 2009. The Tourism Law requires the People's Power Ministry for Tourism to fix within the first month of each year the percentage of the gross loan portfolio to be earmarked by banks to finance tourism, ranging between 2.5% and 7%. Short, medium and long-term loans must be included in the loan portfolio percentage. The interest rate may only be modified for the benefit of the loan applicant and loans shall be repaid in equal consecutive monthly installments.

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

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

This Law also establishes the distribution by segments of the total monthly balance of each bank's tourism loan portfolio (Note 6).

On March 7, 2014, the People's Power Ministry for Tourism established at 4.25% (4% at December 31, 2013) the minimum percentage of the gross loan portfolio to be earmarked by each universal bank to finance tourism. This percentage is calculated based on the gross loan portfolio balance at December 31, 2012 and 2013 (December 31, 2011 and 2012 at December 31, 2013) and must be applied as follows: 2% at June 30, 2014 and 4.25% at December 31, 2014.

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

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

Manufacturing loans

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

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Through joint Resolution No. 0012 published in Official Gazette No. 40,195 on June 25, 2013, the People's Power Ministries for Industries and for Planning and Finance established the strategic sectors to which 60% of the manufacturing loan portfolio resources shall be allocated, and a minimum percentage of 40% to finance small and medium-sized companies, joint ventures, communal and state companies (Note 6).

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

Subsequent event

Through joint Resolution No. 053 published in Official Gazette No. 40,457 on July 18, 2014, the People's Power Ministries for Industries and for Economy, Finance and Public Banking established the strategic sectors to which 60% of the manufacturing loan portfolio resources shall be allocated, and a minimum percentage of 40% to finance small and medium-sized companies, joint ventures and communal companies. Measurement and compliance percentage of the manufacturing loan portfolio shall be as follows: 8% at September 30, 2014 and 10% at December 31, 2014. This Resolution repeals joint Resolution No. 0012 of the People's Power Ministries for Industries and Finance published in Official Gazette No. 40,195 of June 25, 2013.

BCV regulations

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

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

Also, through Resolution No. 13-11-02 of November 19, 2013, the BCV established that interest rates to be paid by banks on savings deposits for individuals with daily balances of up to Bs 20,000 shall not be less than 16% per annum (12.5% until December 1, 2013), and no less than 12.5% per annum on savings deposits with daily balances higher than Bs 20,000. Interest on savings deposits paid by banks to companies shall not be less than 12.5% per annum, calculated on daily balances, regardless of account balance. In addition, interest rates on time and certificates of deposits, regardless of their term of maturity, shall not be less than 14.5% per annum.

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

On July 11, 2013, through an Official Notice, the BCV reissued Resolution No. 12-09-02 of September 6, 2012, regarding commissions, fees and surcharges to be charged by banks to its clients on all transactions and activities covered by this Resolution. The Official Notice also establishes the

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fee to be charged by authorized entities to process purchases and sales of foreign currency or securities denominated in foreign currency through the Supplementary Foreign Currency Administration System (SICAD).

Through this Official Notice, the BCV also ratified that banks may only charge their customers up to Bs 5 for the second plus savings account books issued in the year. Likewise, the BCV sets monthly maintenance fees at Bs 3 on non-interest-bearing checking accounts (individuals), Bs 4.5 on non-interest-bearing checking accounts (companies), and Bs 5 on interest bearing checking accounts (companies). In addition, the BCV established maximum commissions, fees or surcharges on all transactions covered by the Official Notice.

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

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

Through Resolution No. 13-04-01 of April 26, 2013, the BCV ratified that the calculation of the legal reserve to be allocated by financial institutions that purchased dematerialized certificates of participation issued by the Simon Bolivar Fund 2013 will be made in conformity with terms established in Resolution No. 10-10-02.

Resolution No. 13-12-01, issued on December 3, 2013, modifies the legal reserve rules and requires a minimum reserve of 20.5% of total net liabilities, total investments assigned and marginal balance, and 30% of the amount corresponding to the increase of marginal balance.

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

Through Resolution No. 10-09-01, the BCV established that duly authorized universal banks may operate as brokers or intermediaries on the currency market and advertise this activity, in accordance with the BCV's guidelines, terms and conditions.

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

Through Resolution No. 13-07-01 of July 2013, the BCV set forth the general regulations for the Supplementary Foreign Currency Administration System (SICAD), which establish that foreign currency must only be traded by authorized financial institutions. The minimum and maximum amounts for the trade of foreign currency or securities in foreign currency will be determined in notices previously published.

Subsequently, through Circular No. SIB-II-GGR-GNP-25578 of July 31, 2013, SUDEBAN established that transactions conducted through SICAD should be recorded in the Accounting Manual and informed that SICAD balances will not be considered to calculate the accounting capital adequacy ratio.

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Through Resolution No. 14-03-01 of March 17, 2014, the BCV established brokerage rules pertaining to foreign exchange market transactions both in cash and securities denominated in foreign currency solely through the Alternative Currency Exchange System (SICAD II). Through Resolution No. 30 of March 25, 2014, the SNV established the prudential instructions for the participation of authorized securities brokers in SICAD II.

Subsequently, through Resolution No. 048-14 of April 1, 2014, SUDEBAN established the rules to record net benefits obtained by financial institutions from transactions as bidders in SICAD II. These benefits shall be recorded in equity under exchange gain from holding foreign currency assets and liabilities and, upon approval by SUDEBAN, may be used to: ii) cover deficit in equity accounts, ii) create contingency provisions, make adjustments or record losses as determined by SUDEBAN and iii) increase capital stock.

Other regulations

Law for the Advancement of Science, Technology and Innovation

This Law establishes that the country's major corporations will annually earmark 0.5% of gross income generated in Venezuela in the prior year. During the six-month period ended June 30, 2014, the Bank recorded expenses in this connection of Bs 7,751,541 (Bs 5,540,176 at December 31, 2013), included under sundry operating expenses (Note 20).

In December 2010, the Venezuelan government enacted the Reform of the Law for the Advancement of Science, Technology and Innovation, which became effective on December 16, 2010. This legal instrument creates the National Fund for Science, Technology and Innovation (FONACIT), which shall be responsible for managing, collecting, controlling, verifying, and quantitatively and qualitatively determining the contributions for science, technology and innovation and their applications. Likewise, the Reform indicates that taxpayers may apply to use the contributions to science, technology and innovation, provided that they develop annual projects, plans, programs and activities for the priority areas defined by the national authority responsible for matters related to science, technology and innovation and their applications and submit them within the third quarter of each year. Subsequently, also within the third first of each year, users of the contributions for science, technology and innovation must submit to FONACIT a technical and administrative report of the activities conducted in this connection during the prior year.

The Partial Regulations of the Law for the Advancement of Science, Technology and Innovation were published on November 8, 2011. These Regulations govern the contributions, financing and its results, and research, technology and innovation ethics, and require the payment and declaration of contributions within the second quarter after the closing of the period in which gross income was generated.

Antidrug Law

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

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

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

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The Antidrug Law repeals the Law on Narcotic and Psychotropic Substances published in Official Gazette No. 38,337 on December 16, 2005, and its Partial Regulations of June 5, 1996, published in Official Gazette No. 35,986 on June 21, 1996. Resolution No. 004-2011 was published in Official Gazette No. 39,643 on March 28, 2011 to establish the regulations for payment of contributions and special contributions according to applicable laws. This Resolution also established that the Antidrug Law will be effective for periods beginning after September 15, 2010 when the Law was enacted, and for periods that began before that date the Law on Narcotic and Psychotropic Substances will apply. The Decree-Law for the creation of the National Antidrug Fund was modified through Decree No. 9,359, published in Official Gazette No. 40, 095 on January 22, 2013. This modification is aimed to adapting and aligning the organizational structure of the Fund, as well as updating and adapting its attributions as a collection entity.

For the six-month periods ended June 30, 2014 and December 31, 2013, the Bank recorded expenses in this connection of Bs 4,910,034 and Bs 3,818,340, respectively, included under sundry operating expenses (Note 20).

Law on Exchange Control Regime and related offenses

The Law on Exchange Control Regime and related offenses was published on February 19, 2014. This Law legally defines foreign currency as any currency other than the bolivar, which is the currency of legal tender of the Bolivarian Republic of Venezuela. This definition includes deposits with local and foreign banks and financial institutions, transfers, bank checks and notes, securities, as well as any other asset or liability denominated or that may be realized or settled in foreign currency under the terms established by the BCV and according to the Venezuelan legal system. Under this Law, the National Foreign Trade Center (CENCOEX) shall assign and supervise foreign currency, including but not limited to, cover expenses from public powers and to meet society's essential requirements, such as goods and services declared of prime necessity, i.e. drugs, food, housing and education.

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

Law against Organized Crime and Terrorism Financing

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

Sports and Physical Education Law

The Sports and Physical Education Law was passed on August 23, 2011. This Law seeks to regulate physical education and the sponsorship, organization and management of sporting activities as public services. Companies subject to this Law must contribute 1% of their net income to the activities contemplated therein. The first Partial Regulations to this Law were published on February 28, 2012 to establish the method for declaring and paying this contribution, the former within 190 days of period end. Through Circular No. SIB-II-GGR-GNP-12159 of May 4, 2012, SUDEBAN established regulations on how this contribution must be paid and recorded.

During the six-month periods ended June 30, 2014 and December 31, 2013, the Bank recorded expenses in this connection of Bs 3,748,534 and Bs 4,843,598, respectively, included within sundry operating expenses (Note 20).

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New Labor Law

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

Through Notice No. SIB-II-GGR-GNP-38442 of November 27, 2012, SUDEBAN clarified that, in accordance with the Accounting Manual, banks must apply International Accounting Standards as supplemental guidance for issues not treated in said Accounting Manual, prudential regulations or prevailing accounting principles generally accepted in Venezuela issued by the Venezuelan Federation of Public Accountants (FCCPV). SUDEBAN also indicated that the methodology used to determine this liability must be applied consistently, must be contemplated in the Bank's rules and policies, and must be approved by the Board of Directors. As reflected in Minutes No. 218 of the Board of Directors' Meeting held on February 6, 2013, the Bank will use a simplified calculation, which has been duly approved, to determine its liability with respect to length-of-service benefits. Such liability shall be the greater of the sum of 15 days of salary deposited quarterly in employee trust funds plus two additional days of salary for each year of service-amount that had already been recorded as salaries and employee benefits-and the sum of 30 days of salary for each year of service or fraction over six months, calculated based on the last salary earned by the employee. At June 30, 2014, the Bank has set aside a provision of Bs 42,449,049 in this connection (Bs 21,318,291 at December 31, 2013) (Note 17).

2. Basis of preparation

The accompanying financial statements at June 30, 2014 and December 31, 2013 have been prepared based on the accounting rules and instructions of SUDEBAN included in the Accounting Manual, which differ in certain material respects from generally accepted accounting principles (VEN NIF) published by the FCCPV, of mandatory application in Venezuela as from January 1, 2008. VEN NIF are mainly based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for certain criteria concerning adjustments for inflation and the valuation of foreign currency assets and liabilities, among others.

Through Resolution No. 648-10 of December 28, 2010, SUDEBAN deferred the presentation of consolidated or combined financial statements prepared under VEN NIF as supplementary information and established that, until otherwise stated, consolidated or combined financial statements and their notes must continue to be presented as supplementary information in accordance with generally accepted accounting principles in effect at December 31, 2007 (VEN GAAP).

At June 30, 2014 and December 31, 2013, the main differences identified by management between the accounting rules and instructions of SUDEBAN and VEN NIF that affect the Bank are the following:

- 1) VEN NIF Adoption Bulletin No. 2 (BA VEN NIF 2) establishes criteria for applying International Accounting Standard No. 29 (IAS 29), "Financial reporting in hyperinflationary economies" in Venezuela and requires that the effects of inflation on the financial statements be recognized, provided that inflation for the year exceeds one digit. SUDEBAN has stipulated that inflation-adjusted financial statements must be provided as supplementary information. For purposes of additional analysis, the Bank has prepared inflation-adjusted financial statements using the General Price Level (GPL) method. The inflation rate estimated by management for the six-month period ended June 30, 2014 was 30.03% (24.96% published by the BCV for the six-month period December 31, 2013) (Note 34).

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- 2) The Accounting Manual establishes that interest earned on overdue or in-litigation loans shall not be recognized as income but shall be recorded under memorandum accounts, as shall all subsequent interest earned. VEN NIF establish that for financial instruments carried at amortized cost, the amount of the impairment is the difference between the instrument's carrying amount and the present value of estimated future cash flows generated by the instrument, discounted at the original effective interest rate. Impairment exists when the present value of an instrument's future cash flows is lower than the carrying amount, in which case interest income shall be recognized taking into account the discount rate applied to future cash flows for determining impairment losses.
- 3) The Accounting Manual establishes that loans whose original repayment schedule, term, or other conditions have been modified at the request of the debtor must be reclassified within rescheduled loans. VEN NIF provide no specific guidance. However, they do state that impairment losses on financial assets carried at amortized cost shall be charged to the results for the period in which they are incurred.

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

- 4) Assets received as payment are recorded at the lower of cost and market value and amortized using the straight-line method over one to three years. Idle assets must be written out of asset accounts after 24 months. In accordance with VEN NIF, assets received as payment are stated at the lower of cost and market value, and are classified as available-for-sale assets or investment property depending on their use. Investment properties are depreciated over their expected income-generating term.
- 5) The Accounting Manual establishes that property and equipment is initially recorded at acquisition or construction cost, as applicable. However, VEN NIF allows property and equipment to be revalued, and any increase in value is credited to equity under revaluation surplus.
- 6) Significant leasehold improvements are recorded as amortizable expenses and included under other assets. According to VEN NIF, they must be shown as part of property and equipment. Gains or losses on the sale of personal and real property are shown in the income statement.
- 7) The Bank computes a deferred tax asset or liability in respect of temporary differences between the tax base and carrying amounts in the financial statements, except for provisions for losses on loan portfolio, for which only provisions for high risk or unrecoverable loans generate a deferred tax asset. A deferred tax asset is not recognized for any amount exceeding future taxable income. In accordance with VEN NIF, a deferred tax asset is recognized in respect of all temporary differences between the carrying amount of assets and liabilities and their tax bases, provided that its realization is assured beyond any reasonable doubt.
- 8) The Bank presents convertible bonds as part of equity at June 30, 2013 (Note 24). In accordance with VEN NIF, convertible bonds must be presented as a financial instrument forming part of the Bank's liabilities.

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- 9) Other assets include deferred expenses incurred by the Bank during the currency redenomination process, which are amortized as from April 2008 using the straight-line method (Note 12). Other assets also include deferred personnel, general, administrative and operating expenses related to the acquisition of Stanford Bank, S.A., which will be amortized over 15 years as from January 1, 2010 (Note 11). In accordance with VEN NIF, these types of costs may not be deferred and must be recorded in the income statement as incurred.
- 10) In conformity with SUDEBAN rules, the Bank sets aside the general allowance for the loan portfolio with a charge to the results for the period. VEN NIF require that these allowances be recorded as a restricted amount of retained earnings in equity, provided that they do not meet conditions established in IAS 37, "Provisions, contingent liabilities and contingent assets."
- 11) At June 30, 2014 and December 31, 2013, the Bank, in conformity with SUDEBAN rules, maintains a general 1% allowance of the loan portfolio balance, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance. It also maintains a countercyclical allowance to be set aside as follows: 0.25% at April 30, 2014, 0.50% at August 31, 2014, and 0.75% at December 31, 2014. VEN NIF require that the Bank first assess whether objective evidence of impairment exists individually for loans that are individually significant, or collectively for loans that are not individually significant. Impairment losses shall be recognized in the results for the period.
- 12) SUDEBAN rules require foreign currency balances and transactions to be measured at the prevailing official exchange rate established by the BCV of Bs 6.2842/US\$1 at June 30, 2014 and December 31, 2013. In conformity with VEN NIF, foreign currency balances and transactions shall be measured and recorded taking into consideration a comprehensive assessment of the entity's financial position, its monetary position in foreign currency and the financial impact of the applicable exchange regulations. In addition, instructions issued by the FCCPV on this matter state that:
- Foreign currency items shall be measured: a) at the official exchange rates established in the different exchange agreements issued by the BCV and the Venezuelan government, or b) on the basis of best estimates of future cash flows in bolivars expected to be required or received to settle liabilities or realize assets at the transaction or balance sheet date, using the exchange or settlement mechanisms permitted under Venezuelan law.
 - Assets in foreign currency required to be sold to the BCV shall be measured at the official exchange rates established by the BCV.
 - Assets in foreign currency not required to be sold to the BCV shall be measured: a) on the basis of the liabilities that are not reasonably expected to be settled with foreign currency purchased from the Venezuelan government at the official exchange rate, or b) on the basis of best estimates of future cash flows in bolivars expected to be received to realize these assets at the transaction or balance sheet date, using the exchange or settlement mechanisms permitted under Venezuelan law.
- 13) Investments in trading securities may not remain in this category for more than 90 days after they have been classified. In conformity with VEN NIF, these investments may remain in this category indefinitely.
- 14) In accordance with SUDEBAN rules, available-for-sale assets reclassified to the held-to-maturity category are recorded at their fair value at the reclassification date. Unrealized gains or losses are maintained separately in equity and are amortized over the investment's remaining life as an adjustment to yield.

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

- 15) Discounts or premiums on held-to-maturity investments are amortized over the term of the security with a debit or credit to gain or loss on investment securities under other operating income or other operating expenses, respectively. In conformity with VEN NIF, discounts or premiums must be accounted for as part of the security's yield and, therefore, must be recognized under interest income.
- 16) Subsequent recoveries of permanent losses arising from impairment in the fair value of investment securities do not affect the new cost basis. VEN NIF allow recovery of impairment losses on debt securities.
- 17) The Accounting Manual establishes timeframes to record provisions for bank reconciling items, matured securities, pending items and accounts receivable forming part of other assets, loan portfolio interest suspension, interest receivable and derecognition of certain assets, among others. VEN NIF do not establish timeframes for creating provisions for these items; provisions are recorded based on best estimates of collection or recovery.
- 18) Other assets include the difference between the purchase price and the book value of Stanford Bank's assets and liabilities, which will be amortized using the straight-line method over 15 years. According to VEN NIF, goodwill should not be amortized but tested for impairment annually or whenever events or circumstances indicate that the value of the respective reporting unit may be impaired. Impairment is determined by comparing the carrying amount of the cash generating unit to its recoverable amount, and if the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the income statement.
- 19) At June 30, 2014 and December 31, 2013, other assets include deferred expenses of Bs 693,997 and Bs 899,317, respectively, related to disbursements for the new chip-based credit and debit cards. These disbursements include advisory, training and other personnel expenses, advertising, and client education on the adequate use of electronic payment services, accommodation of physical spaces, and replacement of debit and credit cards. They will be amortized beginning January 2011 using the straight-line method (Note 12). In accordance with VEN NIF, these expenses may not be deferred but must be recorded in the income statement when incurred.
- 20) SUDEBAN established that gains or losses resulting from foreign exchange fluctuations must be recorded in equity. Under VEN NIF, gains and losses resulting from foreign exchange fluctuations must be recorded in the income statement for the period in which they occur.
- 21) SUDEBAN established the rules to record net benefits obtained by financial institutions from transactions as bidders in SICAD II indicating that these benefits shall be recorded in equity. Under VEN NIF, realized gains or losses resulting from the trading of financial instruments must be recorded in the income statement for the period in which they occur. During the six-month period ended June 30, 2014, the Bank recorded in equity a net gain on sale of foreign currency assets through SICAD II of Bs 675,499,842.

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- 22) For purposes of the cash flow statement, the Bank considers as cash equivalents cash and due from banks. VEN NIF consider as cash equivalents investments and deposits maturing within 90 days.
- 23) SUDEBAN established that expenses incurred in relation to the social contribution provided in Article No. 48 of the Law on Banking Sector Institutions shall be recorded as a prepaid expense within other assets and amortized during the six-month period in which the contribution was paid. Under VEN NIF, this contribution must be expensed as incurred.
- 24) SUDEBAN established that expenses incurred in relation to the contribution under the Sports and Physical Education Law shall be expensed when paid. Under VEN NIF, this contribution must be expensed as incurred.
- 25) The Accounting Manual establishes that transfers between investment categories or sales of investments for reasons other than those established in said Accounting Manual must be authorized by SUDEBAN. The sale or transfer of held-to-maturity investments shall not be considered to be inconsistent with their original classification under the following circumstances:
- a) A significant deterioration in the issuer's creditworthiness;
 - b) A change in tax law that eliminates or reduces the tax-exempt status of interest on the debt security;
 - c) A major business combination or major disposition that necessitates the sale or transfer of the security to maintain the enterprise's existing interest rate risk position or credit risk policy;
 - d) A change in statutory or regulatory requirements significantly modifying either what constitutes a permissible investment or the maximum level of investments in certain kinds of securities;
 - e) A significant increase by the regulator in the industry's capital requirements; and
 - f) A significant increase in the risk weights of debt securities used for regulatory risk-based capital purposes. Changes in circumstances and other events that are isolated, nonrecurring and unusual and that could not have been reasonably anticipated may cause an entity to sell or transfer held-to-maturity investments without calling into question the entity's intent to hold other securities to maturity.

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

- 26) The Accounting Manual establishes that transactions with derivative instruments, whose contractual rights and obligations will be exercised in the future, shall be classified as memorandum accounts under contingent debtor accounts until they materialize (Note 22). VEN NIF establish that these contractual rights and obligations shall be recognized in the balance sheet as assets and liabilities, respectively, provided that these transactions meet the conditions established in IFRS 9 "Financial Instruments."

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The accounting policies followed by the Bank are:

a) Foreign currency

Foreign currency balances and transactions are recorded at the official exchange rate in effect at the transaction date. Foreign currency balances at June 30, 2014 and December 31, 2013 are shown at the official exchange rate of Bs 6.2842/US\$1. Exchange gains and losses other than those resulting from the official currency devaluation are included in the results for the period (Note 25).

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

b) Translation of financial statements in foreign currency

Assets, liabilities and income accounts of the Curacao Branch were translated at the official exchange rate of Bs 6.2842/US\$1 at June 30, 2014 and December 31, 2013.

c) Investment securities

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

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

Deposits with the BCV and overnight deposits

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

Investments in trading securities

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

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

Investments in available-for-sale securities

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

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

Investments in held-to-maturity securities

Investments in debt securities that the Bank has the firm intention and ability to hold until maturity are recorded at cost, which should be consistent with market value at the time of purchase, subsequently adjusted for amortization of premiums or discounts. Discounts or premiums on acquisition are

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amortized over the term of the securities as a credit or debit to other operating income and other operating expenses. The book value of investments denominated in foreign currency is adjusted at the exchange rate in effect at period end. Gain and losses from fluctuations in the exchange rate are included in equity.

The Bank assesses at each balance sheet date, or sooner if circumstances require it, whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment in the fair value of held-to-maturity and available-for-sale securities is charged to the results for the period when management considers that it is other than temporary. Certain factors identified as indicators of impairment are: 1) a prolonged period where fair value remains substantially below cost, 2) the financial difficulty of the issuer, 3) a fall in the issuer's credit rating, 4) the disappearance of an active market for the security, and 5) the Bank's intention and ability to hold the investment long enough to allow for recovery of fair value, among others. For the six-month periods ended June 30, 2014 and December 31, 2013, the Bank has identified no permanent impairment in the value of its investments (Note 5-b).

