

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

Independent Auditor's Report
June 30, 2019

Independent Auditor's Report

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

Our qualified opinion

In our opinion, except for the matter described in basis for qualified opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Nacional de Crédito, C.A., Banco Universal (the Bank) as at June 30, 2019 and its financial performance and its cash flows for the six-month period then ended, in accordance with the rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN).

What we have audited

The Bank's financial statements comprise:

- The balance sheet as at June 30, 2019;
- the income statement for the six-month period then ended;
- the statement of changes in equity for the six-month period then ended;
- the cash flow statement for the six-month period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

As indicated in Note 5, at December 31, 2018, investments in held-to-maturity securities included Global Bonds of the Bolivarian Republic of Venezuela, maturing in September 2027 and a book value of Bs 1,199 million (equivalent to US\$1,884,813). Through Notice SIB-II-GGIBPV-GIBPV6-20531 of December 26, 2018, SUDEBAN instructed that those investments must continue to be recorded at market value. At December 31, 2018, the market value of these Bonds was Bs 976 million (equivalent to US\$1,533,489). Therefore, investment securities, equity and net income for the six-month period then ended were overstated by Bs 224 million (equivalent to US\$351,324). At June 30, 2019, the Bank measured the Bonds at market value at that date; however, the effects not recognized in the six-month period ended December 31, 2018 were recorded in the income statement for the six-month period ended June 30, 2019. Although these effects were not significant on the results for the six-month period ended June 30, 2019, they were significant on the results for the six-month period ended December 31, 2018. Therefore, this situation affects the comparability of these financial statements.

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

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

Independence

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

Emphasis on matters

Without qualifying our opinion, we draw attention to Note 2 of the accompanying financial statements, indicating that rules and instructions of SUDEBAN differ in certain material respects from accounting principles generally accepted in Venezuela (VEN NIF).

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Pacheco, Apostólico y Asociados
(PricewaterhouseCoopers)

Reinaldo E. Alvarado
CPC 54341
CP 790
SNV 22

August 22, 2019

Banco Nacional de Crédito, C.A., Banco Universal
Balance sheet
June 30, 2019 and December 31, 2018

	June 30, 2019	December 31, 2018
	(In bolivars)	
Assets		
Cash and due from banks	<u>515,425,564,254</u>	<u>29,519,878,105</u>
Cash (Note 3)	36,051,399,973	1,265,862,922
Central Bank of Venezuela (Notes 3, 4 and 26)	204,355,792,481	10,584,817,514
Venezuelan banks and other financial institutions	12,555,026	217,510,340
Foreign and correspondent banks (Note 4)	273,280,009,845	17,135,787,450
Pending cash items (Note 3)	1,746,154,430	334,757,106
(Provision for cash and due from banks)	(20,347,501)	(18,857,227)
Investment securities (Note 5)	<u>131,984,680,209</u>	<u>9,415,477,192</u>
Deposits with the BCV and overnight deposits	35,888,277,752	-
Investments in available-for-sale securities	37,937,083,178	3,762,784,263
Investments in held-to-maturity securities	34,941,128,466	3,476,192,956
Restricted investments	23,214,517,646	2,172,824,440
Investments in other securities	3,673,167	3,675,533
Loan portfolio (Note 6)	<u>84,102,221,566</u>	<u>20,704,422,060</u>
Current	88,239,776,148	24,472,145,397
Rescheduled	90	151
Overdue	9,691,599,490	191,028,202
(Allowance for losses on loan portfolio)	(13,829,154,162)	(3,958,751,690)
Interest and commissions receivable (Note 7)	<u>778,899,658</u>	<u>52,083,582</u>
Interest receivable on investment securities	1,653,007,201	560,463,496
Interest receivable on loan portfolio	634,992,176	89,591,619
Commissions receivable	2,208,273	61,058
(Provision for interest receivable and other)	(1,511,307,992)	(598,032,591)
Available-for-sale assets (Note 9)	<u>232</u>	<u>309</u>
Property and equipment (Note 10)	<u>11,042,159,857</u>	<u>769,766,935</u>
Other assets (Note 11)	<u>25,357,099,049</u>	<u>1,754,390,506</u>
Total assets	<u>768,690,624,825</u>	<u>62,216,018,689</u>
Memorandum accounts (Note 20)		
Contingent debtor accounts	2,195,666,376	403,194,132
Assets received in trust	1,904,890,258	66,280,750
Debtor accounts from other special trust services	89,513,472	32,019,150
Other debtor memorandum accounts	<u>615,835,059,607</u>	<u>86,528,150,690</u>
	<u>620,025,129,713</u>	<u>87,029,644,722</u>

The notes on pages 6 to 62 are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Balance sheet
June 30, 2019 and December 31, 2018