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

Restricted investments

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

Investments in other securities

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

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

d) Loan portfolio

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

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

Loans classified as overdue must be written off within 24 months after inclusion in this category. Loans in litigation must be fully provided for after 24 months in the in-litigation category. In addition, overdue monthly loan installments that have been repaid must be reclassified to the category to which

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installments of a loan in litigation, thereby terminating the lawsuit, the Bank must reclassify the loan to the category to which it pertained before being classified as in litigation or overdue.

e) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with SUDEBAN rules requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results may differ from those estimates. Below is a summary of the main estimates used in the preparation of the financial statements:

Investment securities

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

Loan portfolio and contingent loans

The Bank performs a quarterly review of at least 90% of its loan portfolio and contingent loans to determine the specific allowance for possible losses on each loan. This review takes into account factors such as economic conditions, client credit risk and credit history. Moreover, each quarter the Bank calculates an allowance for losses on loans not individually reviewed, equivalent to the risk percentage resulting from the specific review of loans. In accordance with SUDEBAN rules, the Bank maintains a general 1% allowance of the loan portfolio balance, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance, and an additional countercyclical allowance of the gross loan portfolio balance to be set aside as follows: 0.25% at April 30, 2014, 0.50% at August 31, 2014, and 0.75% at December 31, 2014. The Bank may set aside any additional general allowances deemed necessary. General or specific allowances may not be released without the authorization of SUDEBAN.

Other assets

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

Provision for legal and tax claims

The Bank sets aside a provision for legal and tax claims considered probable and reasonably quantifiable based on the opinion of its legal advisors. Based on this opinion, management believes that the outcome of legal and tax claims outstanding at June 30, 2014 and December 31, 2013 will be favorable to the Bank (Note 30). However, this opinion is based on events to date; the outcome of these lawsuits could differ from that expected.

f) Available-for-sale assets

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

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

g) Property and equipment

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

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h) Deferred expenses

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

Expenses incurred during the currency redenomination process related to advisory, training, travel and other personnel, advertising, software and security expenses will be amortized as from April 2008 using the straight-line method over one to six years (Note 12).

Deferred expenses related to the Stanford Bank merger shall be amortized using the straight-line method over 15 years as from January 2010 (Notes 11 and 12).

The difference between the purchase price and the book value of Stanford Bank's assets and liabilities is amortized using the straight-line method over 15 years as from June 2009 (Notes 11 and 12).

Deferred expenses related to the project for the new chip-based credit and debit cards will be amortized using the straight-line method over one to six years as from January 2011 (Note 12).

i) Income tax

The Bank's tax year ends on December 31. The tax provision is based on management's projection of tax results. The Bank records a deferred tax asset when, in the opinion of management, there is reasonable expectation that future tax results will allow its realization. In addition, according to the Accounting Manual, the amount by which the deferred tax asset exceeds tax expense for the year is not recognized (Note 18).

j) Employee benefits

Accrual for length-of-service benefits

The Bank accrues for its liability in respect of length-of-service benefits, which are a vested right of employees, based on the provisions of the LOTTT (Note 1) and the prevailing collective labor agreement and deposits amounts accrued in a trust fund on behalf of each employee.

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

Profit sharing

Under the collective labor agreement, the Bank is required to pay a share of its annual profits to its employees of up to 150 days of salary (120 days of salary at December 31, 2013). Expenses incurred in this connection during the first six-month period of each year are paid in April and July, and the remaining liability in November. At June 30, 2014 and December 31, 2013, the bank has recorded Bs 60,867,842 and Bs 38,193,658, respectively, in this connection, shown under salaries and employee benefits. The bank accrues amounts accordingly (Note 17). A new Labor Agreement was signed in December 2013, which became effective in January 2014.

Vacation leave and vacation bonus

The LOTTT and the collective labor agreement grant each employee a minimum of 15 days of vacation leave each year and a vacation bonus of 20 days of salary (15 days of salary at December 31, 2013) based on length of service. The Bank accrues amounts accordingly (Note 17).

k) Recognition of revenue and expenses

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

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under accruals and other liabilities as deferred income and recorded as income when earned (Note 17).

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

Commissions from loans granted are recorded as income upon collection under income from other accounts receivable.

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

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

l) Residual value

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

m) Assets received in trust

Assets received in trust are valued using the same parameters used by the Bank to value its own assets, except for investment securities, which are shown at cost and subsequently adjusted for amortization of premiums or discounts. Any permanent impairment in the value of these investments is recorded in trust fund results for the period in which it occurs. During the six-month periods ended June 30, 2014 and December 31, 2013, no permanent losses were identified.

n) Net income per share

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

o) Cash flows

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

p) Use of financial instruments

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

Credit risk

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

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

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

Foreign exchange risk

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

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Market risk

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

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

Interest rate risk

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

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

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

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

Liquidity risk

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

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

Operational risk

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

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

Fiduciary activities

The Bank acts as custodian, administrator and manager of third-party investments. As a result, in certain cases, the Bank purchases and sells a wide range of financial instruments. These trust fund assets are not included in the Bank's assets. At June 30, 2014, trust fund assets amount to Bs 1,809,370,477 (Bs 1,505,770,392 at December 31, 2013), shown under memorandum accounts (Note 22).

3. Cash and due from banks

At June 30, 2014, the balance of the account with the BCV mainly includes Bs 9,213,770,490 in respect of the legal reserve deposit in local currency (Bs 6,027,178,403 at December 31, 2013) (Note 29).

In addition, at June 30, 2014 the account with the BCV includes Bs 2,920,484,320 (Bs 2,091,600,433 at December 31, 2013), in respect of demand deposits held by the Bank at the BCV and US\$50,492,412, equivalent to Bs 317,304,412, in respect of deposits received in accordance with

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Exchange Agreement No. 20 (US\$42,464, equivalent to Bs 266,851 at December 31, 2013) (Notes 4 and 13).

At June 30, 2014 and December 31, 2013, the Bank has US\$1,758,250 and US\$25,656,476, respectively, equivalent to Bs 11,049,195 and Bs 161,230,428, respectively, in connection with brokerage in the purchase and sale of foreign currency through SICAD. This amount is yet to be transferred to the parties awarded (Note 17).

At June 30, 2014 and December 31, 2013, pending cash items relate to clearinghouse operations conducted by the BCV and other banks.

During the six-month period ended June 30, 2014, the Bank sold cash for US\$700,000, equivalent to Bs 4,398,940, through SICAD II, recording a gain of Bs 32,101,160 in equity.

4. Foreign currency assets and liabilities

a) Exchange control regime

Since February 2003, the Venezuelan government established an exchange control regime managed by the Commission for the Administration of Foreign Currency (CADIVI).

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

In June 2010, it was resolved that trading in bolivars of the aforementioned securities may only be conducted through the System for Transactions with Securities in Foreign Currency (SITME), a mechanism administered by the BCV that was suspended in February 2013.

In March 2013, the BCV established SICAD, a new foreign currency auction system through which individuals and companies may offer and purchase foreign currency when convened by the BCV, taking into consideration the nation's objectives and economic needs

As from December 2013, the BCV has published the official SICAD exchange rate, which serves as a reference rate to submit bids for the purchase or sale of foreign currency through this system and to establish the currency trading price for individuals not residing in Venezuela, Petróleos de Venezuela, S.A. and other oil-sector companies. At June 30, 2014 and December 31, 2013, SICAD's exchange rate was Bs 10.60/US\$1 and Bs 11.30/US\$1, respectively.

In January 2014, the Venezuelan government created CENCOEX to replace CADIVI.

In March 2014, the Venezuelan government and the BCV created SICAD II, a new system in which individuals and companies may trade foreign currency in cash, as well as securities denominated in foreign currency issued by the Bolivarian Republic of Venezuela, its decentralized agencies or any other issuer, whether public or private, foreign or local, registered and quoted on the international markets. At June 30, 2014, the exchange rate of the last foreign currency auction held through SICAD II was Bs 49.9785/US\$1.

b) Applicable exchange rates

January 2011: Bs 4.2893/US\$1 (purchase) and Bs 4.30/US\$1 (sale), for all transactions.

October 2011: Bs 4.2893/US\$1 (purchase) and Bs 4.30/US\$1 (sale), for all transactions, except securities issued by the Bolivarian Republic of Venezuela or state-owned companies, whose exchange rate will be the average exchange rate of securities traded through SITME on the last day of each month.

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February 2013: Bs 6.2842/US\$1 (purchase) and Bs 6.30/US\$1 (sale), for all transactions.

January 2014: Bs 6.2842/US\$1 (purchase) and Bs 6.30/US\$1 (sale), for all transactions, except for purchases of currency for travelling abroad, remittances to relatives residing abroad and insurance sector operations, among others, administered by CADIVI, that will also be calculated at the exchange rate resulting from the most recent SICAD auction.

c) Measurement and recording of assets and liabilities in foreign currency

SUDEBAN established that: a) gains resulting from changes in the official exchange rate must be recorded in equity and may only be used, subject to previous approval, to offset losses, create contingency provisions for assets, offset deferred expenses (including goodwill), increase capital stock, and b) record these exchange gains in profit and loss for the year when such gains derive from the sale of the securities that gave rise to the exchange gains (Notes 2 and 25).

d) Net global position in foreign currency

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

	June 30, 2014				Equivalent in bolivars
	Bank	Curacao branch	Eliminations	Total	
US\$					
Assets					
Cash and due from banks					
Cash	2,492,794	-	-	2,492,794	15,665,215
Central Bank of Venezuela	52,250,662	-	-	52,250,662	328,353,607
Foreign and correspondent banks	24,240,041	42,286,822	(260,215)	66,266,648	416,432,874
Provision for cash and due from banks	(37)	-	-	(37)	(233)
Investment securities	58,066,877	1,832,082	-	59,898,959	376,417,038
Loan portfolio, net of provision					
Current loan portfolio	-	23,641,071	-	23,641,071	148,565,218
Outstanding letters of credit issued and negotiated	37,910,528	-	-	37,910,528	238,237,338
Overdue letters of credit	3,882,000	-	-	3,882,000	24,395,264
Interest and commissions receivable	1,166,591	1,044,295	-	2,210,886	13,893,650
Investments in subsidiaries, affiliates and branches and agencies abroad	9,766,416	-	(9,766,416)	-	-
Property and equipment	-	12,292	-	12,292	77,245
Other assets, net of provision	1,161,219	17,707	-	1,178,926	7,408,607
Total assets	<u>190,937,091</u>	<u>68,834,269</u>	<u>(10,026,631)</u>	<u>249,744,729</u>	<u>1,569,445,823</u>
Liabilities					
Customer deposits	50,492,411	60,885,221	(260,215)	111,117,417	698,284,072
Borrowings	10,000,000	-	-	10,000,000	62,842,000
Other liabilities from financial intermediation	4,055,521	-	-	4,055,521	25,485,703
Interest and commissions payable	20,977	10,113	-	31,090	195,377
Accruals and other liabilities	12,776,406	774,637	-	13,551,043	85,157,465
Total liabilities	77,345,315	61,669,971	(260,215)	138,755,071	871,964,617
Equity					
Assigned capital	-	1,000,000	(1,000,000)	-	-
Total liabilities and equity	<u>77,345,315</u>	<u>62,669,971</u>	<u>(1,260,215)</u>	<u>138,755,071</u>	<u>871,964,617</u>
Other debtor memorandum accounts (Note 22)					
Foreign currency purchases	6,763,885	-	-	6,763,885	42,505,606
Foreign currency sales	(6,763,885)	-	-	(6,763,885)	(42,505,606)

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	December 31, 2013				Equivalent in bolivars
	US\$			Total	
	Bank	Curacao branch	Eliminations		
Assets					
Cash and due from banks					
Cash	1,046,525	-	-	1,046,525	6,576,572
Central Bank of Venezuela	25,698,940	-	-	25,698,940	161,497,279
Foreign and correspondent banks	28,900,382	42,867,371	(18,221,673)	53,546,080	336,494,276
Provision for cash and due from banks	(1,597)	-	-	(1,597)	(10,036)
Investment securities	58,654,754	18,989,962	-	77,644,716	487,934,924
Loan portfolio, net of provision					
Current loan portfolio	-	23,688,922	-	23,688,922	148,865,924
Outstanding letters of credit issued and negotiated	26,547,238	-	-	26,547,238	166,828,153
Rescheduled letters of credit	6,053,700	-	-	6,053,700	38,042,662
Interest and commissions receivable	1,103,480	685,740	-	1,789,220	11,243,816
Investments in subsidiaries, affiliates and branches and agencies abroad	8,989,856	-	(8,989,856)	-	-
Property and equipment	-	13,066	-	13,066	82,109
Other assets, net of provision	<u>1,036,333</u>	<u>10,386</u>	<u>-</u>	<u>1,046,719</u>	<u>6,577,792</u>
Total assets	<u>158,029,611</u>	<u>86,255,447</u>	<u>(27,211,529)</u>	<u>217,073,529</u>	<u>1,364,133,471</u>
Liabilities					
Customer deposits	42,464	76,743,155	(18,221,671)	58,563,948	368,027,562
Other liabilities from financial intermediation	17,394,583	-	-	17,394,583	109,311,038
Interest and commissions payable	-	21,867	-	21,867	137,417
Accruals and other liabilities	<u>30,153,902</u>	<u>500,567</u>	<u>-</u>	<u>30,654,469</u>	<u>192,638,814</u>
Total liabilities	47,590,949	77,265,589	(18,221,671)	106,634,867	670,114,831
Equity					
Assigned capital	-	1,000,000	(1,000,000)	-	-
Total liabilities and equity	<u>47,590,949</u>	<u>78,265,589</u>	<u>(19,221,671)</u>	<u>106,634,867</u>	<u>670,114,831</u>
Other debtor memorandum accounts (Note 22)					
Foreign currency purchases	1,148,105	-	-	1,148,105	7,214,921
Foreign currency sales	(1,148,105)	-	-	(1,148,105)	(7,214,921)

At June 30, 2014, the Bank has a net monetary asset position in foreign currency of US\$50,108,247, equivalent to Bs 314,890,103 (US\$53,404,820, equivalent to Bs 335,606,570, at December 31, 2013), calculated based on the rules laid down by the BCV. This amount does not exceed the maximum limit set by the BCV, which at June 30, 2014 and December 31, 2013 is 30% of the Bank's equity, equivalent to US\$189,035,258 and US\$129,678,656, respectively.

At June 30, 2014, calculation of the net foreign currency position does not include balances of the Curacao Branch or Principal and Interest Covered Bonds (TICCs) with a par value of US\$53,985,917 (US\$33,214,138 at December 31, 2013), International Sovereign Bonds 2019, 2022, 2024 and 2031 with a par value of US\$35,815 (US\$16,380,500 at December 31, 2013), and interest receivable in connection with these securities of US\$1,216,733 (US\$1,006,385 at December 31, 2013), as they are not required for this calculation.

During the six-month period ended December 31, 2013, TICCs with a par value of US\$57,289,155 expired and were collected in bolivars at the official exchange rate of Bs 6.2842/US\$1.

At June 30, 2014 and December 31, 2013, the Bank has other liabilities from financial intermediation arising from letters of credit.

During the six-month period ended June 30, 2014, the Bank recorded exchange gains and losses of Bs 3,519,790 and Bs 4,677,540, respectively (Bs 4,783,448 and Bs 2,443,107, respectively, during the six-month period ended December 31, 2013), arising from exchange fluctuations of the U.S. dollar with respect to other foreign currencies (Notes 19 and 20).

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5. Investment securities

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

	June 30, 2014	December 31, 2013
	(In bolivars)	
Investments		
Deposits with the Central Bank of Venezuela (BCV) and overnight deposits	450,000,000	592,996,000
Available for sale	4,975,326,543	5,074,839,015
Held to maturity	5,289,800,977	3,290,234,631
Restricted	39,936,832	33,904,921
Other securities	2,843,419,577	1,967,047,240
Provision for investment securities	<u>(100,000)</u>	<u>(100,000)</u>
	<u>13,598,383,929</u>	<u>10,958,921,807</u>

a) Investments in available-for-sale securities

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

	June 30, 2014		
	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to fair value)
	(In bolivars)		
Securities issued or guaranteed by the Venezuelan government			
Vebonos, with a par value of Bs 1,768,145,100, annual yield at between 10.23% and 17.25%, maturing between September 2014 and April 2024	2,108,010,646	59,963,209	2,167,973,855 (1) - (a)
Fixed Interest Bonds (TIF), with a par value of Bs 2,189,469,434, annual yield at between 9.88% and 18%, maturing between January 2015 and 2026	2,481,526,926	103,752,252	2,585,279,178 (1) - (a)
Principal and Interest Covered Bonds (TICC), payable in bolivars, with a reference par value of US\$33,688,335, annual yield at between 5.25% and 8.63%, maturing between March 2015 and 2019 (Note 4)	249,372,017	(50,258,493)	199,113,524 (2) - (a)
Sovereign Bonds in foreign currency, with a par value of US\$66,700, annual yield at between 6% and 12.75%, maturing between October 2019 and August 2031 (Note 4)	346,004	39,770	385,774 (1) - (b)
Global Bonds, with a par value of US\$306,800, annual yield at between 7% and 9.38%, maturing between October 2014 and March 2038 (Note 4)	<u>1,831,470</u>	<u>(1,471)</u>	<u>1,829,999</u> (1) - (a), (b) and (d)
	<u>4,841,087,063</u>	<u>113,495,267</u>	<u>4,954,582,330</u>
Bonds and debt securities issued by Venezuelan non-financial public-sector companies (Note 4)			
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US\$112,000, annual yield at between 5.25% and 12.75%, maturing between April 2017 and 2037	596,958	61,883	658,841 (1) - (b) and (c)
Petrobonos issued by Petróleos de Venezuela, S.A., with a par value of US\$4,150, 4% fixed annual yield, maturing in October 2014	<u>24,223</u>	<u>843</u>	<u>25,066</u> (1) - (b) and (c)
	<u>621,181</u>	<u>62,726</u>	<u>683,907</u>
Equity in Venezuelan non-financial private-sector companies			
Common shares			
Sociedad de Garantías Recíprocas (SGR) del Estado Aragua, C.A., 10,128 common shares with a par value of Bs 10 each, 1.7% owned	101,280	6,063	107,343 (3) - (e)
Sociedad de Garantías Recíprocas (SGR) del Estado Falcón C.A., 10,000 common shares with a par value of Bs 10 each, 2.77% owned	100,000	-	100,000 (3) - (e)
S.G.R.- SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, 17,500 common shares with a par value of Bs 10 each, 3.10% owned	175,000	65,858	240,858 (3) - (e)
S.G.R., - SOGATUR, S.A., Sociedad de Garantías Recíprocas para el Sector Turismo S.A., 10,873 shares with a par value of Bs 1,800 each	19,571,400	-	19,571,400 (3) - (e)
S.G.R.- SOGARSA, S.A., Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines S.A., 3,000 shares with a par value of Bs 10 each, 0.028% owned	<u>30,000</u>	<u>10,705</u>	<u>40,705</u> (3) - (e)
	<u>19,977,680</u>	<u>82,626</u>	<u>20,060,306</u>
	<u>4,861,685,924</u>	<u>113,640,619</u>	<u>4,975,326,543</u>
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice No. SIB-II-CCD-36481		<u>(4,168,612)</u>	
		<u>109,472,007</u>	

Banco Nacional de Crédito, C.A., Banco Universal
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	December 31, 2013			
	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to fair value)	
(In bolivars)				
Securities issued or guaranteed by the Venezuelan government				
Vebonos, with a par value of Bs 1,906,431,475, annual yield at between 10.44% and 17.74%, maturing between April 2014 and January 2025	2,273,845,014	115,721,259	2,389,566,273	(1) - (a)
Fixed Interest Bonds (TIF), with a par value of Bs 1,699,182,454, annual yield at between 9.875% and 18%, maturing between April 2014 and January 2024	1,891,136,988	167,609,693	2,058,746,681	(1) - (a)
Treasury Notes, with a par value of Bs 414,200,000, 13.78% annual yield, maturing between March and April 2014	413,565,830	504,963	414,070,793	(2) - (a)
Principal and Interest Covered Bonds (TICC), payable in bolivars, with a reference par value of US\$18,109,501, annual yield at between 5.25% and 8.625%, maturing between March 2015 and 2019 (Note 4)	109,825,203	(7,535,716)	102,289,487	(2) - (a)
Sovereign Bonds in foreign currency, with a par value of US\$387,500, annual yield at between 6% and 11.95%, maturing between October 2019 and August 2031 (Note 4)	2,150,292	(85,376)	2,064,916	(1) - (a) y (b)
Global Bonds, with a par value of US\$7,002,800, annual yield at between 7% and 9.25%, maturing between October 2014 and March 2038	42,846,669	233,920	43,080,589	(1) - (a), (b) and (d)
Agriculture Bonds, with a par value of Bs 44,400,000, 9.1% annual yield, maturing in March 2014 (Note 6)	<u>44,795,071</u>	<u>(395,071)</u>	<u>44,400,000</u>	(1) - (a)
	<u>4,778,165,067</u>	<u>276,053,672</u>	<u>5,054,218,739</u>	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies (Note 4)				
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US\$112,000, annual yield at between 5.25% and 12.75%, maturing between April 2017 and 2037	<u>571,416</u>	<u>(11,446)</u>	<u>559,970</u>	(1) - (b) and (c)
Equity in Venezuelan non-financial private-sector companies				
Common shares				
Sociedad de Garantías Recíprocas (SGR) del Estado Aragua, C.A., 10,128 common shares with a par value of Bs 10 each, 1.7% owned	101,280	6,063	107,343	(3) - (e)
Sociedad de Garantías Recíprocas (SGR) del Estado Falcón C.A., 10,000 common shares with a par value of Bs 10 each, 2.77% owned	100,000	-	100,000	(3) - (e)
S.G.R.- SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, 17,500 common shares with a par value of Bs 10 each, 3.10% owned	175,000	65,858	240,858	(3) - (e)
S.G.R. - SOGATUR, S.A., Sociedad de Garantías Recíprocas para el Sector Turismo S.A., 10,873 shares with a par value of Bs 1,800 each	19,571,400	-	19,571,400	(3) - (e)
S.G.R.- SOGARSA, S.A., Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines S.A., 3,000 shares with a par value of Bs 10 each, 0.028% owned	<u>30,000</u>	<u>10,705</u>	<u>40,705</u>	(3) - (e)
	<u>19,977,680</u>	<u>82,626</u>	<u>20,060,306</u>	
	<u>4,798,714,163</u>	<u>276,124,852</u>	<u>5,074,839,015</u>	
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice No. SIB-II-CCD-36481		<u>(5,332,756)</u>		
		<u>270,792,096</u>		

- (1) Estimated fair value is determined from trading operations on the secondary market per valuation screens or yield curves.
- (2) Value is determined based on the present value of estimated future cash flows in conformity with the Accounting Manual. The fair value of TICCs is their equivalent amount in bolivars at the official exchange rate.
- (3) Equity value, considered as fair value, is based on unaudited financial statements.

Custodians of investments

- (a) Central Bank of Venezuela
- (b) Commerzbank
- (c) Morgan Stanley
- (d) Caja Venezolana de Valores, S.A.
- (e) Shares held in custody of private-sector companies, SGR del Estado Aragua, C.A., SGR del Estado Falcón, C.A., S.G.R. - SOGAMIC, S.A., S.G.R. SOGARSA, S.A., S.G.R. SOGATUR, S.A.,

Through Notice No. SIB-II-GGIBPV2-40535 of December 13, 2012, SUDEBAN informed the Bank that since the Reuters and Bloomberg services which offer reference prices for all key global financial markets do not provide reference prices for the Bank's available-for-sale investments, the Bank must use similar services or, if unavailable, must apply the present value (yield curve) to measure its available-for-sale investments, as required by the Accounting Manual. The Bank followed these guidelines to measure its available-for-sale portfolio at June 30, 2014 and December 31, 2013.

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Through Notice No. SIB-II-CCD-36481 of November 12, 2012, SUDEBAN instructed the Bank to transfer the balances of non-convertible bearer bonds (2012 issue) issued by Fondo de Desarrollo Nacional FONDEN, S.A. for Bs 209,187,351 and those issued by Petróleos de Venezuela, S.A. for Bs 91,359,660 from the available-for-sale portfolio to the held-to-maturity portfolio, in conformity with Circular No. SIB-II-GGR-GNP-CCD-15075 of May 30, 2012. At December 31, 2012, the Bank calculated the fair value of the available-for-sale investments at the date of transfer and recorded an unrealized loss on these investments of Bs 7,680,340 in a separate equity account, which will be amortized until these securities mature. At June 30, 2014 and December 31, 2013, the balance of this unrealized loss is Bs 4,168,612 and Bs 5,332,756, respectively, as established in the Accounting Manual (Note 2).

TICCs issued by the Bolivarian Republic of Venezuela, payable in local currency and referenced to the U.S. dollar at the official exchange rate of Bs 6.2842/US\$1, have foreign exchange indexing clauses at variable quarterly yields.

During the six-month period ended December 31, 2013, the Bank completed the opening of an account in the name of the BCV at the Euroclear Bank, to transfer all securities in foreign currency held in custody by Commerzbank and Morgan Stanley at June 30, 2013, as set out in Article No. 53 of the Partial Reform of the Law on Banking Sector Institutions. At June 30, 2014 and December 31, 2013, Commerzbank and Morgan Stanley only hold in custody securities of the Curacao Branch.

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

	June 30, 2014	December 31, 2013
	(In bolivars)	
Unrealized gain		
Securities issued or guaranteed by the Venezuelan government in local currency	163,715,461	278,315,915
Securities issued or guaranteed by the Venezuelan government in foreign currency	39,770	5,753,920
Bonds and debt securities issued by Venezuelan non-financial public-sector companies	62,726	-
Equity in Venezuelan non-financial private-sector companies	<u>82,626</u>	<u>82,626</u>
	<u>163,900,583</u>	<u>284,152,461</u>
Unrealized loss		
Securities issued or guaranteed by the Venezuelan government in local currency	-	(395,071)
Securities issued or guaranteed by the Venezuelan government in foreign currency	(50,259,964)	(7,621,092)
Bonds and debt securities issued by Venezuelan non-financial public-sector companies	<u>-</u>	<u>(11,446)</u>
	<u>(50,259,964)</u>	<u>(8,027,609)</u>
	113,640,619	276,124,852
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice No. SIB-II-CCD-36481	<u>(4,168,612)</u>	<u>(5,332,756)</u>
Net unrealized gain on available-for-sale securities	<u>109,472,007</u>	<u>270,792,096</u>

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

	Fair value	
	June 30, 2014	December 31, 2013
	(In bolivars)	
Up to six months	1,373,875	497,668,964
Six months to one year	210,187,431	43,182,715
One to five years	2,333,873,302	1,335,002,227
Over five years	2,409,831,629	3,178,924,533
Without maturity	<u>20,060,306</u>	<u>20,060,576</u>
	<u>4,975,326,543</u>	<u>5,074,839,015</u>

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During the six-month period ended June 30, 2014, the Bank sold investments in available-for-sale securities amounting to Bs 19,279,442,009 (Bs 5,656,578,735 during the six-month period ended December 31, 2013), resulting in gains and losses of Bs 230,598,241 and Bs 209,693,146, respectively, (Bs 42,799,637 and Bs 35,164,394, respectively, during the six-month period ended December 31, 2013), shown under other operating income and other operating expenses, respectively (Notes 19 and 20).

At December 31, 2013, the Bank has Agriculture Bonds of Bs 44,400,000, considered as investments in the agricultural sector to meet the minimum legal percentage that it is required to earmark in this connection (Note 6).

b) Investments in held-to-maturity securities

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

	<u>June 30, 2014</u>			
	<u>Acquisition cost</u>	<u>Amortized cost</u>	<u>Fair value</u>	
	(In bolivars)			
Securities issued or guaranteed by the Venezuelan government				
Vebonos, with a par value of Bs 1,201,601,218, annual yield at between 10.23% and 17.50%, maturing between September 2014 and February 2025	1,535,868,146	1,524,321,610	1,379,182,329	(1) - (a)
Fixed Interest Bonds (TIF), with a par value of Bs 1,974,617,715, annual yield at between 9.75% and 18%, maturing between December 2014 and January 2026	2,398,209,872	2,288,310,961	2,324,470,893	(3) - (a)
Sovereign Bonds in foreign currency, with a par value of US\$2,600, annual yield at between 7.75% and 8.25%, maturing between October 2019 and 2024 (Note 4)	19,278	17,398	14,033	(1) - (c)
Principal and Interest Covered Bonds (TICC), payable in bolivars, with a reference par value of US\$20,297,582, annual yield at between 5.25% and 8.63%, maturing between March 2015 and 2019 (Note 4)	<u>137,353,775</u>	<u>137,999,377</u>	<u>127,988,305</u>	(3) - (a)
	<u>4,071,451,071</u>	<u>3,950,649,346</u>	<u>3,831,655,560</u>	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
Dematerialized Participation Certificate issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 877,064,242, 3.75% annual yield, maturing in Mary 2015 and 2016	877,064,242	877,064,242	877,064,242	(2) - (a)
Global Bonds issued by La Electricidad de Caracas, C.A., with a par value of US\$250,000, 8.5% annual yield, maturing in April 2018 (Note 4)	891,571	1,228,029	1,258,882	(1) - (c)
Agriculture Bonds issued by Fondo de Desarrollo Nacional FONDEN, S.A., with a par value of Bs 410,000,000, 9.10% annual yield, maturing between April 2015 and July 2017 (Note 6)	433,859,980	421,579,142	426,366,130	(1) - (a)
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US\$4,300, annual yield at between 5.38% and 8.5%, maturing between November 2017 and April 2037 (Note 4)	23,880	24,281	23,139	(1) - (b) and (c)
Agriculture Bonds issued by Petróleos de Venezuela, S.A. with a par value of Bs 30,000,000, 9.1% annual yield, maturing in July 2015 (Note 6)	<u>30,528,180</u>	<u>30,208,968</u>	<u>30,528,180</u>	(1) - (a)
	<u>1,342,367,853</u>	<u>1,330,104,662</u>	<u>1,335,240,573</u>	
Debt securities issued by foreign non-financial private-sector companies (Note 4)				
AES Andre B.D. Dominicana, with a par value of US\$200,000, 9.5% annual yield, maturing in November 2020	1,344,819	1,313,762	1,362,063	(1) - (c)
Telemovil Finance Co. Ltd., with a par value of US\$119,000, 8% annual yield, maturing in October 2017	<u>786,211</u>	<u>765,897</u>	<u>783,319</u>	(1) - (c)
	<u>2,131,030</u>	<u>2,079,659</u>	<u>2,145,382</u>	
Debt securities issued by foreign financial private-sector companies (Note 4)				
Ford Motor Credit Company, with a par value of US\$400,000, annual yield at between 7% and 8.7%, maturing between October 2014 and April 2015	2,802,753	2,546,092	2,599,258	(1) - (c)
BBVA Bancomer S.A., with a par value of US\$200,000, 6% annual yield, maturing in May 2022	1,275,693	1,269,925	1,324,521	(1) - (c)
BanColombia, S.A., with a par value of US\$200,000, 4.25% annual yield, maturing in January 2016	1,254,955	1,256,263	1,311,223	(1) - (c)
International Cooperative UA, with a par value of US\$100,000, 10.38% annual yield, maturing in September 2020	636,589	633,671	330,002	(1) - (c)
Morgan Stanley, with a par value of US\$200,000, 4.2% annual yield, maturing in November 2014	<u>1,301,961</u>	<u>1,261,359</u>	<u>1,273,920</u>	(1) - (c)
	<u>7,271,951</u>	<u>6,967,310</u>	<u>6,838,924</u>	
	<u>5,423,221,905</u>	<u>5,289,800,977</u>	<u>5,175,880,439</u>	

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	June 31, 2013			
	Acquisition cost	Amortized cost	Fair value	
	(In bolivars)			
Securities issued or guaranteed by the Venezuelan government				
Vebonos, with a par value of Bs 287,412,568, annual yield at between 10.55% and 17.86%, maturing between May 2014 and January 2025	260,749,960	262,331,525	270,384,852	(1) - (a)
Fixed Interest Bonds (TIF), with a par value of Bs 1,327,867,715, annual yield at between 9.875% and 18%, maturing between December 2014 and January 2024	1,540,097,665	1,453,118,278	1,553,624,853	(3) - (a)
Sovereign Bonds in foreign currency, with a par value of US\$15,993,000, annual yield at between 7.75% and 8.25%, maturing between October 2019 and 2024 (Note 4)	136,229,265	123,640,011	73,299,504	(1) - (a) and (c)
Principal and Interest Covered Bonds (TICC), payable in bolivars, with a reference par value of US\$15,104,637, annual yield at between 5.25% and 8.63%, maturing between March 2015 and 2019 (Note 4)	<u>90,838,167</u>	<u>91,359,461</u>	<u>93,903,560</u>	(3) - (a)
	<u>2,027,915,057</u>	<u>1,930,449,275</u>	<u>1,991,212,769</u>	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
Dematerialized Participation Certificate issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 877,064,242, 3.75% annual yield, maturing in May 2015 and 2016	877,064,242	877,064,242	877,064,242	(2) - (a)
Global Bonds issued by La Electricidad de Caracas, C.A., with a par value of US\$250,000, 8.5% annual yield, maturing in April 2018 (Note 4)	891,571	1,182,596	1,195,962	(1) - (a)
Agriculture Bonds issued by Fondo de Desarrollo Nacional FONDEN, S.A., with a par value of Bs 410,000,000, 9.10% annual yield, maturing between April 2015 and July 2017 (Note 6)	433,859,980	424,738,906	426,366,130	(1) - (a)
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US\$2,316,900, annual yield at between 5.38% and 8.5%, maturing between November 2017 and April 2037 (Note 4)	14,240,494	14,307,001	12,046,228	(1) - (a) and (c)
Agriculture Bonds issued by Petróleos de Venezuela, S.A. with a par value of Bs 30,000,000, 9.1% annual yield, maturing in July 2015 (Note 6)	<u>30,528,180</u>	<u>30,308,242</u>	<u>30,528,180</u>	(1) - (a)
	<u>1,356,584,467</u>	<u>1,347,600,987</u>	<u>1,347,200,742</u>	
Debt securities issued by foreign non-financial private-sector companies (Note 4)				
AES Andre B.D. Dominicana, with a par value of US\$200,000, 9.5% annual yield, maturing in November 2020	1,344,819	1,318,234	1,335,393	(1) - (c)
Telemovil Finance Co. Ltd., with a par value of US\$200,000, 8% annual yield, maturing in October 2017	1,319,682	1,291,896	1,332,250	(1) - (c)
Cemex S.A.B., de C.V., with a par value of US\$200,000, 9% annual yield, maturing in January 2018	<u>1,271,922</u>	<u>1,265,522</u>	<u>1,374,355</u>	(1) - (c)
	<u>3,936,423</u>	<u>3,875,652</u>	<u>4,041,998</u>	
Debt securities issued by foreign financial private-sector companies (Note 4)				
Ford Motor Credit Company, with a par value of US\$400,000, annual yield at between 7% and 8.7%, maturing between January 2014 and April 2015	2,802,753	2,583,080	2,675,033	(1) - (c)
BBVA Bancomer S.A., with a par value of US\$200,000, 6% annual yield, maturing in May 2022	1,275,693	1,270,756	1,281,977	(1) - (c)
Braskem Finance LTD., with a par value of US\$200,000, 7% annual yield, maturing in May 2020	1,316,540	1,297,506	1,338,535	(1) - (c)
BanColombia, S.A., with a par value of US\$200,000, 4.25% annual yield, maturing in January 2016	1,254,955	1,256,074	1,297,687	(1) - (c)
International Cooperative UA, with a par value of US\$100,000, 10.375 % annual yield, maturing in September 2020	636,589	634,091	427,326	(1) - (c)
Morgan Stanley, with a par value of US\$200,000, 4.2% annual yield, maturing in November 2014	<u>1,301,961</u>	<u>1,267,210</u>	<u>1,296,808</u>	(1) - (c)
	<u>8,588,491</u>	<u>8,308,717</u>	<u>8,317,366</u>	
	<u>3,397,024,438</u>	<u>3,290,234,631</u>	<u>3,350,772,875</u>	

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

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

(3) Estimated market value based on the present value of estimated future cash flows or yield curves.

Custodians of investments

(a) Central Bank of Venezuela

(b) Commerzbank

(c) Morgan Stanley

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

	June 30, 2014		December 31, 2013	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In bolivars)			
Less than 1 year	391,943,759	393,222,111	130,388,232	131,434,049
1 to 5 years	2,362,422,063	2,476,540,393	2,715,810,237	2,827,296,537
5 to 10 years	1,106,953,307	992,804,218	222,663,728	193,385,754
Over 10 years	<u>1,428,481,848</u>	<u>1,313,313,717</u>	<u>221,372,434</u>	<u>198,656,535</u>
	<u>5,289,800,977</u>	<u>5,175,880,439</u>	<u>3,290,234,631</u>	<u>3,350,772,875</u>

The Accounting Manual establishes that all sales of held-to-maturity securities for reasons other than those indicated in the Accounting Manual must be authorized by SUDEBAN. On December 14, 2012, the Curacao Branch sold a held-to-maturity security for US\$2,265,627, maturing on November 2, 2017, without SUDEBAN's authorization. On January 9, 2013, the Bank informed SUDEBAN that the Branch had made an honest mistake and that when the Branch became aware of it, it immediately purchased another security of identical characteristics at the same sale price of the original security (97.3%), and recorded it in the "held-to-maturity securities" account at the new acquisition cost. The Bank also informed SUDEBAN that the gain on sale of US\$465,099 was recorded in the other pending items liability account and shown in the balance sheet under accruals and other liabilities until the security is paid at maturity (Note 10). Through Notice No. SIB-II-GGIBPV-GIBPV2-04502 of February 18, 2013, SUDEBAN informed the Bank that the transaction was duly noted while stressing the obligation to comply with the Accounting Manual as regards authorization from SUDEBAN for this type of transaction.

Through Circular SIB-II-GGR-GNP-10025 of April 1, 2014, SUDEBAN authorized financial institutions to sell held-to-maturity securities in foreign currency provided that they are traded through SICAD II. During the six-month period ended June 30, 2014, the Bank sold held-to-maturity investments through SICAD II for US\$18,009,696, equivalent to Bs 819,117,086, and recorded net gains of Bs 643,398,682 in equity. Of this amount, the Branch transferred to the Bank securities for US\$3,078,211, equivalent to Bs 19,344,094 at book value.

At June 30, 2014, the Bank has agriculture bonds issued by Fondo Nacional de Desarrollo Nacional FONDEN, S.A. and Petróleos de Venezuela, S.A., for Bs 421,579,142 and Bs 30,208,968, respectively (Bs 424,738,906 and Bs 30,308,242, respectively, at December 31, 2013). Through Notice No. SIB-II-CCD-06140 of March 1, 2013, SUDEBAN informed the Bank that the maximum amount of agriculture bonds that may be included in the agricultural loan portfolio, as per Notice No. 093 of July 31, 2012 issued by the People's Power Ministry for Agriculture and Land, is Bs 473,381,100. At June 30, 2014, the Bank has agriculture bonds issued by Fondo Nacional de Desarrollo Nacional FONDEN, S.A. and PDVSA for Bs 451,788,110 (Note 6) (Bs 465,697,450 at December 31, 2013), which may be computed as part of the agricultural loans that the Bank is required to grant (Note 6).

At June 30, 2014 and December 31, 2013, the Bank has Dematerialized Participation Certificates issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 877,064,242, which may be deducted from the legal reserve amount required of financial institutions (Note 29). The Bank has the ability and intention to hold these securities to maturity.

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At June 30, 2014, unrealized losses of Bs 155,153,718 (Bs 50,340,535 at December 31, 2013) on held-to-maturity securities issued by the Bolivarian Republic of Venezuela are considered temporary since management believes that from the standpoint of the issuer's credit risk, interest rate risk and liquidity risk, the decrease in these securities' fair value is temporary. In addition, the Bank has the intention and ability to hold these securities to maturity. Accordingly, the Bank has identified no impairment in the value of these investments.

c) Overnight deposits

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

	June 30, 2014	December 31, 2013
	(In bolivars)	
Certificate of deposit with the Central Bank of Venezuela (BCV), with a par value of Bs 450,000,000, annual yield at between 6% and 7.25%, maturing in October 2014 and February 2015 (par value of Bs 592,996,000, annual yield at between 6% and 7%, maturing in January 2014 at December 31, 2013)	<u>450,000,000</u>	<u>592,996,000</u>

d) Restricted investments

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

	<u>June 30, 2014</u>		<u>December 31, 2013</u>	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In bolivars)			
Other restricted investments				
Certificates of deposit				
JP Morgan Chase Bank, with a par value of US\$1,593,305 (US\$1,002,294 at December 31, 2013) (Note 4)	10,012,647	10,012,647	7,559,475	7,559,475 (1)
PNC Bank, with a par value of US\$1,619,195 (US\$1,616,788 at December 31, 2013) (Note 4)	10,175,343	10,175,343	10,160,219	10,160,219 (1)
Banco del Bajío, with a par value of US\$724,500 (Note 4)	4,552,903	4,552,903	4,552,903	4,552,903 (1)
Banco do Brasil, with a par value of US\$202,282 (Note 4)	1,271,179	1,271,179	-	- (1)
Caixa D'estalvis, with a par value of US\$8,800 (US\$58,598 at December 31, 2013) (Note 4)	75,718	75,718	368,245	368,245 (1)
Deutsche Bank, with a par value of US\$4,196,507 (Note 4)	-	-	915,681	915,681 (1)
Social Contingency Fund (Note 25)	<u>13,849,042</u>	<u>13,849,042</u>	<u>10,348,398</u>	<u>10,348,398 (1)</u>
	<u>39,936,832</u>	<u>39,936,832</u>	<u>33,904,921</u>	<u>33,904,921</u>

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

At June 30, 2014 and December 31, 2013, the certificates of deposit with JP Morgan Chase Bank and PCN Bank are used as collateral to guarantee VISA and MasterCard credit card operations, respectively.

At December 31, 2013, guarantee deposits of Deutsche Bank are used to guarantee operations with letters of credit through SICAD.

At June 30, 2014 and December 31, 2013, guarantee deposits of Banco do Brasil, Banco del Bajío and Caixa D'estalvis are used to guarantee operations with letters of credit through CADIVI. (CENCOEX at June 30, 2014).

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e) Investments in other securities

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

	June 30, 2014	December 31, 2013	
	(In bolivars)		
Liabilities from investment trusts issued by financial institutions			
Certificates of participation issued by Banco de Desarrollo Económico y Social de Venezuela (BANDES), with a par value of Bs 251,289,000, 3.75% annual yield, maturing in June 2014	-	251,289,000	(1) - (a)
Other liabilities			
Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 2,733,132,077 (Bs 1,598,118,240 at December 31, 2013), 4.66% annual yield, maturing in June 2017 and September 2021	2,733,132,077	1,598,118,240	(1) - (a)
Special mortgage securities issued by Banco Nacional de Vivienda y Hábitat (BANAVIH), with a par value of Bs 110,287,500 (Bs 117,640,000 at December 31, 2013), 2% annual yield, maturing in November 2021	<u>110,287,500</u>	<u>117,640,000</u>	(1) - (a)
	<u>2,843,419,577</u>	<u>1,967,047,240</u>	

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

Custodians of investments

(a) Central Bank of Venezuela

At June 30, 2014, the Bank has Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 2,733,132,077 (Bs 1,438,261,488 at December 31, 2013), of which Bs 251,289,000 corresponds to the substitution of dematerialized certificates of participation issued by Banco Nacional de Desarrollo Económico y Social de Venezuela (BANDES). These deposits were imputed to the construction mortgage loan portfolio compliance (Note 6). In addition, Resolution No. 154 issued by the People's Power Ministry for Housing was published in Official Gazette No. 40,321 on December 23, 2013. This resolution establishes that banking sector institutions must transfer to the Higher Authority of the National Housing System, through the purchase of Bolivarian Securities for Housing 2013-II issued by the Fondo Simón Bolívar para la Reconstrucción, S.A., available and uncommitted resources at November 30, 2013 for the construction, improvement, expansion and self- construction of primary residences established in Resolution No. 16 of February 13, 2013 to comply with the required minimum percentages of the mortgage portfolio at December 31, 2013. In addition, at December 31, 2013, the Bank reported to Banco Nacional de Vivienda y Hábitat (BANAVIH), as per its instructions, the total amount to be transferred, which consists of Bs 159,856,752 actually paid (Note 5-e) and Bs 319,713,503 for future purchases to be paid in January and February 2014 (Note 22). The Bank has the intention and ability to hold these securities to maturity. In addition, these securities are guaranteed by the Bolivarian Republic of Venezuela.

At December 31, 2013, the Bank, acting as trustee, has certificates of participation for Bs 251,289,000 issued by BANDES, which matured in June 2014 and were exchange at their par value for Bolivarian Securities for Housing, in accordance with SUDEBAN's Circular SIB-II-GGR-GNP-08298 of March 21, 2014. These funds arise from the decrease by three percentage points in the legal reserve at June 30, 2011, and have been earmarked for programs under "Venezuela's Great Housing Mission." In September 2011, Petróleos de Venezuela, S.A. (PDVSA) signed an agreement to guarantee BANDES the availability of the resources needed to settle these liabilities. The Bank has the intention and ability to hold these securities to maturity.

At June 30, 2014 and December 31, 2013, the Bank maintains special mortgage securities for Bs 110,287,500 and 117,640,000, respectively, with long-term mortgage loan guarantees issued by BANAVIH, which were computed in the construction loan portfolio at December 31, 2011 (Note 6). The Bank has the intention and ability to hold these securities to maturity.

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The Bank's control environment includes policies and procedures to determine investment risks by entity and economic sector. At June 30, 2014, the Bank has investment securities issued or guaranteed by the Venezuelan government of Bs 13,529,439,822, representing 99.49% of its investment securities portfolio (Bs 10,892,871,941, representing 99.40% of its investment securities portfolio at December 31, 2013).

6. Loan portfolio

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

	June 30, 2014				
	Current	Rescheduled	Overdue	In litigation	Total
	(In bolivars)				
Economic activity					
Wholesale and retail trade, restaurants and hotels	7,190,464,981	24,729,431	8,503,809	-	7,223,698,221
Financial businesses, insurance, real estate and services	1,876,101,571	-	4,512,751	-	1,880,614,322
Agriculture, fishing and forestry	3,153,028,815	114,219,318	887,753	-	3,268,135,886
Construction	1,280,644,836	-	62,842	-	1,280,707,678
Transportation, warehousing and communications	635,563,615	-	20,767	-	635,584,382
Utilities	61,763,367	-	-	-	61,763,367
Communal, social and consumer services	9,157,358,508	217,034	2,522,563	-	9,160,098,105
Manufacturing	2,109,624,983	-	346,800	-	2,109,971,783
Mining and oil	64,468,206	-	-	-	64,468,206
Sundry activities	<u>62,001,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,001,845</u>
	<u>25,591,020,727</u>	<u>139,165,783</u>	<u>16,857,285</u>	<u>-</u>	25,747,043,795
Allowance for losses on loan portfolio					<u>(531,049,835)</u>
					<u>25,215,993,960</u>
Guarantee					
Endorsement	8,057,174,439	19,444,814	2,928,307	-	8,079,547,560
Real property mortgage	2,236,190,976	863,484	2,725,922	-	2,239,780,382
Other guarantees	439,777,057	24,395,264	24,944	-	464,197,265
Collateral	3,897,628,452	43,554,959	2,433,047	-	3,943,616,458
Pledge	304,995,757	109,375	-	-	305,105,132
Chattel mortgage	140,966,980	894,471	607,489	-	142,468,940
Written instruments	244,385,914	-	-	-	244,385,914
Non-possessory pledge	74,268,392	705,900	-	-	74,974,292
Unsecured	<u>10,195,632,760</u>	<u>49,197,516</u>	<u>8,137,576</u>	<u>-</u>	<u>10,252,967,852</u>
	<u>25,591,020,727</u>	<u>139,165,783</u>	<u>16,857,285</u>	<u>-</u>	<u>25,747,043,795</u>
Maturity					
Up to 30 days	4,375,104,056	29,103	8,463,271	-	4,383,596,430
31 to 60 days	3,388,671,488	-	217,009	-	3,388,888,497
61 to 90 days	3,069,637,384	133,394	332,000	-	3,070,102,778
91 to 180 days	3,101,425,639	1,131,500	1,199,564	-	3,103,756,703
181 to 360 days	2,684,345,061	662,170	292,400	-	2,685,299,631
Over 360 days	<u>8,971,837,099</u>	<u>137,209,616</u>	<u>6,353,041</u>	<u>-</u>	<u>9,115,399,756</u>
	<u>25,591,020,727</u>	<u>139,165,783</u>	<u>16,857,285</u>	<u>-</u>	<u>25,747,043,795</u>
December 31, 2013					
	Current	Rescheduled	Overdue	In litigation	Total
	(In bolivars)				
Economic activity					
Wholesale and retail trade, restaurants and hotels	5,179,081,247	38,506,828	2,851,686	-	5,220,439,761
Financial businesses, insurance, real estate and services	1,485,440,404	-	3,229,458	-	1,488,669,862
Agriculture	1,990,313,954	67,969,489	4,492,218	-	2,062,775,661
Construction	1,098,509,880	-	-	-	1,098,509,880
Transportation, warehousing and communications	334,875,053	-	-	-	334,875,053
Utilities	46,302,394	-	-	-	46,302,394
Communal, social and consumer services	7,587,492,536	320,906	1,048,445	-	7,588,861,887
Manufacturing	1,929,714,822	-	25,000	-	1,929,739,822
Mining and oil	35,436,453	-	-	-	35,436,453
Sundry activities	<u>66,723,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,723,438</u>
	<u>19,753,890,181</u>	<u>106,797,223</u>	<u>11,646,807</u>	<u>-</u>	19,872,334,211
Allowance for losses on loan portfolio					<u>(357,457,445)</u>
					<u>19,514,876,766</u>

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	December 31, 2013				Total
	Current	Rescheduled	Overdue	In litigation	
	(In bolivars)				
Guarantee					
Endorsement	5,827,500,203	3,464,377	486,062	-	5,831,450,642
Real property mortgage	1,832,915,862	1,415,047	1,814,667	-	1,836,145,576
Other guarantees	219,112,084	37,500	42,463	-	219,192,047
Collateral	3,486,565,480	11,812,037	4,918,403	-	3,503,295,920
Pledge	271,579,638	125,000	-	-	271,704,638
Chattel mortgage	151,639,543	933,143	714,151	-	153,286,837
Written instruments	203,538,854	-	-	-	203,538,854
Non-possessory pledge	46,580,314	853,878	-	-	47,434,192
Fiduciary	218,750	-	-	-	218,750
Unsecured	<u>7,714,239,453</u>	<u>88,156,241</u>	<u>3,671,061</u>	-	<u>7,806,066,755</u>
	<u>19,753,890,181</u>	<u>106,797,223</u>	<u>11,646,807</u>	-	<u>19,872,334,211</u>
Maturity					
Up to 30 days	3,668,125,600	-	2,908,646	-	3,671,034,246
31 to 60 days	2,382,842,996	36,670	122,354	-	2,383,002,020
61 to 90 days	2,222,404,583	-	-	-	2,222,404,583
91 to 180 days	2,285,571,648	38,071,766	378,110	-	2,324,021,524
181 to 360 days	2,687,203,939	2,340,986	470,519	-	2,690,015,444
Over 360 days	<u>6,507,741,415</u>	<u>66,347,801</u>	<u>7,767,178</u>	-	<u>6,581,856,394</u>
	<u>19,753,890,181</u>	<u>106,797,223</u>	<u>11,646,807</u>	-	<u>19,872,334,211</u>

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

	June 30, 2014	December 31, 2013
	(In bolivars)	
Type of loan		
Fixed term, includes US\$12,476,639 (US\$12,194,165 at December 31, 2013) (Note 4)	10,751,162,510	7,874,167,524
Installment, includes US\$520,000 (Note 4)	3,998,309,905	3,448,449,118
Agriculture	3,268,135,886	2,062,775,661
Mortgage	2,199,788,655	1,734,271,220
Manufacturing	2,109,971,783	1,929,739,822
Credit cards	944,568,764	578,845,172
Microcredits	926,804,656	816,494,572
Tourism	529,855,508	396,930,816
Financial leases	202,218,060	336,086,475
Factoring and discounts, includes US\$11,597,410 (US\$11,939,091 at December 31, 2013) (Note 4)	364,346,307	308,217,030
Letters of credit, includes US\$41,792,528 (US\$30,388,020 at December 31, 2013) (Note 4)	262,632,602	204,870,805
Vehicles	179,806,476	172,569,507
Other (employee loans)	8,620,422	8,219,798
Checking accounts	<u>822,261</u>	<u>696,691</u>
	<u>25,747,043,795</u>	<u>19,872,334,211</u>

Through Resolution No. 332-11 of December 22, 2011, SUDEBAN established the parameters to set aside provisions for loans or microcredits granted to individuals or corporations whose assets were subject to expropriation, occupation or intervention from the Venezuelan government, effective from December 1, 2011 to November 30, 2013. A modification of this Resolution was published in Official Gazette No. 40,304 of November 28, 2013. At June 30, 2014, the Bank applied the aforementioned Resolution to loans amounting to Bs 609,644,045 (Bs 571,903,647 at December 31, 2013).

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In addition, in accordance with SUDEBAN rules, at June 30, 2014, the Bank maintains a general allowance for losses on the loan portfolio of Bs 272,605,047 (Bs 207,247,419 at December 31, 2013), equivalent to 1% of the principal balance of the loan portfolio, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance (Note 2-d).

In addition to general and specific allowances established in SUDEBAN rules, through Resolution No. 146.13 of September 10, 2013, SUDEBAN laid out the rules regarding the countercyclical allowance, equivalent to 0.75 per month of the gross loan portfolio balance; and will be set aside as follows: 0.25% at April 30, 2014, 0.50% at August 31, 2014, and 0.75% at December 31, 2014 and beyond. At June 30, 2014, the Bank maintains a countercyclical allowance of Bs 99,346,292 (Note 2-d).

At June 30, 2014, the Branch has loans for US\$15,149,399, equivalent to Bs 95,201,853, with a group of debtors and maintains a provision of US\$495,000, equivalent to Bs 3,110,679, in this connection. Through Notice No. SIB-II-GGIBPV-GIBPV2-20386 of June 17, 2014, SUDEBAN established a required provision of US\$2,587,069, equivalent to Bs 16,257,659, for these debtors. Through communication of July 3, 2014, the Branch explained to SUDEBAN its reasons for maintaining that level of provision and to date is awaiting response from this regulatory body.

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

	June 30, 2014	December 31, 2013
	(In bolivars)	
Balance at the beginning of the period	357,457,445	328,666,298
Provided in the period	173,471,412	34,846,244
Write-offs of uncollectible loans	-	(3,069,324)
Reclassification from (to) the provision for interest receivable (Note 7)	274,261	-
Reclassification to the provision for contingent loans (Note 17)	<u>(153,283)</u>	<u>(2,985,773)</u>
Balance at the end of the period	<u>531,049,835</u>	<u>357,457,445</u>

At June 30, 2014, overdue loans on which interest is no longer accrued amount to Bs 16,857,285 (Bs 11,646,807 at December 31, 2013). In addition, at June 30, 2014, memorandum accounts include Bs 115,133,715 (Bs 65,415,013 at December 31, 2013) in respect of interest not recognized as income from loans on which interest is no longer accrued (Note 22).

During the six-month period ended December 31, 2013, the Bank wrote off loans of Bs 3,069,324 against the allowance for losses on the loan portfolio.

At June 30, 2014, the Bank recovered loans written off in previous periods of Bs 5,130,102, shown in the income statement within income from financial assets recovered (Bs 9,007,836 during the six-month period ended December 31, 2013).

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At June 30, 2014, universal banks should earmark a minimum nominal percentage of 28% to finance loans for agriculture, microcredits, mortgage tourism and manufacturing (59% to agriculture, microcredits, mortgage, tourism and manufacturing at December 31, 2013) as follows:

June 30, 2014							
Activity	Balance maintained in bolivars	Earmarked %	Required %	Number of debtors	Number of loans granted during the period	Maximum annual interest rate %	Calculation basis
Agriculture (a)	<u>3,719,923,996</u>	23.54	23.00	488	179	13	Average gross loan portfolio balance at December 31, 2013 and 2012
Microcredits	<u>926,804,656</u>	4.70	3.00	3,107	1,398	24	Gross loan portfolio at December 31, 2013
Mortgages (b)	<u>1,408,476,379</u>	7.14		3,023	331	Between 4.66 and 10.66	Gross loan portfolio at December 31, 2013 to be applied according to the borrower's monthly household income
Tourism (c)	<u>549,426,908</u>	3.48	2.00	30	16	7.12 or 10.12	Average balance of the gross loan portfolio at December 31, 2013 and 2012
Manufacturing (d)	<u>2,109,971,783</u>	10.70		232	201	16.20 or 18.00	Gross loan portfolio at December 31, 2013
December 31, 2013							
Activity	Balance maintained in bolivars	Earmarked %	Required %	Number of debtors	Number of loans granted during the period	Maximum annual interest rate %	Calculation basis
Agriculture (a)	<u>2,528,473,111</u>	25.84	22.00	557	645	13	Average gross loan portfolio balance at December 31, 2012 and 2011
Microcredits	<u>816,494,572</u>	5.83	3.00	3,045	2,582	24	Gross loan portfolio at June 30, 2013
Mortgages (b)	<u>2,519,282,624</u>	21.20	20.00	2,733	227	Between 4.66 and 10.66	Gross loan portfolio at December 31, 2012 to be applied according to the borrower's monthly household income
Tourism (c)	<u>416,502,486</u>	4.26	4.00	24	11	7.12 or 10.12	Average gross loan portfolio balance at December 31, 2012 and 2011
Manufacturing (d)	<u>1,929,739,822</u>	16.24	10.00	233	386	16.20 or 18.00	Gross loan portfolio at December 31, 2012

- (a) At June 30, 2014, the Bank maintains an agricultural loan portfolio for Bs 3,268,135,886 and agriculture bonds issued by the Venezuelan government for Bs 451,788,110 (Note 5-a and b), representing 23.54% of the average gross loan portfolio at December 31, 2013 and 2012 (at December 31, 2013, Bs 2,062,775,661 and Bs 465,697,450, respectively, representing 25.84% of the average gross loan portfolio at December 31, 2012 and 2011).
- (b) At June 30, 2014, the Bank maintains Bs 2,733,132,077 in Bolivarian Housing Securities issued by the Fondo Simón Bolívar para la Reconstrucción, S.A., of which Bs 564,011,334 is imputable to the short and long-term mortgage portfolio for 2014, acquired at June 30, 2014, to finance Venezuela's Great Housing Mission (Bs 1,598,118,240 of which Bs 465,297,901 is imputable to the short-term mortgage portfolio for 2013 and Bs 319,713,503 corresponds to commitments to purchase Bolivarian Housing Securities in January and February 2014 (Note 22) at December 31, 2013) (Note 5-e).
- (c) The Tourism Law established, among other things, that the loan portfolio would be distributed in segments according to the borrower's annual income as follows: 40% for segment A (up to 20,000 tax units), 35% for segment B (between 20,000 and 100,000 tax units), and 25% for segment C (over 100,000 tax units). At June 30, 2014 and December 31, 2013, the Bank maintains loans in this connection for Bs 529,855,508 and Bs 396,931,086, respectively, and Bs 19,571,400 in Class "B" shares from Sociedad de Garantías Recíprocas para la Pequeña y Mediana Empresa del Sector Turismo, S.A. (SOGATUR). These shares are imputable to the tourism loan portfolio compliance (Note 5).
- (d) In July 2014, the People's Power Ministries for Industries and for Planning and Finance established the activities to which universal banks shall allocate the funds of the manufacturing loan portfolio. Of the manufacturing loan portfolio resources, 60% shall be allocated to the strategic development sectors and a minimum 40% percentage to finance small and medium-sized companies, joint ventures, communal and state companies.

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7. Interest and commissions receivable

Interest and commissions receivable comprise the following:

	June 30, 2014	December 31, 2013
	(In bolivars)	
Interest receivable on investment securities		
Available for sale, includes US\$823,537	102,084,166	92,759,059
Held to maturity, includes US\$361,008	78,239,334	52,376,551
Other securities, includes US\$261,967	<u>41,341,402</u>	<u>19,914,116</u>
	<u>221,664,902</u>	<u>165,049,726</u>
Interest receivable on loan portfolio		
Current, includes US\$754,300	203,139,133	143,259,700
Rescheduled, includes US\$14,435	3,508,459	289,790
Overdue, includes US\$1,817	1,002,291	5,659,924
Microcredits	5,617,055	5,153,138
Agricultural	<u>580,273</u>	<u>58,616</u>
	<u>213,847,211</u>	<u>154,421,168</u>
Commissions receivable		
Trust fund	<u>1,632,332</u>	<u>1,410,165</u>
	437,144,445	320,881,059
Provision for interest receivable and other, includes US\$6,078	<u>(6,024,400)</u>	<u>(9,969,048)</u>
	<u>431,120,045</u>	<u>310,912,011</u>

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

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

	June 30, 2014	December 31, 2013
	(In bolivars)	
Balance at the beginning of the period	9,969,048	11,678,884
Provided in the period	-	11,130
Write-off of interest receivable on loans	-	(199,623)
Reclassification (to) from the allowance for losses on loan portfolio (Note 6)	(274,261)	
Reclassification (to) the provision for contingent loans (Note 17)	<u>(3,670,387)</u>	<u>(1,521,343)</u>
Balance at the end of the period	<u>6,024,400</u>	<u>9,969,048</u>

During the six-month period ended December 31, 2013, the Bank wrote off interest receivable of Bs 199,623 against the provision for interest receivable and other.

8. Investments in subsidiaries, affiliates and branches

In October 2008, the Bank requested authorization from SUDEBAN to open a branch in Willemstad, Curacao. SUDEBAN, through Notice No. SBIF-DSB-II-GGTE-GEE-07154 of May 18, 2009, and the Central Bank of Curacao and St. Maarten, through Communication No. Lcm/ni/2009-001159 of November 5, 2009, authorized the opening of this branch.

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

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

Balance sheet

	<u>June 30, 2014</u>		<u>December 31, 2013</u>	
	<u>US\$</u>	<u>Equivalent in bolivars</u>	<u>US\$</u>	<u>Equivalent in bolivars</u>
Assets				
Cash and due from banks	67,735,730	425,664,874	42,867,371	269,387,133
Investment securities	13,642,345	85,731,224	18,989,962	119,336,719
Loan portfolio	23,641,071	148,565,218	23,688,922	148,865,924
Interest and commissions receivable	1,044,294	6,562,552	685,740	4,309,327
Property and equipment	12,292	77,246	13,066	82,109
Other assets	<u>17,707</u>	<u>111,275</u>	<u>10,386</u>	<u>65,268</u>
	<u>106,093,439</u>	<u>666,712,389</u>	<u>86,255,447</u>	<u>542,046,480</u>
Liabilities and Equity				
Customer deposits	95,542,272	600,406,746	76,743,155	482,269,335
Interest and commissions payable	10,113	63,552	21,867	137,417
Accruals and other liabilities	<u>774,638</u>	<u>4,867,980</u>	<u>500,567</u>	<u>3,145,662</u>
	<u>96,327,023</u>	<u>605,338,278</u>	<u>77,265,589</u>	<u>485,552,414</u>
Assigned capital	1,000,000	6,284,200	1,000,000	6,284,200
Capital reserves	1,552,640	9,757,100	1,347,336	8,466,929
Retained earnings	6,243,657	39,236,389	5,739,955	36,071,025
Unrealized gain on investments in available-for-sale securities	<u>970,119</u>	<u>6,096,422</u>	<u>902,567</u>	<u>5,671,912</u>
	<u>9,766,416</u>	<u>61,374,111</u>	<u>8,989,858</u>	<u>56,494,066</u>
	<u>106,093,439</u>	<u>666,712,389</u>	<u>86,255,447</u>	<u>542,046,480</u>

Income statement

	<u>June 30, 2014</u>		<u>December 31, 2013</u>	
	<u>US\$</u>	<u>Equivalent in bolivars</u>	<u>US\$</u>	<u>Equivalent in bolivars</u>
Interest income	1,369,016	8,603,170	1,750,088	10,997,903
Interest expense	(318,674)	(2,002,611)	(300,127)	(1,886,058)
Expenses from uncollectible loans	(465,000)	(2,922,153)	(145,852)	(916,563)
Other operating income	597,101	3,752,302	75,550	474,771
Other operating expenses	(34,925)	(219,476)	(38,305)	(240,717)
Operating expenses	(121,984)	(766,572)	(185,832)	(1,167,806)
Sundry operating income	3,250	20,431	1,389	8,729
Income tax expense	<u>(2,267)</u>	<u>(14,246)</u>	<u>(3,165)</u>	<u>(19,889)</u>
Net income for the period	<u>1,026,517</u>	<u>6,450,845</u>	<u>1,153,746</u>	<u>7,250,370</u>

The equivalent amounts in bolivars shown in the above financial statements at June 30, 2014 and December 31, 2013 have been translated at the official exchange rate of Bs 6.2842/US\$1.

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9. Available-for-sale assets

Available-for-sale assets comprise the following:

	June 30, 2014			December 31, 2013		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
	(In bolivars)					
Real property received as payment (Note 6)	13,344,174	(11,308,244)	2,035,930	55,095,991	(37,577,533)	17,518,458
Idle buildings	-	-	-	5,154,751	-	5,154,751
Idle construction in progress	<u>524,591</u>	<u>(465,354)</u>	<u>59,237</u>	<u>524,591</u>	<u>(334,207)</u>	<u>190,384</u>
	<u>13,868,765</u>	<u>(11,773,598)</u>	<u>2,095,167</u>	<u>60,775,333</u>	<u>(37,911,740)</u>	<u>22,863,593</u>

During the six-month period ended June 30, 2014, the Bank recorded amortization expenses of Bs 4,737,268 (Bs 11,523,177 during the six-month period ended December 31, 2013), shown in the income statement under expenses from available-for-sale assets. In addition, at December 31, 2013, expenses from available-for-sale assets include Bs 72,478 in respect of expenses incurred from the sale of assets received as payment during the period.

During the six-month period June 30, 2014, the Bank sold personal and real property received as payment with a book value of Bs 12,165,095, resulting in a gain on sale of Bs 49,429,671 (Bs 2,652,596 at December 31, 2013), shown in the income statement under income from available-for-sale assets.

Below is the movement in the balance of available-for-sale assets for the six-month periods ended June 30, 2014 and December 31, 2013:

	Cost			
	Balances at December 31, 2013	Additions	Disposals and other	Balances at June 30, 2014
	(In bolivars)			
Real property received as payment (Note 6)	55,095,991	-	(41,751,817)	13,344,174
Idle buildings	5,154,751	-	(5,154,751)	-
Idle construction in progress	<u>524,591</u>	-	-	<u>524,591</u>
	<u>60,775,333</u>	-	<u>(46,906,568)</u>	<u>13,868,765</u>

	Accumulated amortization			
	Balances at December 31, 2013	Additions	Disposals and other	Balances at June 30, 2014
	(In bolivars)			
Real property received as payment	(37,577,533)	(3,317,433)	29,586,722	(11,308,244)
Idle construction in progress	<u>(334,207)</u>	<u>(1,419,835)</u>	<u>1,288,688</u>	<u>(465,354)</u>
	<u>(37,911,740)</u>	<u>(4,737,268)</u>	<u>30,875,410</u>	<u>(11,773,598)</u>

	Cost			
	Balances at June 30, 2013	Additions	Disposals and other	Balances at December 31, 2013
	(In bolivars)			
Real property received as payment	65,895,991	-	(10,800,000)	55,095,991
Idle buildings	-	5,154,751	-	5,154,751
Idle construction in progress	<u>650,945</u>	-	<u>(126,354)</u>	<u>524,591</u>
	<u>66,546,936</u>	<u>5,154,751</u>	<u>(10,926,354)</u>	<u>60,775,333</u>

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	Accumulated amortization			
	Balances at June 30, 2013	Additions	Disposals and other	Balances at December 31, 2013
	(In bolivars)			
Real property received as payment	(29,506,181)	(11,376,235)	3,304,883	(37,577,533)
Idle construction in progress	<u>(297,823)</u>	<u>(146,942)</u>	<u>110,558</u>	<u>(334,207)</u>
	<u>(29,804,004)</u>	<u>(11,523,177)</u>	<u>3,415,441</u>	<u>(37,911,740)</u>

Through Notice No. SIB-II-GGIBPV-GIBPV2-255565 issued on July 31, 2013, SUDEBAN requested the Bank to reverse Bs 16,413,333, recorded in subaccount 533.01 "Income from assets received as payment," with a credit to account 275.00 "Deferred income" since SUDEBAN determined that these resources arose from a loan granted by the Bank and not from the buyer's resources. Through Notice No. SIB-II-GGIBPV-GIBPV2-33450 issued on October 4, 2013, SUDEBAN informed that it received supporting documentation related to the payment of the promissory note of this loan and no objection was raised.

At June 30, 2014 and December 31, 2013, the Bank did not receive real property as payment; therefore, the delivery of information established under Article No. 103 of the Partial Reform of the Law on Banking Sector Institutions does not apply.

10. Property and equipment

Property and equipment comprises the following:

	Useful life (years)	June 30, 2014			December 31, 2013		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
		(In bolivars)					
Land		34,283,457	-	34,283,457	34,283,457	-	34,283,457
Buildings and facilities	40	442,613,091	(31,195,627)	411,417,464	345,912,234	(25,133,639)	320,778,595
Computer hardware, includes US\$3,031 (US\$5,353 at December 31, 2013) (Note 4)	4	135,908,053	(64,103,970)	71,804,083	113,387,320	(51,787,508)	61,599,812
Furniture and equipment, includes US\$9,261 (US\$7,712 at December 31, 2013) (Note 4)	Between 4 and 10	338,846,689	(86,452,609)	252,394,080	272,629,304	(69,971,974)	202,657,330
Vehicles	5	7,369,266	(4,230,377)	3,138,889	7,629,266	(3,841,570)	3,787,696
Equipment for Chip project	10	8,364,969	(2,173,014)	6,191,955	8,364,969	(1,754,765)	6,610,204
Construction in progress		<u>77,433,625</u>	<u>-</u>	<u>77,433,625</u>	<u>70,034,466</u>	<u>-</u>	<u>70,034,466</u>
		1,044,819,150	(188,155,597)	856,663,553	852,241,016	(152,489,456)	699,751,560
Other property		<u>10,434,412</u>	<u>-</u>	<u>10,434,412</u>	<u>8,418,412</u>	<u>-</u>	<u>8,418,412</u>
		<u>1,055,253,562</u>	<u>(188,155,597)</u>	<u>867,097,965</u>	<u>860,659,428</u>	<u>(152,489,456)</u>	<u>708,169,972</u>

During the six-month period ended June 30, 2014, the Bank recorded depreciation expenses of Bs 36,141,589 (Bs 29,204,106 during the six-month period ended December 31, 2013), shown in the income statement under general and administrative expenses (Note 21).

At June 30, 2014 and December 31, 2013, the balance of construction in progress is in respect of construction and remodeling work to the Bank's main office and to existing and new agencies.

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Below is the movement in property and equipment for the six-month periods ended June 30, 2014 and December 31, 2013:

	Cost				Balances at June 30, 2014
	Balances at December 31, 2013	Additions	Disposals	Reclassifications and other	
			(In bolivars)		
Land	34,283,457	-	-	-	34,283,457
Buildings and facilities	345,912,234	80,842,425	-	15,858,432	442,613,091
Computer hardware	113,387,320	28,055,638	(5,534,905)	-	135,908,053
Furniture and equipment	272,629,304	70,169,503	(4,154,218)	202,100	338,846,689
Vehicles	7,629,266	-	(260,000)	-	7,369,266
Equipment for Chip project	8,364,969	-	-	-	8,364,969
Construction in progress	70,034,466	30,117,066	(6,657,375)	(16,060,532)	77,433,625
Other property	8,418,412	2,016,000	-	-	10,434,412
	<u>860,659,428</u>	<u>211,200,632</u>	<u>(16,606,498)</u>	<u>-</u>	<u>1,055,253,562</u>
	Accumulated depreciation				Balances at June 30, 2014
Balances at December 31, 2013	Depreciation expense	Disposals	Reclassifications and other		
			(In bolivars)		
Buildings and facilities	25,133,639	6,061,988	-	-	31,195,627
Computer hardware	51,787,508	12,319,965	(3,503)	-	64,103,970
Furniture and equipment	69,971,974	16,822,582	(341,947)	-	86,452,609
Vehicles	3,841,570	518,805	(129,998)	-	4,230,377
Equipment for Chip project	1,754,765	418,249	-	-	2,173,014
	<u>152,489,456</u>	<u>36,141,589</u>	<u>(475,448)</u>	<u>-</u>	<u>188,155,597</u>
	Cost				Balances at December 31, 2013
Balances at June 30, 2013	Additions	Disposals	Reclassifications and other		
			(In bolivars)		
Land	29,356,256	4,927,201	-	-	34,283,457
Buildings and facilities	293,531,697	32,920,201	(5,495,959)	24,956,295	345,912,234
Computer hardware	81,039,479	40,203,406	(1,730,820)	(6,124,745)	113,387,320
Furniture and equipment	191,877,702	76,945,451	(14,685,275)	18,491,426	272,629,304
Vehicles	5,884,770	1,744,496	-	-	7,629,266
Equipment for Chip project	2,240,224	-	-	6,124,745	8,364,969
Construction in progress	93,587,530	77,262,205	(57,367,548)	(43,447,721)	70,034,466
Other property	587,389	7,840,000	(8,977)	-	8,418,412
	<u>698,105,047</u>	<u>241,842,960</u>	<u>(79,288,579)</u>	<u>-</u>	<u>860,659,428</u>
	Accumulated depreciation				Balances at December 31, 2013
Balances at June 30, 2013	Depreciation expense	Disposals	Reclassifications and other		
			(In bolivars)		
Buildings and facilities	21,240,087	3,975,503	(81,951)	-	25,133,639
Computer hardware	45,706,249	7,634,989	(1,553,730)	-	51,787,508
Furniture and equipment	55,030,949	15,724,575	(783,550)	-	69,971,974
Equipment for Chip project	417,805	1,336,960	-	-	1,754,765
Vehicles	3,309,491	532,079	-	-	3,841,570
	<u>125,704,581</u>	<u>29,204,106</u>	<u>(2,419,231)</u>	<u>-</u>	<u>152,489,456</u>

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

On February 18, 2009, SUDEBAN, with the approval of the BCV's Board of Directors and the Higher Banking Council, resolved to take control of Stanford Bank, S.A., Banco Comercial (hereinafter Stanford Bank) in Venezuela. At a Special Shareholders' Meeting of Stanford Bank on April 29, 2009, it was resolved to issue 757,000 new common shares with a par value of Bs 100 each with a view to

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replenishing Stanford Bank's capital stock, which had been approved at a Special Shareholders' Meeting on March 5, 2009. These shares were fully subscribed by Banfoandes Banco Universal, C.A.

On May 5, 2009, SUDEBAN, through Notice No. SBIF-DSB-06532, notified the Bank that it was qualified to participate in the auction for the acquisition of Stanford Bank to be held on May 8, 2009. Likewise, SUDEBAN, through Notice No. SBIF-DSB-06535 of the same date, informed the Bank that the auction winner would be awarded the following privileges:

- a) A 15-year term over which to amortize expenses incurred during the first six months of operations of Stanford Bank, such as personnel, administrative and operating expenses.
- b) Authorization to maintain the accounting classification of loans that require rescheduling due to Stanford Bank's intervention resulting in a change of the original loan terms, provided that current credit conditions were maintained.
- c) Reduction of requirements necessary for approval of the Merger Plan.
- d) Inclusion in the purchasing entity's books of Stanford Bank's assets and liabilities once SUDEBAN authorized the merger. SUDEBAN would give such authorization within 120 days after the Merger Plan was submitted.
- e) SUDEBAN would request the BCV's cooperation to increase the credit line granted to the auction winner under the Reciprocal Payment Agreement of ALADI member countries by Stanford Bank's quota (US\$3,500,000).

On May 8, 2009, the Bank won the bid to purchase Stanford Bank at an auction conducted at the headquarters of the People's Power Ministry for the Economy and Finance offering Bs 240,007,777. On that same date, the Bank and Banfoandes signed a stock sale agreement that sets forth, among other things:

- The sale price of the 757,000 common shares was set at Bs 75,700,000.
- Regarding the difference between the offering price and the share price, the Bank would:
 - a) approve and pay Bs 121,973,325 to absorb Stanford Bank's losses and b) approve capital contributions of Bs 42,334,452 and record them under contributions pending capitalization in Stanford Bank's balance sheet.
- The Bank would conduct the merger by absorption of Stanford Bank under the terms set forth by SUDEBAN.

On May 14, 2009, Banfoandes sold and transferred 757,000 common shares of Stanford Bank to the Bank, with a par value of Bs 100 each.

In addition, Stanford Bank's Intervention Board, appointed by SUDEBAN through Resolution No. 139-09 of March 27, 2009, delivered Stanford Bank's trial balance to the Bank at May 14, 2009.

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Below is a summary of Stanford Bank's (unaudited) balance sheet at May 14, 2009:

	(In bolivars)
Assets	
Cash and due from banks	44,034,196
Investment securities	42,015,988
Loan portfolio	244,598,426
Interest and commissions receivable	10,260,148
Property and equipment	7,930,389
Other assets	<u>12,522,149</u>
Total assets	<u>361,361,296</u>
Liabilities and Equity	
Liabilities	
Customer deposits	326,110,212
Borrowings	39,837,565
Other liabilities from financial intermediation	24,177
Interest and commissions payable	413,842
Accruals and other liabilities	<u>26,876,443</u>
Total liabilities	<u>393,262,239</u>
Equity (deficit)	<u>(31,900,943)</u>
Total liabilities and equity	<u>361,361,296</u>
Memorandum accounts	
Contingent debtor accounts	41,537,662
Assets received in trust	370,467
Other debtor memorandum accounts	829,373,870

The merger by absorption of Stanford Bank into the Bank was approved at a Special Shareholders' Meeting of Stanford Bank held on May 14, 2009. Likewise, on May 21, 2009, SUDEBAN, through Resolution published in Official Gazette No. 39,183, resolved to cease the intervention of Stanford Bank after it was acquired by the Bank.

Subsequently, at a Special Shareholders' Meeting of the Bank on May 26, 2009, the merger by absorption of Stanford Bank, the Merger Plan and the merger balance sheet were approved. As a result of the merger:

- Stanford Bank's capital stock, assets and liabilities would be transferred to the Bank under universal title, in conformity with the Venezuelan Code of Commerce.
- The Bank's capital and number of shares would remain the same.
- Stanford Bank would cease to exist as established under Article No. 340 of the Venezuelan Code of Commerce.

At the aforementioned meeting, the Board of Directors was authorized to conduct the merger.

On May 27, 2009, the Bank sent a communication to SUDEBAN that included the minutes of the Special Shareholders' Meeting held on May 26, 2009, the Merger Plan and a request for authorization to make the merger effective at June 30, 2009. Subsequently, through Resolution No. 249-09 published in Official Gazette No. 39,193 on June 4, 2009, SUDEBAN authorized the merger by absorption of Stanford Bank into the Bank and indicated that the merger would become effective when the minutes were registered with the relevant Mercantile Registry. The merger became effective on June 8, 2009.

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A summary of the assets and liabilities absorbed by the Bank on June 8, 2009 is shown below:

	(In bolivars)
Assets	
Cash and due from banks	292,675,637
Investment securities	36,892,138
Loan portfolio	243,018,374
Interest and commissions receivable	14,362,791
Property and equipment	7,930,389
Other assets	<u>13,200,492</u>
Total assets	<u>608,079,821</u>
Liabilities	
Customer deposits	283,034,115
Other liabilities from financial intermediation	24,177
Interest and commissions payable	1,088,217
Accruals and other liabilities	<u>109,883,205</u>
Total liabilities	<u>394,029,714</u>
Total net assets	<u>214,050,107</u>

Through a communication sent to SUDEBAN on July 8, 2009, the Bank reported the balances of other assets related to goodwill arising from the difference between the purchase price and the book value of Stanford Bank's assets and liabilities at the merger date, and expenses incurred from the merger date to June 30, 2009. The Bank also reported the balances of memorandum accounts related to unincurred projected expenses from July 1 to December 8, 2009, recorded in conformity with the Merger Plan authorized by SUDEBAN.

Subsequently, through a communication sent to SUDEBAN on February 22, 2010, the Bank reported all expenses incurred from the merger date to December 8, 2009. Below is a breakdown of these balances:

	(In bolivars)
Deferred expenses	
Salaries and employee benefits	9,688,352
General and administrative expenses	33,466,623
Other operating expenses and sundry operating expenses	5,648,964
Expenses from uncollectible loans and interest receivable	<u>18,059,289</u>
	<u>66,863,228</u>

As a result of the purchase and subsequent merger by absorption of Stanford Bank, the Bank has recorded Bs 17,160,904 at June 30, 2014 under other assets (Bs 18,026,160 at June 30, 2013), related to goodwill arising from the difference between the purchase price and the book value of Stanford Bank's assets and liabilities at the merger date, net of accumulated amortization of Bs 8,796,766 (Bs 7,931,510 at June 30, 2013), and deferred charges of Bs 46,159,992 (Bs 48,358,087 at December 31, 2013), net of accumulated amortization of Bs 19,782,853 (Bs 17,584,759 at December 31, 2013) (Note 12).

The difference in the purchase price and deferred charges, in conformity with the Merger Plan submitted to SUDEBAN on May 11 and 13, 2009 and approved at a Special Shareholders' Meeting on May 26, 2009, and following the instructions contained in Notice No. SBIF-DSB-06535 issued by SUDEBAN on May 5, 2009 detailing the privileges that would be awarded to the Stanford Bank auction winner, will be amortized over 15 years from June 8, 2009 and January 1, 2010, respectively.

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12. Other assets

Other assets comprise the following:

	June 30, 2014	December 31, 2013
	(In bolivars)	
Deferred expenses		
Leasehold improvements, net of amortization	92,344,833	75,690,283
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities, net of accumulated amortization of Bs 8,796,766 (Bs 7,931,510 at December 31, 2013) (Note 11)	17,160,904	18,026,160
Chip project expenses (Note 2)	693,997	899,317
Licenses	4,983,385	7,137,443
Operating system (software), includes US\$4,834	6,701,952	3,720,183
Other deferred expenses	<u>30,940</u>	<u>99,353</u>
	<u>121,916,011</u>	<u>105,572,739</u>
Deferred expenses of Stanford Bank, net of accumulated amortization of Bs 19,782,854 (Bs 17,584,758 at December 31, 2013) (Note 11)		
General and administrative expenses	22,829,192	23,916,296
Expenses from uncollectible loans	12,641,503	13,243,479
Salaries and employee benefits	6,735,022	7,055,738
Other operating expenses and sundry operating expenses	<u>3,954,275</u>	<u>4,142,574</u>
	<u>46,159,992</u>	<u>48,358,087</u>
	168,076,003	153,930,826
Resale agreements with Agroinvest Casa de Bolsa de Productos Agrícolas, C.A., with a par value of Bs 56,867,535 and 13.5% annual yield	59,854,137	59,854,137
Guarantee deposits, includes US\$728,850 (includes US\$707,037 at December 31, 2013) (Note 4)	13,576,282	46,600,573
Stationery and sundry supplies	50,576,702	26,214,086
Advances to suppliers, includes US\$150,000.	104,378,317	24,864,665
Accounts receivable from the Mandatory Housing Savings Fund	13,926	16,131
Prepaid taxes and subscriptions	3,020,824	3,163,234
Contribution required under the Law for the Advancement of Science, Technology and Innovation	7,751,541	-
Other sundry accounts receivable, includes US\$17,213	9,861,723	11,538,453
Other prepaid expenses, includes US\$2,487	9,847,585	3,015,056
Accounts receivable from employees	8,148,321	9,848,083
Bank insurance	5,012,620	3,394,243
Advances on purchase options on premises owned by the Bank	73,317,797	44,139,478
Inventories of Chip credit and debit cards	6,045,012	3,781,225
Credit card-related accounts receivable and balance offsetting	7,219,484	3,840,011
Time deposits with Banco Real, Banco de Desarrollo, C.A., with a par value of Bs 1,800,000 and 15% annual yield	1,845,000	1,845,000
Deferred income tax (Note 18)	1,232,000	1,181,761
Debit items pending reconciliation, includes US\$226,786	1,827,873	2,056,540
Pending items, includes US\$49,600.	<u>74,614,035</u>	<u>75,000,304</u>
	606,219,182	474,283,806
Provision for other assets, includes US\$843	<u>(89,869,673)</u>	<u>(80,408,143)</u>
	<u>516,349,509</u>	<u>393,875,663</u>

The Bank has a matured time deposit of Bs 1,800,000 and interest receivable of Bs 45,000 with Banco Real, Banco de Desarrollo, C.A., which is being liquidated by the Venezuelan government. The Bank has recorded a provision for the full amount of this deposit with a charge to the equity account exchange gain from holding foreign currency assets and liabilities, in conformity with SUDEBAN instructions contained in Notice No. SBII-DSB-II-GGI-G18-04461 of May 26, 2010 and Notice No. SBII-DSB-II-GGI-BPV-GIBPV2-13090 of August 6, 2010.

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The Bank has an expired resale agreement with Agroinvest Casa de Bolsa de Productos Agrícolas, C.A. for Bs 56,867,535 and interest receivable in this connection for Bs 2,986,602, secured by pledge bonds issued by a company whose assets have been preventively seized. The Bank recorded a provision for these amounts with a charge to the equity account exchange gain from holding foreign currency assets and liabilities, in conformity with SUDEBAN instructions contained in Notice No. SBII-DSB-II-GGI-G18-04461 of May 26, 2010 and Notice No. SBII-DSB-II-GGI-BPV-GIBPV2-13090 of August 6, 2010.

Through a joint Resolution issued on July 29, 2011, the People's Power Ministry for Planning and Finance and the People's Power Ministry for Communes and Social Protection established the mechanisms to assign resources for financing projects developed by communal councils or other forms of social organization. In accordance with this Resolution, banks will earmark 5% of their gross pre-tax income to the National Communal Council Fund (SAFONACC) within 30 days of period end. On August 22, 2011, SUDEBAN issued Resolution No. 233-11 to require banks to record this social contribution as a prepaid expense forming part of other assets and to amortize it at a rate of 1/6 per month in the income statement within sundry operating expenses beginning in January or July, as appropriate to each six-month period. In July 2013 and January 2014, the Bank paid Bs 14,881,096 and Bs 18,862,210, respectively, in this connection (Note 20).

At June 30, 2014 and December 31, 2013, advances to suppliers for Bs 104,378,317 and Bs 24,864,665, respectively, mainly correspond to purchases of equipment, teller machines and remodeling of agencies.

Deferred expenses comprise the following:

	June 30, 2014			December 30, 2013		
	Cost	Accumulated amortization	Book value	Cost	Accumulated amortization	Book value
	(In bolivars)					
Leasehold improvements	132,157,191	39,812,358	92,344,833	115,676,717	39,986,434	75,690,283
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	8,796,766	17,160,904	25,957,670	7,931,510	18,026,160
Chip project expenses	1,642,556	948,559	693,997	1,642,556	743,239	899,317
Licenses	15,756,341	10,772,956	4,983,385	12,959,089	5,821,646	7,137,443
Operating system (software)	12,886,986	6,185,034	6,701,952	6,310,558	2,590,375	3,720,183
Other deferred expenses	459,521	428,581	30,940	459,521	360,168	99,353
Deferred expenses of Stanford Bank						
General and administrative expenses	32,613,131	9,783,939	22,829,192	32,613,131	8,696,835	23,916,296
Expenses from uncollectible loan portfolio	18,059,289	5,417,786	12,641,503	18,059,289	4,815,810	13,243,479
Salaries and employee benefits	9,621,462	2,886,440	6,735,022	9,621,462	2,565,724	7,055,738
Other operating expenses and sundry operating expenses	<u>5,648,964</u>	<u>1,694,689</u>	<u>3,954,275</u>	<u>5,648,964</u>	<u>1,506,390</u>	<u>4,142,574</u>
	<u>254,803,111</u>	<u>86,727,108</u>	<u>168,076,003</u>	<u>228,948,957</u>	<u>75,018,131</u>	<u>153,930,826</u>

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Through Resolution No. 262-10 of May 19, 2010, SUDEBAN modified the Accounting Manual to require the recording of disbursements made in connection with the project for the new chip-based credit and debit cards. These disbursements include licenses, software, training and other personnel expenses, accommodation of physical spaces, and replacement of debit and credit cards. The deadline for completing project stages is September 30, 2011. In addition, associated disbursements may be amortized beginning January 2011 using the straight-line method provided that the financial institutions have completed the project satisfactorily. The amortization terms are detailed below:

Items	Years
Advisory	1
Advertising and client information	2
Training and other personnel expenses	2
Accommodation of physical spaces	3
Replacement of debit and credit cards	3
Licenses	6
Software	6

Subsequently, through Notice No. SIB-II-GGIR-GRF-31209 of September 29, 2011, SUDEBAN extended the deadline for project completion until December 31, 2011, maintaining the initial amortization benefit for project-related expenses. At June 30, 2014 and December 31, 2013, deferred expenses include Bs 693,997 and Bs 899,317, respectively, in this connection.

At June 30, 2014 and December 31, 2013, other sundry accounts receivable in local currency include Bs 1,833,820 in respect of tax on financial transactions reimbursed to tax exempt clients, withheld by the Bank and paid to the Tax Authorities. The Bank has set aside a provision for the full amount of this balance.

At December 31, 2013, guarantee deposits include Bs 33,161,365, related to real property purchased in Urbanización Campo Alegre, Caracas, Venezuela.

The balance of pending items comprises the following:

	June 30, 2014	December 31, 2013
	(In bolivars)	
In-transit operations (internet deposit remittances)	68,256,033	72,679,272
In-transit operations (bank tellers and remittances in foreign currency) includes		
US\$49,600 (includes US\$64,000 and €21,000 at December 31, 2013) (Note 4)	353,589	2,249,265
Cash shortages	77,084	68,625
Other pending items	<u>5,927,329</u>	<u>3,142</u>
	<u>74,614,035</u>	<u>75,000,304</u>

At June 30, 2014 and December 31, 2013, in-transit operations for Bs 68,256,033 and Bs 72,679,272, respectively, relate to in-transit cash remittances from customer deposits, which clear in the first days of July and January 2014, respectively.

At June 30, 2014 and December 31, 2013, in-transit operations related to credit and debit cards are in respect of electronic offsetting, most of which clear in the first days of July and January 2014, respectively.

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Below is the movement in the provision for other assets:

	June 30, 2014	December 31, 2013
	(In bolivars)	
Balance at the beginning of the period	80,408,143	75,164,050
Provided in the period (Note 20)	11,566,511	6,895,497
Write-offs of unrecoverable accounts	<u>(2,104,981)</u>	<u>(1,651,404)</u>
Balance at the end of the period	<u>89,869,673</u>	<u>80,408,143</u>

Below is the movement in deferred expenses for the six-month periods ended June 30, 2014 and December 31, 2013:

	Cost			
	Balances at December 31, 2013	Additions	Disposals	
	(In bolivars)			
Leasehold improvements	115,676,717	40,321,495	(23,841,021)	132,157,191
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	-	-	25,957,670
Chip project expenses	1,642,556	-	-	1,642,556
Operating system (software)	6,310,558	6,576,428	-	12,886,986
Licenses	12,959,089	2,797,252	-	15,756,341
Other deferred expenses	459,521	-	-	459,521
Deferred expenses of Stanford Bank				
General and administrative expenses	32,613,131	-	-	32,613,131
Expenses from uncollectible loans	18,059,289	-	-	18,059,289
Salaries and employee benefits	9,621,462	-	-	9,621,462
Other operating expenses and sundry operating expenses	<u>5,648,964</u>	<u>-</u>	<u>-</u>	<u>5,648,964</u>
	<u>228,948,957</u>	<u>49,695,175</u>	<u>(23,841,021)</u>	<u>254,803,111</u>
	Accumulated depreciation			
	Balances at December 31, 2013	Depreciation expense	Disposals	Balances at June 30, 2014
	(In bolivars)			
Leasehold improvements	39,986,434	11,505,141	(11,679,217)	39,812,358
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	7,931,510	865,256	-	8,796,766
Chip project expenses	743,239	205,320	-	948,559
Licenses	5,821,646	4,951,310	-	10,772,956
Operating system (software)	2,590,375	3,594,659	-	6,185,034
Other deferred expenses	360,168	68,413	-	428,581
Deferred expenses of Stanford Bank				
General and administrative expenses	8,696,835	1,087,104	-	9,783,939
Expenses from uncollectible loans	4,815,810	601,976	-	5,417,786
Salaries and employees benefits	2,565,724	320,716	-	2,886,440
Other operating expenses and sundry operating expenses	<u>1,506,390</u>	<u>188,299</u>	<u>-</u>	<u>1,694,689</u>
	<u>75,018,131</u>	<u>23,388,194</u>	<u>(11,679,217)</u>	<u>86,727,108</u>

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	Cost			Balances at December 31, 2013
	Balances at June 30, 2013	Additions	Disposals	
	(In bolivars)			
Leasehold improvements	90,982,980	35,725,833	(11,032,096)	115,676,717
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	-	-	25,957,670
Chip project expenses	1,642,556	-	-	1,642,556
Operating system (software)	5,398,810	911,748	-	6,310,558
Licenses	6,010,611	6,948,478	-	12,959,089
Other deferred expenses	459,521	-	-	459,521
Deferred expenses of Stanford Bank				
General and administrative expenses	32,613,131	-	-	32,613,131
Expenses from uncollectible loans	18,059,289	-	-	18,059,289
Salaries and employee benefits	9,621,462	-	-	9,621,462
Other operating expenses and sundry operating expenses	<u>5,648,964</u>	<u>-</u>	<u>-</u>	<u>5,648,964</u>
	<u>196,394,994</u>	<u>43,586,059</u>	<u>(11,032,096)</u>	<u>228,948,957</u>
	Accumulated amortization			
	Balances at June 30, 2013	Amortization expenses	Disposals	Balances at December 31, 2013
	(In bolivars)			
Leasehold improvements	28,596,530	11,533,155	(143,251)	39,986,434
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	7,066,255	865,255	-	7,931,510
Chip project expenses	537,919	205,320	-	743,239
Licenses	2,943,662	2,877,984	-	5,821,646
Operating system (software)	1,576,199	1,014,176	-	2,590,375
Other deferred expenses	245,288	114,880	-	360,168
Deferred expenses of Stanford Bank				
General and administrative expenses	7,609,730	1,087,105	-	8,696,835
Expenses from uncollectible loans	4,213,834	601,976	-	4,815,810
Salaries and employee benefits	2,245,009	320,715	-	2,565,724
Other operating expenses and sundry operating expenses	<u>1,318,091</u>	<u>188,299</u>	<u>-</u>	<u>1,506,390</u>
	<u>56,352,517</u>	<u>18,808,865</u>	<u>(143,251)</u>	<u>75,018,131</u>

Leasehold improvements include additions in the first semester of 2014 for Bs 40,321,495 (Bs 35,725,833 at December 31, 2013) mainly in respect of improvements to the Bank's agencies.

During the six-month period ended June 30, 2014, the Bank recorded amortization of deferred expenses of Bs 23,388,194 (Bs 18,808,865 during the six-month period ended December 31, 2013), shown in the income statement under general and administrative expenses (Note 21).

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13. Customer deposits

Customer deposits comprise the following:

	June 30, 2014	December 31, 2013
	(In bolivars)	
Checking account deposits and certificates		
Non-interest-bearing checking accounts	22,847,715,361	17,911,660,305
Interest-bearing checking accounts	8,009,033,127	6,707,584,756
Checking accounts under Exchange Agreement No. 20, equivalent to US\$50,492,412	317,304,412	266,851
Demand deposits and certificates		
Public, State and Municipal Administration	1,509,836,771	453,237,685
Non-negotiable demand deposits, bearing annual interest at between 0% and 16%, maturing between January 2013 and December 2015	<u>4,913,571,677</u>	<u>2,886,584,007</u>
	<u>37,597,461,348</u>	<u>27,959,333,604</u>
Other demand deposits		
Cashier's checks	421,314,311	392,512,959
Advance collections from credit card holders	8,025,111	6,603,871
Advance deposits for letters of credit	197,582,856	346,835,086
Trust liabilities (Note 22)	22,356,520	111,648,048
Housing Savings Fund liabilities (Note 22)	<u>579,458</u>	<u>1,078,904</u>
	<u>649,858,256</u>	<u>858,678,868</u>
Savings deposits, bearing 16% annual interest for savings deposits for individuals with daily balances below Bs 20,000 and 12.50% for other deposits in bolivars and 0.125% for deposits in U.S. dollars, includes US\$42,825,859 and €327,773 (US\$28,897,188 and €254,764 at December 31, 2013) (Note 4)	<u>10,290,518,717</u>	<u>8,664,072,030</u>
Time deposits, bearing 14.50% annual interest for deposits in bolivars and between 0.02% and 3.50% for deposits in U.S. dollars, includes US\$17,350,360 (US\$19,266,455 at December 31, 2013) with the following maturities (Note 4)		
Up to 30 days	1,112,363,794	354,990,601
31 to 60 days	719,627,365	233,976,324
61 to 90 days	309,032,820	260,659,206
91 to 180 days	86,572,772	69,897,657
181 to 360 days	253,886,862	11,727,282
Over 361 days	<u>60,092,000</u>	<u>60,000,000</u>
	<u>2,541,575,613</u>	<u>991,251,070</u>
Restricted customer deposits	<u>61,136,308</u>	-
	<u>51,140,550,242</u>	<u>38,473,335,572</u>

At June 30, 2014, restricted customer deposits correspond to guarantee deposits for loans granted by the Bank.

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

	June 30, 2014	December 31, 2013
	(In bolivars)	
Non-interest-bearing checking accounts	1,697,142,840	1,447,774,585
Interest-bearing checking accounts, at 0.25% annual interest	558,718,554	153,996,162
Savings deposits, at 12.5% annual interest	84,472,928	55,659,580
Non-negotiable demand deposits	1,509,836,771	453,237,685
Time deposits, at 14.5% annual interest	<u>175,619,782</u>	<u>70,955,048</u>
	<u>4,025,790,875</u>	<u>2,181,623,060</u>

At a Special Shareholders' Meeting on March 26, 2014, the Board of Directors was authorized to issue commercial papers with a par value of Bs 200,000,000 and fixed maturities ranging from 15 to 360 days as from the date each series is issued. These commercial papers may not be paid in advance and shall mature within the deadline set in the SNV's authorization. This issue was approved by SUDEBAN through Notice No. SIB-II-GGIBPV-GIBPV2-22407 of July 1, 2014. To date, the Bank is awaiting approval from the SNV.

14. Borrowings

Borrowings comprise the following:

	June 30, 2014	December 31, 2013
	(In bolivars)	
Borrowings from Venezuelan financial institutions, up to one year		
Demand deposits of financial institutions	<u>723,438</u>	<u>1,287,303</u>
Borrowings from foreign financial institutions, up to one year		
Demand deposits		
Checking account with Caracas International Banking Corporation, at 0.25% per annum (Note 26)	693,851	511,153
Borrowings from foreign financial institutions		
Loans with Bancaribe Curacao Bank N.V. for US\$10,000,000, at 2.9% per annum, maturing in July 2014	<u>62,842,000</u>	<u>-</u>
	<u>63,535,851</u>	<u>511,153</u>
	<u>64,259,289</u>	<u>1,798,456</u>

At June 30, 2014, borrowings from foreign financial institutions for US\$10,000,000, equivalent to Bs 62,842,000, were used to settle obligations with foreign financial correspondents.

15. Other liabilities from financial intermediation

At June 30, 2014 and December 31, 2013, other liabilities from financial intermediation of US\$4,055,521, equivalent to Bs 25,485,703, and US\$17,394,583, equivalent to Bs 109,311,041, respectively, correspond to liabilities arising from operations with letters of credit (Note 4).

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16. Interest and commissions payable

Interest and commissions payable comprise the following:

	June 30, 2014	December 31, 2013
	(In bolivars)	
Expenses payable on customer deposits		
Deposits in interest-bearing checking accounts	361,476	253,702
Non-negotiable demand deposits	12,672,348	5,173,511
Time deposits, includes US\$10,113 (US\$21,867 at December 31, 2013) (Note 4)	<u>42,871,558</u>	<u>12,704,645</u>
	55,905,382	18,131,858
Expenses payable on borrowings		
Expenses payable on borrowings, equivalent to US\$20,977 (Note 14)	<u>131,823</u>	-
	<u>56,037,205</u>	<u>18,131,858</u>

17. Accruals and other liabilities

Accruals and other liabilities comprise the following:

	June 30, 2014	December 31, 2013
	(In bolivars)	
Pending items	572,710,368	610,467,952
Deferred interest income, includes US\$742,406 (US\$481,512 at December 31, 2013) (Notes 2-k, 4 and 5-b)	68,361,580	56,619,106
Suppliers and other sundry payables	56,152,520	43,211,941
Accrual for length-of-service benefits (Notes 1 and 2-j)	42,449,049	21,318,291
Tax withholdings	37,839,798	34,592,167
Other provisions includes US\$2,834 (US\$5,854 at December 31, 2013) (Note 30)	37,052,812	46,847,763
Vacation bonus (Note 2-j)	32,378,572	16,740,234
Profit sharing (Note 2-j)	32,184,391	184,293
Municipal and other taxes	22,839,131	22,761,069
Cashier's checks	21,620,880	12,293,276
Provisions for contingent loans (Note 22)	16,403,614	12,579,944
Leases	14,809,681	9,052,133
Professional fees payable, includes US\$4,000 (Note 4)	10,955,825	6,797,000
Labor contributions and withholdings payable, includes US\$2,057	7,656,656	31,210,261
Other personnel expenses	6,021,682	93,792
Contribution for the prevention of money laundering	4,910,034	6,780,074
Income tax provision (Notes 4 and 18)	4,444,983	4,394,637
Accounts payable in foreign currency, equivalent to US\$605,148 (US\$386,013 at December 31, 2013) (Note 4)	3,802,874	2,425,781
Sports and Physical Education Law (Note 1)	3,290,438	5,430,098
Ezequiel Zamora Fund withholdings (Note 6)	1,176,219	-
Other, includes US\$23,790 (US\$9,201 at December 31, 2013)	898,053	1,579,781
Advertising	<u>299,566</u>	<u>237,169</u>
	<u>998,258,726</u>	<u>945,616,762</u>

Deferred interest income mainly relates to loan interest collected in advance, commissions and deferred gain on sale of securities (Note 5-b).

At June 30, 2014 and December 31, 2013, other provisions include Bs 9,426,300 in connection with accounts payable to CADIVI on credit card transactions abroad from 2006 to 2009 and the first ten days of January 2010, recorded in conformity with CADIVI Notice No. PREVECPGSCO-00001 of January 2, 2012.

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At June 30, 2014, other provisions also include provision for municipal taxes, fines and interest of Bs 9,182,125 (Bs 8,618,912 at December 31, 2013); provision for credit (Visa/Master Card) and debit cards of Bs 16,989,579 (Bs 11,612,653 at December 31, 2013) and other provisions of Bs 1,454,808 (Bs 13,716,584 at December 31, 2013). In addition, at December 31, 2013, it includes provision for ATM automation of Bs 4,605,162 and provision for payment to the Mecatronic service provider of Bs 800,000.

At June 30, 2014 and December 31, 2013, accounts payable in foreign currency are mainly in respect of interest payable to clients for intermediation of securities in foreign currency.

At June 30, 2014 and December 31, 2013, suppliers and other sundry payables are mainly in respect of accounts payable for services of Bs 40,922,326 and Bs 33,106,719, respectively, pending claims, returns and credit cards of Bs 3,788,943 and Bs 6,527,847, respectively, and other accounts payable of Bs 11,466,391 and Bs 3,577,375, respectively.

Below is the movement in the provisions for contingent loans:

	June 30, 2014	December 31, 2013
	(In bolivars)	
Balances at the beginning of the period	12,579,944	8,072,828
Reclassification from (to) allowance for losses on the loan portfolio (Note 6)	153,283	2,985,773
Reclassification from (to) the provision for interest receivable (Note 7)	<u>3,670,387</u>	<u>1,521,343</u>
Balance at the end of the period	<u>16,403,614</u>	<u>12,579,944</u>

The balance of pending items comprises the following:

	June 30, 2014	December 31, 2013
	(In bolivars)	
Collection of government and municipal taxes	150,304,453	42,660,808
Point-of-sale transactions payable	136,498,911	174,509,024
Other credit items pending reconciliation	107,070,535	72,485,157
Suiche 7B transactions payable	90,029,439	104,251,072
In-transit operations, includes US\$9,800,067	61,585,584	-
In-transit operations through the Supplementary Foreign Currency Administration System, includes US\$2,005,281 (US\$29,298,358 at December 31, 2013)	12,601,584	184,116,741
Other pending items, includes US\$855,100 (US\$209,497 at December 31, 2013)	10,920,423	7,711,786
Other credit items pending reconciliation	1,822,576	2,008,395
Other	863,735	22,166,929
Exchange agreement, includes US\$115,073	723,140	-
Cash surplus	249,691	242,270
Checks received from credit operations	35,001	70,203
Debit items in foreign currency pending reconciliation, includes US\$843 (US\$7,662 at December 31, 2013)	5,296	48,147
Cirrus transactions payable	-	170,629
Checking account overdrafts	-	26,791
	<u>572,710,368</u>	<u>610,467,952</u>

At June 30, 2014 and December 31, 2013, other credit items pending reconciliation mainly include clearinghouse balances of Bs 107,070,535 and Bs 72,485,157, respectively, which clear the next working day after their recording.

At June 31, 2014 and December 31, 2013, in-transit operations through SICAD for Bs 12,601,584 and Bs 184,116,741, respectively, relate to foreign currency trading pending liquidation to individuals awarded in BCV's auctions.

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

At June 30, 2014 and December 31, 2013, collection of government and municipal taxes includes national and municipal taxes paid by individuals and corporations to the Tax Authorities between July 1 and 2, and January 2 and 3, 2014, respectively.

18. Taxes

a) Income tax

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

Venezuelan Income Tax Law allows tax losses to be carried forward for three years to offset taxable income, except those arising from the annual inflation adjustment, which may be carried forward for only one year.

For the six-month period ended June 30, 2014, the Bank estimated territorial tax losses of Bs 356,482,124 and extraterritorial tax gains of Bs 3,659,161. It also estimated a tax expense of Bs 1,232,000.

Below is the reconciliation between book income and net tax loss for the six-month period ended June 30, 2014:

	(In bolivars)
Statutory tax rate	<u>34%</u>
Book income for the first semester of 2014 before tax	486,057,356
Difference between book income and taxable income	
Effect of the annual inflation adjustment	(677,101,043)
Nondeductible provisions	
Loan portfolio, net	173,318,126
Interest on loan portfolio and other	(3,670,384)
Other assets	9,482,787
Other provisions	(41,833,249)
Tax-exempt income, net of related expenses	(420,532,149)
Social contributions	(16,944,964)
Municipal taxes	133,035
Net realized gain on sale of foreign currency assets through SICAD II	129,965,554
Other effects, net	<u>4,642,807</u>
Territorial tax loss	<u>(356,482,124)</u>
Tax loss from previous periods	<u>(574,914,313)</u>
Extraterritorial tax gain	<u>3,659,161</u>

At June 30, 2014, the Bank has tax loss carryforwards from the annual inflation adjustment of Bs 574,914,313, which may be used until 2014.

At June 30, 2014, the Branch recorded estimated income tax of US\$2,267 (US\$4,221 at December 31, 2013). On June 27, 2013, the Curacao Tax Authorities approved the extension of Tax Ruling No. UR 11-1611 until December 31, 2015; according to this ruling, the Curacao Branch must calculate tax payable on the basis of 7% of the costs of its activities since the commencement of Branch operations, except for disbursement costs and interest on debt with a tax rate of 27.5%.

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Disbursements include costs of services provided by third parties which are not considered part of the Branch's activities, except for service fees, office and equipment leasing and telecommunication expenses, among others (Note 8).

The tax expense comprises the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	(In bolivars)	
Income tax	1,246,245	819,888
Deferred income tax	<u>(50,239)</u>	<u>(771,450)</u>
	<u>1,196,006</u>	<u>48,438</u>

b) Deferred income tax

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

Bank management determined and evaluated the deferred tax asset recorded. The main differences between the tax base and the carrying amount at June 30, 2014 and December 31, 2013 relate to the provision for high-risk and uncollectible loans and interest receivable, property and equipment, deferred expenses and sundry provisions (Note 12). At June 30, 2014, the Bank maintains a deferred tax asset of Bs 1,232,000 (Bs 1,181,761 at December 31, 2013).

c) Transfer pricing

According to transfer-pricing regulations, taxpayers that conduct transactions with related parties abroad are required to calculate income, costs and deductions applying the methodology set out in the Law. The Bank conducts transactions with related parties abroad. In June 2014, the Bank filed the transfer-pricing return (PT-99) for the year ended December 31, 2013.

19. Other operating income

Other operating income comprises the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	(In bolivars)	
Gain on sale of investments in available-for-sale securities (Note 5-a)	230,502,256	42,799,637
Service fees (Note 22)	219,138,694	167,860,209
Income from amortization of discount on held-to-maturity investments securities (Note 5-b)	13,473,555	2,377,562
Commissions on trust funds (Note 22)	9,297,975	7,606,262
Exchange gain (Notes 4 and 25-c)	<u>3,567,576</u>	<u>4,783,448</u>
	<u>475,980,056</u>	<u>225,427,118</u>

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Sundry operating income comprises the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u>	<u>December 31,</u>
	<u>2014</u>	<u>2013</u>
	(In bolivars)	
Income from expenses recovered	51,326,868	4,201,682
Other	<u>577,477</u>	<u>426,409</u>
	<u>51,904,345</u>	<u>4,628,091</u>

20. Other operating expenses

Other operating expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u>	<u>December 31,</u>
	<u>2014</u>	<u>2013</u>
	(In bolivars)	
Loss on sale of investments in available-for-sale securities (Note 5-a)	208,350,544	35,164,394
Amortization of premiums on held-to-maturity securities (Note 2-b)	40,659,647	23,002,896
Service fees (Note 4)	25,713,277	22,027,014
Exchange loss (Note 4)	<u>4,677,540</u>	<u>2,443,107</u>
	<u>279,401,008</u>	<u>82,637,411</u>

Sundry operating expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u>	<u>December 31,</u>
	<u>2014</u>	<u>2013</u>
	(In bolivars)	
Contribution to the National Fund for Communal Councils (Note 12)	18,862,210	14,881,096
Provision for other assets (Note 12)	11,566,511	6,895,497
Contributions for science and technology programs (Note 1)	7,751,541	5,540,176
Provision for other contingencies (Note 30)	3,788,114	14,852,238
Contribution for the Antidrug Law (Note 1)	4,910,034	3,818,340
Contribution for the Sports and Physical Education Law (Note 1)	3,748,534	4,843,598
Provision for pending vacation	4,175,849	943,920
Other	<u>597,184</u>	<u>163,394</u>
	<u>55,399,977</u>	<u>51,938,259</u>

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21. General and administrative expenses

General and administrative expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	(In bolivars)	
Outsourced services	133,447,264	124,043,862
Transportation of valuables and surveillance	119,573,439	94,297,149
Maintenance and repairs	70,953,193	59,769,690
Stationery and office supplies	54,805,056	39,858,197
Taxes and contributions	53,139,087	37,749,349
Leases	49,364,650	45,564,777
Depreciation and impairment of property and equipment (Note 10)	36,141,589	29,204,106
Advertising	33,250,356	28,358,074
Transportation and communications	32,093,543	26,191,014
Sundry general expenses	31,733,486	36,549,652
Amortization of deferred expenses (Note 12)	23,388,194	18,808,865
Public relations	6,074,413	5,508,688
Insurance	5,196,435	3,340,453
Other	3,265,823	3,121,357
Utilities	1,691,899	1,410,321
Legal fees	<u>607,529</u>	<u>427,975</u>
	<u>654,725,956</u>	<u>554,203,529</u>

22. Memorandum accounts

Memorandum accounts comprise the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	(In bolivars)	
Contingent debtor accounts (Note 23)		
Guarantees granted	365,252,319	225,115,228
Credit card lines	1,066,834,865	633,271,040
Letters of credit issued but not negotiated	208,274,167	399,608,141
Investments in resale agreements	-	16,000,000
Purchases of financial futures (Note 6)	<u>-</u>	<u>319,713,503</u>
	<u>1,640,361,351</u>	<u>1,593,707,912</u>
Assets received in trust	<u>1,809,370,477</u>	<u>1,505,770,392</u>
Debtor accounts from other special trust services (Housing Mutual Fund)	<u>895,919,741</u>	<u>733,842,985</u>

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	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	(In bolivars)	
Other debtor memorandum accounts		
Assets held in custody, includes US\$88,356,325 and €152,000 (US\$83,417,608 and €152,000 at June 30, 2013)	11,359,553,383	15,090,838,367
Collections in foreign currency, includes US\$13,733,769 (US\$15,782,086 at December 31, 2013)	86,305,752	99,177,787
Guarantees received, includes US\$50,388,323 (US\$52,142,679 at December 31, 2013)	49,799,298,830	39,112,264,673
Lines of credit available	15,325,027,664	13,938,693,050
Uncollectible accounts written off	292,042,082	296,157,205
Deferred interest receivable on loans overdue and in litigation (Note 6)	115,133,715	65,415,013
Mortgage guarantees pending release	86,605	86,605
Securities held by other financial institutions, includes US\$15,523,600 (US\$15,662,100 at December 31, 2013)	97,553,407	98,423,769
Guarantees on collateral granted	50,689,420	44,044,982
Taxes receivable	1,616,964	1,616,964
Foreign currency purchases, includes US\$6,740,152 and €17,333 (US\$1,148,105 at December 31, 2013) (Note 4)	42,505,606	7,214,920
Foreign currency sales, includes US\$6,740,152 and €17,333 (US\$1,148,105 at December 31, 2013) (Note 4)	(42,505,606)	(7,214,920)
Guarantees in foreign currency, includes US\$42,810,505 (US\$24,693,751 at December 31, 2013)	269,029,774	155,180,468
Currency awarded through SICAD, includes US\$3,435,546 (US\$52,144,990 at December 31, 2013)	21,589,660	327,689,551
Other	<u>240,493,601</u>	<u>138,528,157</u>
	<u>77,658,420,857</u>	<u>69,368,116,591</u>

At June 30, 2014 and December 31, 2013, securities in custody of other financial institutions of Bs 97,553,407 and Bs 98,423,769, respectively, are held in Commerzbank.

At June 30, 2014, in accordance with the Accounting Manual, the Bank has set aside a general and specific provision for contingent debtor accounts of Bs 16,403,613 (Bs 12,579,944 at December 31, 2013), shown under accruals and other liabilities (Note 17).

Below is a breakdown of assets received in trust:

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
		(In bolivars)
Type of trust fund		
Administration	232,619,253	213,516,565
Length-of-service benefits	1,319,279,324	1,063,453,901
Investment	<u>257,471,900</u>	<u>228,799,926</u>
	<u>1,809,370,477</u>	<u>1,505,770,392</u>

At June 30, 2014, combined trust fund assets include Bs 900,903,127 in respect of trust funds opened by government agencies, representing 49.79% of total assets received in trust (Bs 816,324,991, representing 54.21% at December 31, 2013).

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

	June 30, 2014	December 31, 2013
	(In bolivars)	
Assets		
Cash and due from banks	<u>22,356,520</u>	<u>111,648,048</u>
Investment securities	<u>1,112,411,240</u>	<u>849,061,318</u>
Loan portfolio	<u>654,872,544</u>	<u>528,154,427</u>
Loans and advances to beneficiaries of length-of-service benefits	654,867,544	528,149,427
Loans receivable	5,000	5,000
Interest and commissions receivable		
Interest receivable on investment securities	<u>19,730,167</u>	<u>16,906,593</u>
Other assets	<u>6</u>	<u>6</u>
Total assets	<u>1,809,370,477</u>	<u>1,505,770,392</u>
Liabilities and Equity		
Liabilities		
Other liabilities	<u>3,714,932</u>	<u>4,466,388</u>
Total liabilities	<u>3,714,932</u>	<u>4,466,388</u>
Equity		
Capital assigned to trusts	1,723,660,137	1,418,371,863
Retained earnings	<u>81,995,408</u>	<u>82,932,141</u>
Total equity	<u>1,805,655,545</u>	<u>1,501,304,004</u>
Total liabilities and equity	<u>1,809,370,477</u>	<u>1,505,770,392</u>

At June 30, 2014 and December 31, 2013, cash and due from banks includes Bs 22,356,520 and Bs 111,648,048, respectively, related to funds received from trust fund operations that are managed through checking accounts with the Bank and are used to receive or pay all funds; they earn 6% annual interest.

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

	June 30, 2014		
	Cost	Amortized cost	Fair market value
	(In bolivars)		
Securities issued or guaranteed by the Venezuelan government			
Vebonos, with a par value of Bs 664,057,325, annual yield at between 10.24% and 17.50%, maturing between October 2014 and March 2027	678,310,847	673,275,742	725,526,019
Fixed Interest Bond (TIF), with a par value of Bs 331,588,100, annual yield at between 9.75% and 18%, maturing between August 2014 and March 2029	<u>363,313,886</u>	<u>360,639,936</u>	<u>360,639,936</u>
	<u>1,041,624,733</u>	<u>1,033,915,678</u>	<u>1,086,165,955</u>
Debt securities issued by non-financial private-sector companies			
Debt securities issued by non-financial private-sector companies			
Debt securities issued by non-financial private-sector companies			
FVI Fondo de Valores Inmobiliarios, with a par value of Bs 20,000,000, 10.53% annual yield, maturing in September 2017	20,000,000	20,000,000	20,000,000
Netuno, C.A., with a par value of Bs 5,000,000, 14% annual yield, maturing in January 2018	5,000,000	5,000,000	5,000,000
Corporación Digitel, C.A., with a par value of Bs 40,284,000, annual yield at between 12.50% and 13%, maturing between November 2017 and 2018	<u>40,436,840</u>	<u>40,418,697</u>	<u>40,418,697</u>
	<u>65,436,840</u>	<u>65,418,697</u>	<u>65,418,697</u>

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Below is the classification of investment securities according to maturity:

	June 30, 2014		December 31, 2013	
	Amortized cost	Fair market value	Amortized cost	Fair market value
	(In bolivars)			
Up to 6 months	40,212,307	40,212,307	12,123,122	13,361,828
6 months to 1 year	14,832,784	21,970,805	27,092,964	29,677,047
1 to 5 years	366,189,848	411,302,103	368,597,862	403,876,255
Over 5 years	<u>691,176,301</u>	<u>691,176,302</u>	<u>441,247,370</u>	<u>482,863,805</u>
	<u>1,112,411,240</u>	<u>1,164,661,517</u>	<u>849,061,318</u>	<u>929,778,935</u>

At June 30, 2014, interest receivable on investment securities amounts to Bs 19,730,167 (Bs 16,906,593 at December 31, 2013).

At June 30, 2014 and December 31, 2013, loans and advances to beneficiaries of the length-of-service benefit trust fund are in respect of loans and advances granted to employees guaranteed by their length-of-service benefits deposited in the trust fund. These interest-free loans are in respect of length-of-service benefit trust fund plans of public and private-sector companies.

At June 30, 2014, loans and advances to beneficiaries of the length-of-service benefit trust fund include Bs 63,962,092 (Bs 53,031,169 at December 31, 2013) from Bank employees; Bs 233,209,763 from private length-of-service benefit trust funds; and Bs 57,695,689 from government agencies (Bs 178,668,289 and Bs 296,454,969, respectively, at December 31, 2013).

At December 31, 2013, fiduciary remuneration payable of Bs 1,410,166 is included under other liabilities and relates to commissions payable to the Bank under the trust fund agreements signed between trustors and the Bank as trustee. In addition, the commission paid by the trust fund and the trustors to the Bank during the six-month period ended June 30, 2014 amounted to Bs 9,297,975 (Bs 7,606,262 during the six-month period ended December 31, 2013) (Note 19).

At June 30, 2014, length-of-service benefit trust funds in favor of Bank employees amount to Bs 141,280,938 (Bs 111,803,854 at December 31, 2013).

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

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

	June 30, 2014	December 31, 2013
	(In bolivars)	
Assets		
Cash and due from banks (Note 13)	579,458	1,078,904
Investment securities	704,634,872	547,316,566
Loan portfolio	190,190,221	184,885,657
Interest receivable	515,188	537,456
Other assets	<u>2</u>	<u>24,402</u>
Total assets	<u>895,919,741</u>	<u>733,842,985</u>
Liabilities		
Contributions to the Housing Savings Fund	630,199,341	484,361,265
Liabilities to BANAVIH	<u>232,109,192</u>	<u>220,348,410</u>
Total liabilities	<u>862,308,533</u>	<u>704,709,675</u>
Income	<u>33,611,208</u>	<u>29,133,310</u>
Total liabilities and income	<u>895,919,741</u>	<u>733,842,985</u>

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

At June 30, 2014, the Bank has an investment trust in BANAVIH for Bs 704,634,872 (Bs 547,316,566 at December 31, 2013) in respect of funds from deposits under the Housing Loan Law collected and transferred by the Bank, shown as investment securities in conformity with the Accounting Manual.

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

At June 30, 2014, the Bank has granted loans out of BANAVIH resources of Bs 190,190,221 (Bs 184,885,657 at December 31, 2013). These loans bear annual interest at between 4.66% and 8.55%.

At June 30, 2014, the Housing Savings Fund has 1,874 debtors (1,871 debtors at December 31, 2013).

During the six-month period ended June 30, 2014, the Bank recorded income of Bs 566,735 (Bs 604,202 during the six-month period ended December 31, 2013) from commissions charged to BANAVIH for the administration of resources related to the Mandatory Housing Savings Fund, shown under interest income.

23. Financial instruments with off-balance sheet risk

Credit-related financial instruments

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

a) Guarantees granted

After conducting a credit risk analysis, the Bank provides guarantees to certain customers within their line of credit; they are issued to a beneficiary who may execute the guarantee if the customer fails to comply with the terms of the agreement. At June 30, 2014 and December 31, 2013, these guarantees earned annual commissions of 1%. These commissions are recorded monthly while the guarantees are in force.

At June 30, 2014, Bank guarantees amount to Bs 365,252,319 (Bs 225,115,228 at December 31, 2013) (Note 22).

b) Credit limits

Credit limit contractual agreements are granted to customers subject to prior credit risk assessments and, if needed, obtention of any guarantee required by the Bank to cover risk for each customer. These agreements are for specific periods, provided that customers do not default on the terms set forth therein (Note 22).

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c) Letters of credit

Letters of credit usually mature within 90 days, and are renewable. They are generally issued to finance a trade agreement for the shipment of goods from a seller to a buyer. At June 30, 2014 and December 31, 2013, the Bank charged a commission of between 0.5% and 2% on the amount of letters of credit. Unused letters of credit at June 30, 2014 amount to Bs 208,274,167 (Bs 399,608,141 at December 31, 2013) (Note 22).

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

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

24. Convertible bonds

At a Special Shareholders' Meeting on July 19, 2006, a public offering of convertible bonds of up to Bs 50,000,000 was approved, as well as the general terms of the offering. The shareholders also resolved to create a reserve fund for payment of convertible bonds at maturity with a charge to unappropriated surplus. The fund will accrue Bs 2,083,333 quarterly until it reaches the total amount redeemable at maturity. The bond issue was authorized by SUDEBAN through Resolution No. 013-07 of January 22, 2007, published in Official Gazette No. 38,620 on February 6, 2007, and by the SNV through Resolution No. 045-2007 of April 3, 2007.

At a Special Shareholders' Meeting on May 30, 2007, a public offering of convertible bonds of up to Bs 50,000,000 was approved. Under these terms, a reserve fund will be created for payment of convertible bonds at maturity with a charge to unappropriated surplus. The fund will accrue Bs 4,166,667 quarterly and will be created as from the closing of the six-month period following public offering commencement date. The bond issue was authorized by SUDEBAN through Resolution No. 367-07 of October 31, 2007, published in Official Gazette No. 38,809 on November 13, 2007, and by the SNV through Resolution No. 181-2007 of December 7, 2007.

The second public offering of convertible bonds began at the end of December 2007, with annual nominal weighted average interest of the six main commercial and universal banks payable quarterly and maturing in December 2013. This offering was completed in March 2008.

Bondholders may choose between receiving principal payments and converting their bonds into Bank shares by paying 1.5 times the equity value of the share at bond maturity.

Convertible bonds of Bs 50,000,000 issued in 2007 matured on December 24, 2013. After expiration of the legal terms, bondholders of convertible bonds for Bs 49,499,991 exercised their right to request conversion of bonds into Bank shares, of which Bs 5,426,976 is in respect of capital stock and Bs 44,073,015 in respect of premiums on the value of these convertible bonds (Note 25). According to the Stock Market Law, the Bank deposited Bs 500,009 in Caja Venezolana de Valores, S.A. to be distributed among the beneficiaries that did not exercise their right to request conversion of bonds into Bank shares.

Through Notice No. SIB-GGIBPV-GIBPV2-06138 of March 7, 2014, SUDEBAN notified the Bank that it must convene a Special Shareholders' Meeting to discuss the capital increase of Bs 5,426,976, as a consequence of the new shareholding and to modify its bylaws. At a Special Shareholders' Meeting on April 30, 2014, the aforementioned capital increase for the effect of the capitalization of convertible bonds was approved. Through Notice No. SIB-GGIBPV-GIBPV2-19335 of June 6, 2014, SUDEBAN

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agreed to the capital increase, but instructed the Bank to await for its ruling before registering the meeting minute with the Mercantile Registry.

According to the Accounting Manual, financial institutions shall include convertible bonds as part of their equity. SUDEBAN also authorized inclusion of these bonds as part of the Bank's equity structure for the purpose of any computation required by this entity.

At December 31, 2013, convertible bonds earned 14.50% annual interest (Note 16). During the six-month period ended December 31, 2013, interest expense in this connection amounts to Bs 3,774,146, shown under interest expense.

25. Equity

a) Capital stock and authorized capital

At June 30, 2014 and December 31, 2013, the Bank's paid-in capital amounts to Bs 623,930,372, represented by 623,930,372 non-convertible common shares of the same class with a par value of Bs 1 each, fully subscribed and paid-in. The Bank complies with the minimum capital required under the current legislation.

At a Regular Shareholders' Meeting on September 26, 2012, it was resolved to declare and pay dividends, and to increase capital to up to Bs 70,000,000 as follows: Bs 35,000,000 out of cash dividends declared with a charge to unappropriated surplus, and Bs 35,000,000 out of stock dividends with a charge to restricted surplus. On December 27, 2012, SUDEBAN sent Notice No. SIB-II-GGIBPV-GIBPV2-42313 to the Bank agreeing on the aforementioned dividend declaration and payment. The Bank should await a ruling, with the binding opinion of OSFIN for the authorization of the aforementioned capital increase. On September 16, 2013, and upon authorization from OSFIN, SUDEBAN issued Notice No. SIB-II-GGR-GA-30623 authorizing capital increase. On November 20, 2013, through Resolution No. DSNV-2177-2013, the SNV authorized the capital increase approved at the Regular Shareholders' Meeting of September 26, 2012.

At a Regular Shareholders' Meeting on March 27, 2013, it was resolved to declare and pay dividends, and to increase capital to up to Bs 110,000,000 as stock dividends with a charge to restricted surplus. On July 9, 2013, and upon authorization from OSFIN, SUDEBAN issued Notice No. SIB-II-GGR-GA-22680 authorizing the aforementioned capital increase. On November 21, 2013, through Resolution No. DSNV-2194-2013, the SNV authorized the capital increase approved at the Regular Shareholders' Meeting of March 27, 2013.

At a Special Shareholders' Meeting on July 10, 2013, the Board of Directors was authorized to increase capital by Bs 25,000,000 through the public offering of non-convertible common shares with a par value of Bs 1 at a premium. On March 21, 2014, and upon authorization from OSFIN, SUDEBAN issued Notice No. SIB-II-GGR-GA-08450 authorizing the capital increase. On December 5, 2013, through Resolution No. DSNV-2260-2013, the SNV authorized the aforementioned capital increase. During the six-month periods ended June 30, 2014 and December 31, 2013, the Bank received contributions in this connection from its shareholders for Bs 64,192,607 and Bs 148,125,979, respectively, shown under contributions pending capitalization. In addition, in July 2014 all shares for a total of Bs 25,000,000 were placed and the capital was increased.

At a Special Shareholders' Meeting on July 10, 2013, the Board of Directors was authorized to increase capital by Bs 123,000,000 through non-convertible common shares with a par value of Bs 1 and the capitalization of share premium, recorded under contributions pending capitalization. On October 29, 2013, upon authorization from OSFIN, SUDEBAN issued Notice No. SIB-II-GGR-GA-36789 authorizing the aforementioned capital increase. On July 7, 2014, through Resolution No. DSNV/CJ/1206/2014, the SNV authorized the aforementioned capital increase approved at the Regular Shareholders' Meeting of July 10, 2013.

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At a Regular Shareholders' Meeting on September 25, 2013, it was resolved to declare and pay dividends, and to increase capital to up to Bs 110,000,000 as stock dividends with a charge to restricted surplus. On January 30, 2014, and upon authorization from OSFIN, SUDEBAN issued Notice No. SIB-II-GGR-GA-03483 authorizing the aforementioned capital increase. On July 7, 2014, through Resolution No. DSNV/CJ/1206/2014 the SNV authorized the aforementioned capital increase approved at the Regular Shareholders' Meeting of September 25, 2013.

At a Special Shareholders' Meeting on March 26, 2014, the Board of Directors was authorized to increase capital by Bs 10,000,000 through the public offering of non-convertible common shares with a par value of Bs 1, at a premium. On July 8, 2014, upon authorization from OSFIN, SUDEBAN issued Notice No. SIB-II-GGR-GA-23218 authorizing the aforementioned capital increase. To date, the Bank is awaiting approval from the SNV.

At a Regular Shareholders' Meeting on March 26, 2014, it was resolved to declare and pay dividends, and to increase capital to up to Bs 150,000,000 with a charge to restricted surplus. On July 9, 2014, SUDEBAN notified the Bank that OSFIN's approval is pending.

Shares subscribed by shareholders for the six-month periods ended June 30, 2014 and December 31, 2013 are identified as non-convertible common shares as follows:

	Number of shares	Equity %
Shareholder		
Nogueroles Garcia, Jorge Luis	61,317,092	9.8276
Nogueroles López, José María	41,673,137	6.6791
Halabi Harb, Anuar	36,336,438	5.8238
Alintio International, S.L.	30,863,395	4.9466
Valores Torre Casa, C.A.	27,886,636	4.4695
De Guruceaga López, Gonzalo Francisco	24,927,345	3.9952
Curbelo Pérez, Juan Ramón	24,606,517	3.9438
Zasuma Inversiones, C.A.	23,934,963	3.8362
Sucesión Talayero Tamayo, Alvaro José	22,993,037	3.6852
Inversiones Clatal, C.A.	19,965,385	3.1999
Puig Miret, Jaime	14,937,188	2.3940
Tamayo Degwitz, Carlos Enrique	12,840,109	2.0579
García Arroyo, Sagrario	12,403,311	1.9879
Inversiones Tosuman, C.A.	11,605,110	1.8600
Teleacción A.C., C.A.	11,605,105	1.8600
Kozma Ingenuo, Alejandro Nicolás	11,340,451	1.8176
Kozma Ingenuo, Carolina María	11,340,451	1.8176
Consorcio Toyomarca, S.A. (Toyomarca, S.A.)	8,671,497	1.3898
Herrera de la Sota, Mercedes de la Concepción	7,749,426	1.2420
Juan Huerta, Salvador	7,699,762	1.2341
Benacerraf Herrera, Jorge Fortunato	7,087,759	1.1360
Benacerraf Herrera, Andrés Gonzalo	7,087,759	1.1360
Benacerraf Herrera, Mercedes Cecilia	7,087,759	1.1360
Mouada, Chaar Chaar	7,084,687	1.1355
Nogueroles García, María Montserrat	6,840,054	1.0963
Inversiones Fernandez, S.A.	6,635,890	1.0636
Inversora Diariveca, C.A.	6,432,382	1.0309
Cedeño, Eligio	6,348,220	1.0175
Kozma Solymosy, Nicolás A.	6,336,553	1.0156
Somoza Mosquera, David	6,185,027	0.9913
Eurobuilding Internacional, C.A.	5,886,535	0.9435
D'Alessandro Bello, Nicolás Gerardo	5,764,694	0.9239
Fondo de Jubilaciones y Pensiones de la U.D.O.	5,221,025	0.8368
Other	<u>115,235,673</u>	<u>18.4693</u>
	<u>623,930,372</u>	<u>100.0000</u>

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b) Capital reserves and retained earnings

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

At June 30, 2014 and December 31, 2013, capital reserves include Bs 996,124 in respect of voluntary reserves.

Through Notice No. SIB-II-GGIBPV-GIBPV2-07778 issued on March 30, 2011, SUDEBAN informed the Bank that profit generated by Branch operations should be considered restricted surplus. During the six-month period ended June 30, 2014, the Bank reclassified Branch income of Bs 6,450,845 for the six-month period then ended (Bs 7,250,370 for the six-month period ended December 31, 2013).

Through Notice No. SIB-II-GGIBPV-GIBPV2- 20386 issued on June 17, 2013, SUDEBAN requested the Bank to make an adjustment of Bs 1,995,302, in connection with exchange gains of the Branch, through a debit to unappropriated surplus and a credit to financial and deferred income, included in the balance sheet under accruals and other liabilities.

Resolution No. 305.11 issued by SUDEBAN on November 28, 2011 was published in Official Gazette No. 39,820 on December 14, 2011. This Resolution relates to the "Regulations Governing the Social Contingency Fund" and establishes the guidelines to account for the social fund, in conformity with Article No. 47 of the Law on Banking Sector Institutions.

On March 23, 2012, the Bank created the social fund through an investment trust fund with Banco Exterior, C.A. Banco Universal, in conformity with Resolution No. 305-11 published in the Official Gazette on December 14, 2011. The Bank made the respective accounting entries with a charge to restricted investments and a credit to cash maintained with the BCV.

At June 30, 2014 and December 31, 2013, the Bank recorded the social contingency fund of Bs 3,119,652 with a charge to unappropriated surplus and a credit to capital reserves. On July 7, 2014, the Bank transferred Bs 3,119,652 to the investment trust fund with Banco Exterior and made the accounting record with a debit to restricted investments and a credit to cash maintained at the BCV.

In compliance with SUDEBAN Resolution No. 329-99, during the six-month period ended June 30, 2014, the Bank reclassified Bs 190,719,118 (Bs 147,261,073 at December 31, 2013) to restricted surplus, equivalent to 50% of income for the six-month period, net of appropriations to reserves and Branch income. At June 30, 2014 and December 31, 2013, restricted surplus amounts to Bs 632,641,316 and Bs 441,922,198, respectively. These amounts may be used for capital stock increase, but not for cash dividend distribution.

Below is the movement in restricted surplus balances:

	Resolution No. 329-99
	(In bolivars)
Balance at June 30, 2013	439,661,125
Capital stock increase	(145,000,000)
Appropriation of 50% of income for the period	<u>147,261,073</u>
Balance at December 31, 2013	441,922,198
Appropriation of 50% of income for the period	<u>190,719,118</u>
Balance at June 30, 2014	<u>632,641,316</u>

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c) Exchange gain from holding foreign currency assets and liabilities

Exchange gain from holding foreign currency assets and liabilities at June 30, 2014 and December 31, 2013 comprises the following:

	(In bolivars)
Balance at December 31 and June 30, 2013	431,509,292
Net gain on sale of foreign currency assets through SICAD II	<u>675,499,842</u>
Balance at June 30, 2014	<u>1,107,009,134</u>

Through Resolution No. 048-14 of April 2014, SUDEBAN established the rules to record net benefits obtained by financial institutions from transactions as bidders in SICAD II. These benefits shall be recorded in equity under exchange gain from holding foreign currency assets and liabilities.

d) Risk-based capital ratio

Through Resolution No. 305-09 of July 2009, SUDEBAN establishes the following in connection with risk-based capital ratio: a) contributions pending capitalization and treasury stock are considered as primary equity (Tier 1); b) goodwill and investments in Venezuelan financial subsidiaries or affiliates must be deducted from the primary equity (Tier 1); and c) 50% of pending cash items, overnight deposits and deposits and credits related to microcredits, agriculture, manufacturing and tourism activities must be included into the risk category. Furthermore, this Resolution establishes a new 75% risk weighting applicable to overnight deposits in local currency.

At June 30, 2014 and December 31, 2013, the minimum total risk-based capital and equity-to-total assets (solvency ratio) will be 12% and 9%, respectively.

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

	<u>June 30, 2014</u>		<u>December 31, 2013</u>	
	Required %	Maintained %	Required %	Maintained %
Total risk-based capital	12	16.62	12	14.55
Equity-to-total assets	9	9.19	9	9.04

Through Resolution No. 143-13 of September 10, 2013, SUDEBAN established that banking institutions should adapt the current capital to risk asset ratio set out in Article No. 6 of Resolution No. 305-09 dated July 9, 2009 of 8% based on the following schedule: 9% at December 31, 2013 and 10% at December 31, 2014. Criteria concerning frequency and calculation are maintained.

26. Balances and transactions with related companies

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

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

	June 30, 2014	December 31, 2013
	(In bolivars)	
Assets		
Cash and due from banks		
Foreign and correspondent banks US\$39,815 (US\$40,145 at December 31, 2013)	<u>250,204</u>	<u>252,287</u>
Liabilities		
Borrowings (Note 14)		
Interest-bearing checking accounts, with 0.25% annual interest	<u>693,851</u>	<u>511,153</u>
Expenses for the period		
Interest expense		
Expenses from borrowings	<u> -</u>	<u> 672</u>

27. Social Bank Deposit Protection Fund

Venezuelan financial institutions regulated by the Law on Banking Sector Institutions are required to pay fees to the Social Bank Deposit Protection Fund (FOGADE). Among other things, FOGADE guarantees customer deposits up to a given amount per depositor.

Through Decree No. 7,207, published in Official Gazette No. 39,358 on February 1, 2010, the Venezuelan government set at 0.75% the monthly fee that banks must pay to FOGADE through monthly premiums equivalent to one-sixth of 0.75% of the total amount of customer deposits at the end of each semester prior to the payment date, calculated in accordance with instructions issued by FOGADE. This fee is shown under operating expenses.

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

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

Through Resolution No. 001-13, published in Official Gazette No. 40,089 on January 14, 2013, SUDEBAN published the instructions for payment of fees by companies regulated by SUDEBAN and banks regulated by special laws.

At June 30, 2014 and December 31, 2013, the biannual fee is 0.06% of the average of the Bank's assets; it is payable monthly. This fee is shown under operating expenses.

29. Legal reserve

The BCV requires financial institutions to maintain a minimum legal reserve deposit at the BCV equal to a percentage of their placements, deposits, liabilities and investments assigned, excluding liabilities with the BCV, FOGADE and other financial institutions; liabilities arising from funds received from the Venezuelan government, local or foreign entities to finance special programs in the country (once these funds have been allocated); liabilities arising from funds received from financial institutions to finance and promote exports as required by Law (once these funds have been allocated); and liabilities in foreign currency resulting from its offices abroad and those resulting from transactions with other banks and financial institutions for which the latter have, in turn, created a reserve pursuant to the legal reserve regulations. Liabilities arising from resources provided by Mandatory Housing Savings Funds required under the Venezuelan Housing Loan Law and managed by financial institutions in trust funds will not be computed. In addition, through Resolution No. 12-05-02 and No. 13-04-01 published in

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Official Gazettes No. 39,933 and No. 40,155 on May 30, 2012 and on April 26, 2013, respectively, the BCV reduced the legal reserve amount to be allocated by financial institutions that purchased dematerialized certificates of participation issued by the Simón Bolívar Fund by the balance of such certificates. For the six-month periods ended June 30, 2014 and December 31, 2013, the Bank maintains Bs 877,064,242 in this connection (Note 5-b).

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

30. Contingencies

At June 30, 2014, the Bank is defendant in the following legal proceedings:

Labor and other

At June 30, 2014 and December 31, 2013, the Bank received assessments from the National Institute for Socialist Education (INCES) in respect of special contributions amounting to Bs 25,103. In the opinion of Bank management and its external legal advisors, these matters should not have a material adverse effect on the Bank's financial position and results of operations.

The Bank has received legal claims from individuals in respect of length-of-service and other labor-related benefits amounting to Bs 58,229,026 and Bs 65,477,288 at June 30, 2014 and December 31, 2013, respectively. In the opinion of Bank management and its external legal advisors, these claims are not well grounded in law and, therefore, should not have a material adverse effect on the Bank's financial position and results of operations.

Bank management and its legal advisors believe that most of these assessments are not well grounded in law and, consequently, that the outcome of these claims will be favorable to the Bank. At June 30, 2014 and December 31, 2013, the Bank has set aside no provision in this connection.

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

31. Maturity of financial assets and liabilities

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

	June 30, 2014							Total
	Maturity							
	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016	June 30, 2017	Beyond June 30, 2017	
	(In bolivars)							
Assets								
Cash and due from banks	15,703,648,751	-	-	-	-	-	-	15,703,648,751
Investment securities	266,812,114	915,442,942	56,519,246	1,060,258,455	419,349,930	667,937,597	10,212,163,645	13,598,483,929
Loan portfolio	13,946,344,409	2,685,299,631	724,569,296	889,327,282	1,236,928,638	1,431,042,026	4,833,532,513	25,747,043,795
Interest and commissions receivable	437,144,445	-	-	-	-	-	-	437,144,445
	<u>30,353,949,719</u>	<u>3,600,742,573</u>	<u>781,088,542</u>	<u>1,949,585,737</u>	<u>1,656,278,568</u>	<u>2,098,979,623</u>	<u>15,045,696,158</u>	<u>55,486,320,920</u>
Liabilities								
Customer deposits	50,826,571,380	253,886,862	60,092,000	-	-	-	-	51,140,550,242
Borrowings	64,259,289	-	-	-	-	-	-	64,259,289
Liabilities from financial intermediation	25,485,703	-	-	-	-	-	-	25,485,703
Interest and commissions payable	56,037,205	-	-	-	-	-	-	56,037,205
	<u>50,972,353,577</u>	<u>253,886,862</u>	<u>60,092,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,286,332,439</u>

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	December 31, 2013							Total
	Maturity							
	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016	Beyond December 2016	
	(In bolivars)							
Assets								
Cash and due from banks	10,627,423,594	-	-	-	-	-	-	10,627,423,594
Investment securities	3,180,476,286	84,711,787	497,195,634	112,663,325	1,032,586,721	733,984,151	5,317,403,903	10,959,021,807
Loan portfolio	10,600,462,373	2,690,015,444	2,337,554,312	874,341,292	944,505,590	750,307,548	1,675,147,652	19,872,334,211
Interest and commissions receivable	320,881,059	-	-	-	-	-	-	320,881,059
	<u>24,729,243,312</u>	<u>2,774,727,231</u>	<u>2,834,749,946</u>	<u>987,004,617</u>	<u>1,977,092,311</u>	<u>1,484,291,699</u>	<u>6,992,551,555</u>	<u>41,779,660,671</u>
Liabilities								
Customer deposits	38,401,608,290	11,727,282	-	-	60,000,000	-	-	38,473,335,572
Borrowings	1,798,456	-	-	-	-	-	-	1,798,456
Liabilities from financial intermediation	109,311,041	-	-	-	-	-	-	109,311,041
Interest and commissions payable	18,131,858	-	-	-	-	-	-	18,131,858
	<u>38,530,849,645</u>	<u>11,727,282</u>	<u>-</u>	<u>-</u>	<u>60,000,000</u>	<u>-</u>	<u>-</u>	<u>38,602,576,927</u>

32. Fair value of financial instruments

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

	June 30, 2014		December 31, 2013	
	Book value	Estimated fair value	Book value	Estimated fair value
	(In bolivars)			
Assets				
Cash and due from banks	15,703,648,751	15,703,648,751	10,627,433,630	10,627,433,630
Investment securities, net	13,598,383,929	13,484,563,391	10,958,921,807	11,019,460,051
Loan portfolio, net	25,215,993,960	25,215,993,960	19,514,876,766	19,514,876,766
Interest and commissions receivable, net	431,120,045	431,120,045	310,912,011	310,912,011
	<u>54,949,146,685</u>	<u>54,835,326,147</u>	<u>41,412,144,214</u>	<u>41,472,682,458</u>
Liabilities				
Customer deposits	51,140,550,242	51,140,550,242	38,473,335,572	38,473,335,572
Interest and commissions payable	56,037,205	56,037,205	18,131,858	18,131,858
Other liabilities from financial intermediation	25,485,703	25,485,703	109,311,041	109,311,041
Borrowings	64,259,289	64,259,289	1,798,456	1,798,456
	<u>51,286,332,439</u>	<u>51,286,332,439</u>	<u>38,602,576,927</u>	<u>38,602,576,927</u>

Short-term financial instruments

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

Investment securities

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

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Loan portfolio

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

Customer deposits and long-term liabilities

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

33. Legally established limits for loans and investments

At June 30, 2014, and December 31, 2013, the Bank does not have guaranteed loans with economic groups that individually exceed 10% of the Bank's equity and does not maintain investments or loans exceeding the limits established in Article No. 99 of the Law on Banking Sector Institutions.

34. Supplementary information - Inflation-adjusted financial statements

The Bank's inflation-adjusted financial statements, prepared in accordance with the General Price Level (GPL) method (Note 2), are provided below as supplementary information:

Supplementary balance sheet
June 30, 2014 and December 31, 2013

	June 30, 2014	December 31, 2013
	(In constant bolivars at June 30, 2014)	
Assets		
Cash and due from banks	<u>15,703,648,751</u>	<u>13,818,851,949</u>
Cash	1,594,435,762	1,563,558,836
Central Bank of Venezuela	12,462,608,417	10,766,843,032
Venezuelan banks and other financial institutions	208,549	138,019
Foreign and correspondent banks	416,432,874	437,543,510
Pending cash items	1,229,970,701	1,050,781,602
(Provision for cash and due from banks)	(7,552)	(13,050)
Investment securities	<u>13,598,383,929</u>	<u>14,249,886,026</u>
Deposits with the BCV and overnight deposits	450,000,000	771,072,699
Investments in available-for-sale securities	4,975,326,543	6,598,813,171
Investments in held-to-maturity securities	5,289,800,977	4,278,292,091
Restricted investments	39,936,832	44,086,569
Investments in other securities	2,843,419,577	2,557,751,526
(Provision for investment securities)	(100,000)	(130,030)
Loan portfolio	<u>25,215,993,960</u>	<u>25,375,194,258</u>
Current	25,591,020,728	25,685,983,402
Rescheduled	139,165,783	138,868,429
Overdue	16,857,285	15,144,343
(Allowance for losses on loan portfolio)	(531,049,836)	(464,801,916)
Interest and commissions receivable	<u>431,120,045</u>	<u>404,278,889</u>
Interest receivable on investment securities	221,664,902	214,614,159
Interest receivable on loan portfolio	213,847,211	200,793,845
Commissions receivable	1,632,332	1,833,638
(Provision for interest receivable and other)	(6,024,400)	(12,962,753)
Investments in subsidiaries, affiliates and branches	<u>-</u>	<u>-</u>
Available-for-sale assets	<u>5,567,246</u>	<u>50,947,056</u>
Property and equipment	<u>2,176,905,168</u>	<u>2,046,277,978</u>
Other assets	<u>796,609,531</u>	<u>769,520,090</u>
Total assets	<u>57,928,228,630</u>	<u>56,714,956,246</u>

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Supplementary balance sheet
June 30, 2014 and December 31, 2013

	June 30, de 2014	December 31, 2013
	(In constant bolivars at June 30, 2014)	
Liabilities and Equity		
Customer deposits	<u>51,140,550,241</u>	<u>50,026,878,244</u>
Demand deposits	<u>37,597,461,348</u>	<u>36,355,521,485</u>
Non-interest-bearing checking accounts	22,847,715,361	23,290,531,895
Interest-bearing checking accounts	8,009,033,127	8,721,872,458
Checking accounts under Exchange Agreement No. 20	317,304,412	346,986
Demand deposits and certificates	6,423,408,448	4,342,770,146
Other demand deposits	649,858,255	1,116,540,132
Savings deposits	10,290,518,717	11,265,892,861
Time deposits	2,541,575,613	1,288,923,766
Restricted customer deposits	61,136,308	-
Borrowings	<u>64,259,289</u>	<u>2,338,532</u>
Venezuelan financial institutions, up to one year	723,438	1,673,880
Foreign financial institutions, up to one year	63,535,851	664,652
Other liabilities from financial intermediation	<u>25,485,703</u>	<u>142,137,147</u>
Interest and commissions payable	<u>56,037,205</u>	<u>23,576,855</u>
Expenses payable on customer deposits	55,905,382	23,576,855
Expenses payable on other liabilities	131,823	-
Accruals and other liabilities	<u>998,258,726</u>	<u>1,229,585,476</u>
Total liabilities	<u>52,284,591,164</u>	<u>51,424,516,254</u>
Equity		
Inflation-adjusted capital stock	3,711,530,587	3,711,530,587
Convertible bonds	-	-
Contributions pending capitalization	726,962,184	656,828,172
Capital reserves	1,268,148,407	1,168,056,485
Retained earnings, net of accumulated loss from net monetary position	(1,914,782,525)	(1,593,327,655)
Exchange gain from holding foreign currency assets and liabilities	1,742,306,805	995,241,441
Net unrealized gain on investments in available-for-sale-securities	<u>109,472,008</u>	<u>352,110,962</u>
Total equity	<u>5,643,637,466</u>	<u>5,290,439,992</u>
Total liabilities and equity	<u>57,928,228,630</u>	<u>56,714,956,246</u>

Banco Nacional de Crédito, C.A., Banco Universal
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Supplementary income statement
Six-month periods ended June 30, 2014 and December 31, 2013

	June 30, 2014	December 31, 2013
	(In constant bolivars at June 30, 2014)	
Interest income	<u>2,944,500,411</u>	<u>2,857,898,187</u>
Income from cash and due from banks	24,881	15,810
Income from investment securities	725,429,838	697,961,589
Income from loan portfolio	2,077,980,693	1,962,586,094
Income from other accounts receivable	141,039,581	197,321,932
Other interest income	25,418	12,762
Interest expense	<u>(968,397,966)</u>	<u>(926,971,656)</u>
Expenses from customer deposits	(956,022,434)	(920,748,557)
Expenses from borrowings	(823,580)	(110,091)
Expenses from convertible bonds	-	(5,453,575)
Other interest expense	(11,551,952)	(659,433)
Gross financial margin	<u>1,976,102,445</u>	<u>1,930,926,531</u>
Income from financial assets recovered	5,980,327	12,745,755
Expenses from uncollectible loans and other accounts receivable	(191,494,095)	(51,706,392)
Expenses from provision for cash and due from banks	(12,772)	(15,351)
Net financial margin	<u>1,790,575,905</u>	<u>1,891,950,543</u>
Other operating income	527,721,975	319,067,699
Other operating expenses	<u>(305,117,500)</u>	<u>(118,199,543)</u>
Financial intermediation margin	<u>2,013,180,380</u>	<u>2,092,818,699</u>
Operating expenses	<u>1,581,522,365</u>	<u>1,545,328,104</u>
Salaries and employee benefits	451,799,748	390,115,304
General and administrative expenses	816,243,764	858,717,415
Fees paid to the Social Bank Deposit Protection Fund	288,540,921	272,620,479
Fees paid to the Superintendency of Banking Sector Institutions	<u>24,937,932</u>	<u>23,874,906</u>
Gross operating margin	<u>431,658,015</u>	<u>547,490,595</u>
Income from available-for-sale assets	44,527,761	-
Sundry operating income	54,737,413	6,811,031
Expenses from available-for-sale assets	(11,624,223)	(27,936,138)
Sundry operating assets	<u>(65,292,266)</u>	<u>(74,213,422)</u>
Net operating margin	<u>454,006,700</u>	<u>452,152,066</u>
Extraordinary income	(1,784,444)	-
Extraordinary expenses	<u>(2,836,757)</u>	<u>(17,583,731)</u>
Gross income before tax and loss from net monetary position	449,385,499	434,568,335
Income tax	<u>(1,274,806)</u>	<u>(62,984)</u>
Income before loss from net monetary position	448,110,693	434,505,351
Loss from net monetary position	<u>(667,478,338)</u>	<u>(474,709,145)</u>
Net loss	<u>(219,367,645)</u>	<u>(40,203,794)</u>

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Supplementary statement of changes in equity
Six-month periods ended June 30, 2014 and December 31, 2013

	Paid-in capital stock			Convertible bonds	Share premium and contributions pending capitalization	Capital reserves	Retained earnings	Exchange gain from holding foreign currency assets and liabilities	Unrealized gain (loss) on investment securities	Total equity
	Nominal	Inflation adjustment	Total							
	(In constant bolivars at June 30, 2014, except nominal capital stock)									
Balances at June 30, 2013	438,503,396	2,588,556,711	3,027,060,107	81,242,744	406,911,820	1,125,498,384	(833,151,978)	995,241,441	134,152,111	4,936,954,629
Contributions pending capitalization	-	-	-	-	192,608,210	-	-	-	-	192,608,210
Capital increase due to maturity of convertible bonds (Note 24)	5,426,976	1,629,722	7,056,698	(65,015,000)	57,308,142	(65,015,000)	65,015,000	-	-	(650,160)
Capital stock increase	70,000,000	224,092,927	294,092,927	-	-	-	(294,092,927)	-	-	-
Capital stock increase	110,000,000	273,320,855	383,320,855	-	-	-	(383,320,855)	-	-	-
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	244,754,920	244,754,920
Effect of restating unrealized gain on investments in available-for-sale securities	-	-	-	-	-	-	-	-	(26,796,069)	(26,796,069)
Effect of restating convertible bonds	-	-	-	(16,227,744)	-	-	-	-	-	(16,227,744)
Net loss	-	-	-	-	-	-	(40,203,794)	-	-	(40,203,794)
Appropriation to the legal reserve	-	-	-	-	-	98,098,701	(98,098,701)	-	-	-
Creation of the Social Contingency Fund	-	-	-	-	-	4,056,483	(4,056,483)	-	-	-
Reserve fund for convertible bonds	-	-	-	-	-	5,417,917	(5,417,917)	-	-	-
Balances at December 31, 2013	623,930,372	3,087,600,215	3,711,530,587	-	656,828,172	1,168,056,485	(1,593,327,655)	995,241,441	352,110,962	5,290,439,992
Contributions pending capitalization	-	-	-	-	70,134,012	-	-	-	-	70,134,012
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	(161,320,089)	(161,320,089)
Effect of restating unrealized gain on investments in available-for-sale securities	-	-	-	-	-	-	-	-	(81,318,865)	(81,318,865)
Adjustment per SUDEBAN instructions through Notice No. SIB-II-GGIBPV-GIBPV2-20386 of June 17, 2014	-	-	-	-	-	-	(1,995,303)	-	-	(1,995,303)
Net gain on sale of foreign currency assets through SICAD II (Note 25)	-	-	-	-	-	-	-	747,065,364	-	747,065,364
Net loss	-	-	-	-	-	-	(219,367,645)	-	-	(219,367,645)
Appropriation to the legal reserve	-	-	-	-	-	96,972,270	(96,972,270)	-	-	-
Creation of the Social Contingency Fund	-	-	-	-	-	3,119,652	(3,119,652)	-	-	-
Balances at June 30, 2014	<u>623,930,372</u>	<u>3,087,600,215</u>	<u>3,711,530,587</u>	<u>-</u>	<u>726,962,184</u>	<u>1,268,148,407</u>	<u>(1,914,782,525)</u>	<u>1,742,306,805</u>	<u>109,472,008</u>	<u>5,643,637,466</u>

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Supplementary cash flow statement
Six-month periods ended June 30, 2014 and December 31, 2013

	June 30, 2014	December 31, 2013
	(In constant bolivars at June 30, 2014)	
Cash flows from operating activities		
Net income	(219,367,645)	(40,203,794)
Adjustments to reconcile net income to net cash provided by operating activities		
Release of provision for investment securities	-	130,030
Allowance for losses on loan portfolio	188,571,942	51,690,369
Provision for interest receivable	-	16,022
Provision for other assets	13,185,765	9,263,961
Release of provision for other assets	(183,603)	-
Depreciation of property and equipment and amortization of available-for-sale and other assets	154,447,578	163,013,787
Accrual for length-of-service benefits	80,813,569	49,108,213
Transfers to trust fund and payment of length-of-service benefits	66,084,694	(45,348,611)
Income tax provision	1,274,806	1,066,100
Deferred tax asset	(50,239)	(1,003,116)
Net change in		
Overnight deposits	321,072,699	853,782,181
Interest and commissions receivable	(26,841,156)	(16,869,694)
Other assets	(92,341,858)	(155,740,008)
Accruals and other liabilities	<u>(381,495,122)</u>	<u>463,010,810</u>
Net cash provided by operating activities	<u>105,171,430</u>	<u>1,331,916,250</u>
Cash flows from financing activities		
Contributions pending capitalization	70,134,012	192,608,210
Maturity and payment of convertible bonds	-	(650,162)
Effect of inflation on convertible bonds	-	(16,227,744)
Net change in		
Customer deposits	1,113,671,997	2,178,034,858
Borrowings	61,920,757	(711,968)
Other liabilities from financial intermediation	(116,651,444)	118,994,320
Interest and commissions payable	<u>32,460,350</u>	<u>(11,793,002)</u>
Net cash provided by financing activities	<u>1,161,535,672</u>	<u>2,460,254,512</u>
Cash flows from investing activities		
Loans granted during the period	(16,620,301,970)	(22,590,831,212)
Loans collected during the period	16,590,930,326	19,662,617,648
Changes in equity	747,065,364	-
Net change in		
Investments in available-for-sale securities	1,380,847,674	(1,161,647,217)
Investments in held-to-maturity securities	(1,011,538,916)	1,412,141,921
Restricted investments	4,149,737	55,899,203
Investments in other securities	(285,668,051)	(449,764,665)
Available-for-sale assets	33,755,587	(49,140,921)
Property and equipment	<u>(221,150,051)</u>	<u>(167,896,032)</u>
Net cash provided by (used in) investing activities	<u>618,089,700</u>	<u>(3,288,621,275)</u>
Cash and due from banks		
Net change in cash and cash equivalents	1,884,796,802	503,549,487
At the beginning of the period	<u>13,818,851,949</u>	<u>13,315,302,460</u>
At the end of the period	<u>15,703,648,751</u>	<u>13,818,851,947</u>
Loss from net monetary position		
In operating activities	(122,356,388)	(330,557,268)
In financing activities	11,586,412,447	9,586,040,069
In investing activities	(8,940,116,078)	(7,070,541,262)
From holding cash	<u>(3,191,418,319)</u>	<u>(2,659,650,684)</u>
	<u>(667,478,338)</u>	<u>(474,709,145)</u>

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Supplementary cash flow statement
Six-month periods ended June 30, 2014 and December 31, 2013

	June 30, 2014	December 31, 2013
	(In constant bolivars at June 30, 2014)	
Supplementary information on non-cash activities		
Write-off of uncollectible loans (principal)	-	3,991,033
Write off of uncollectible loans (interest)	-	259,570
Reclassification of excess in		
Allowance for losses on loan portfolio to provision for contingent loans	(153,285)	(3,882,401)
Allowance for losses on loan portfolio to provision for interest receivable		
Provision for interest receivable to provision for contingent loans	(3,944,648)	(1,978,202)
Net change in unrealized gain on investments in available-for-sale securities	(161,320,089)	244,754,920
Effect of inflation on unrealized gain on investments in available-for-sale securities	(81,318,865)	26,796,069
Creation of the Social Contingency Fund	3,119,652	4,056,483
Reclassification of equity to deferred income per SUDEBAN instructions	1,995,302	-

Property and equipment

Property and equipment comprises the following:

	June 30, 2014			December 31, 2013		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
	(In constant bolivars at June 30, 2014)					
Land	155,493,414	-	155,493,414	155,493,415	-	155,493,415
Buildings and facilities	1,423,881,571	(154,915,267)	1,268,966,304	1,295,842,098	(136,193,057)	1,159,649,041
Computer hardware	412,447,092	(300,083,202)	112,363,890	384,777,580	(277,098,910)	107,678,670
Furniture and equipment	962,766,266	(453,997,112)	508,769,154	892,057,790	(406,878,847)	485,178,943
Vehicles	26,686,357	(20,783,850)	5,902,507	27,402,059	(19,963,568)	7,438,491
Construction in progress	<u>109,228,274</u>	<u>-</u>	<u>109,228,274</u>	<u>116,673,792</u>	<u>-</u>	<u>116,673,792</u>
	3,090,502,974	(929,779,431)	2,160,723,543	2,872,246,734	(840,134,382)	2,032,112,352
Other assets	<u>16,181,625</u>	<u>-</u>	<u>16,181,625</u>	<u>14,165,626</u>	<u>-</u>	<u>14,165,626</u>
	<u>3,106,684,599</u>	<u>(929,779,431)</u>	<u>2,176,905,168</u>	<u>2,886,412,360</u>	<u>(840,134,382)</u>	<u>2,046,277,978</u>

Monetary assets and liabilities

Monetary assets and liabilities, including amounts in foreign currency are, by their nature, shown in terms of purchasing power at June 30, 2014. The result from monetary position reflects the loss or gain resulting from maintaining a net monetary asset or net monetary liability position during an inflationary period and is shown separately in the income statement.

Nonmonetary assets and liabilities

These components (property and equipment, available-for-sale assets and deferred charges) have been restated based on their dates of origin and are shown at restated cost by the GPL method.

Equity

All equity accounts, except convertible bonds, have been restated based on their dates of origin and are shown in constant currency at June 30, 2014. Stock dividends are declared, as well as voluntary, statutory or similar reserves are dated based on their dates of origin as equity and not on their capitalization date. Cash dividends are adjusted based on the date they were declared.

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Income statement

Operating income and expenses have been restated by multiplying them by the factor obtained from dividing the NCPI at June 30, 2014 by the NCPI at the dates on which they were earned or incurred. Costs and expenses in respect of nonmonetary items have been adjusted based on the previously restated nonmonetary items to which they relate.

Analysis of monetary result for the period

An analysis of the monetary result for the period is provided below:

	<u>Six-month periods ended</u>	
	<u>June 30, 2014</u>	<u>December 31, 2013</u>
	(In constant bolivars at June 30, 2014)	
Net monetary asset position at the beginning of the period	<u>2,383,584,174</u>	<u>2,265,113,086</u>
Transactions that increased net monetary position		
Income	3,575,683,443	3,196,522,672
Changes in equity	(1,995,303)	192,608,210
Contributions pending capitalization	70,134,012	-
Gain on sale of foreign currency assets through SICAD II (Note 25)	747,065,364	64,364,838
Sales price of available-for-sale assets	<u>73,256,306</u>	<u>14,850,287</u>
Subtotal	<u>4,464,143,822</u>	<u>3,468,346,007</u>
Transactions that decreased net monetary position		
Expenses	3,127,572,750	2,597,702,855
Additions to property and equipment, deferred charges and other	<u>149,289,516</u>	<u>277,462,919</u>
Subtotal	<u>3,276,862,266</u>	<u>2,875,165,774</u>
Estimated net monetary asset position at the end of the period	3,570,865,730	2,858,293,319
Net monetary asset position at the end of the period	<u>2,903,387,392</u>	<u>2,383,584,174</u>
Loss from net monetary position	<u>(667,478,338)</u>	<u>(474,709,145)</u>