	June 30, 2019	December 31, 2018
	(In bolivars)	
Liabilities and Equity		
Customer deposits (Note 12)	<u>489,328,923,797</u>	<u>43,250,335,295</u>
Demand deposits	<u>256,469,523,550</u>	<u>21,512,798,300</u>
Non-interest-bearing checking accounts	179,214,967,135	17,806,759,183
Interest-bearing checking accounts	26,075,383,845	2,008,559,501
Checking accounts under Exchange Agreement No. 20	46,981,923,839	1,324,461,406
Demand deposits and certificates	4,197,248,731	373,018,210
Other demand deposits	2,299,218,187	274,481,563
Savings deposits	199,289,825,321	17,939,439,421
Time deposits	31,270,356,739	3,523,616,011
Borrowings (Note 13)	<u>13,814,140,269</u>	<u>179,018</u>
Venezuelan financial institutions, up to one year	13,810,897,434	170,230
Foreign financial institutions, up to one year	3,242,835	8,788
Interest and commissions payable (Note 14)	<u>539,202,581</u>	<u>16,752,650</u>
Expenses payable on customer deposits	399,402,581	16,752,650
Expenses payable on borrowings	139,800,000	-
Accruals and other liabilities (Note 15)	<u>83,516,242,581</u>	<u>5,494,123,162</u>
Total liabilities	<u>587,198,509,228</u>	<u>48,761,390,125</u>
Equity (Note 22)		
Capital stock	57,919	38,919
Contributions pending capitalization	387,162	387,162
Capital reserves	59,419	40,191
Retained earnings	40,342,612,916	2,483,491,212
Adjustment from revaluation of property and equipment	463,334	463,334
Exchange gain from holding foreign currency assets and liabilities	141,522,022,268	11,023,638,858
Net unrealized loss on investments in available-for-sale securities (Note 5)	<u>(373,487,421)</u>	<u>(53,431,112)</u>
Total equity	<u>181,492,115,597</u>	<u>13,454,628,564</u>
Total liabilities and equity	<u>768,690,624,825</u>	<u>62,216,018,689</u>

The notes on pages 6 to 62 are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Income statement
Six-month periods ended June 30, 2019 and December 31, 2018

	June 30, 2019	December 31, 2018
	(In bolivars)	
Interest income	<u>33,813,225,420</u>	<u>1,949,139,950</u>
Income from cash and due from banks	66,721,534	4,074,801
Income from investment securities	5,445,445,414	252,632,872
Income from loan portfolio	23,419,370,350	1,578,823,089
Income from other accounts receivable	4,726,959,288	113,609,188
Other interest income	154,728,834	-
Interest expense	<u>(5,923,101,761)</u>	<u>(120,053,315)</u>
Expenses from customer deposits	(2,760,009,106)	(115,879,974)
Expenses from borrowings	(2,537,452,410)	(2,723,211)
Other interest expense	(625,640,245)	(1,450,130)
Gross financial margin	<u>27,890,123,659</u>	<u>1,829,086,635</u>
Income from financial assets recovered (Note 5)	34,876,443,034	5,118
Expenses from uncollectible loans and other accounts receivable (Notes 6, 7 and 15)	(11,197,555,568)	(510,462,063)
Expenses from provision for cash and due from banks	(153,326,347)	(18,857,227)
Net financial margin	<u>51,415,684,778</u>	<u>1,299,772,463</u>
Other operating income (Note 17)	33,681,352,254	1,042,604,778
Other operating expenses (Note 18)	(15,144,290,369)	(318,347,254)
Financial intermediation margin	<u>69,952,746,663</u>	<u>2,024,029,987</u>
Operating expenses	<u>(24,737,280,885)</u>	<u>(1,350,755,398)</u>
Salaries and employee benefits (Note 2-j)	(6,251,913,319)	(433,269,568)
General and administrative expenses (Note 19)	(17,756,930,175)	(901,696,362)
Fees paid to the Social Bank Deposit Protection Fund (Note 24)	(165,964,048)	(4,724,076)
Fees paid to the Superintendency of Banking Sector Institutions (Note 25)	(562,473,343)	(11,065,392)
Gross operating margin	<u>45,215,465,778</u>	<u>673,274,589</u>
Income from available-for-sale assets (Note 9)	-	24,417,732
Sundry operating income	925,328,082	1,718,880
Expenses from available-for-sale assets	(35,420,678)	(1,105,090)
Sundry operating expenses (Note 18)	(3,880,763,784)	(188,033,440)
Net operating margin	<u>42,224,609,398</u>	<u>510,272,671</u>
Extraordinary expenses	(10,416,002)	(7,006,015)
Extraordinary income (Note 10)	7,237,343	2,050,084,700
Gross income before tax	<u>42,221,430,739</u>	<u>2,553,351,356</u>
Income tax (Note 16)	<u>(4,253,776,844)</u>	<u>(79,853,198)</u>
Net income	<u>37,967,653,895</u>	<u>2,473,498,158</u>
Appropriation of net income		
Legal reserve	19,000	2,000
Retained earnings	<u>37,967,634,895</u>	<u>2,473,496,158</u>
	<u>37,967,653,895</u>	<u>2,473,498,158</u>
Provision for the Antidrug Law (Notes 1 and 18)	<u>400,000,000</u>	<u>28,405,104</u>

The notes on pages 6 to 62 are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Statement of changes in equity
Six-month periods ended June 30, 2019 and December 31, 2018

	Paid-in capital stock	Share premium and contributions pending capitalization	Capital reserves	Unappropriated surplus	Restricted surplus	Retained earnings Non-distributable surplus	Cumulative loss	Total	Adjustment from revaluation of property and equipment	Exchange gain from holding foreign currency assets and liabilities	Net unrealized loss on investment securities (Note 5)	Total equity
	(In bolivars)											
Balances at June 30, 2018	36,919	380,709	37,997	6,614,602	4,988,281	870	(1,608,504)	9,995,249	463,334	37,968,484	3,649	48,886,341
Contributions pending capitalization	-	8,453	-	-	-	-	-	-	-	-	-	8,453
Capital stock increase (Note 22)	2,000	(2,000)	-	-	-	-	-	-	-	-	-	-
Adjustment of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	-	-	(53,434,761)	(53,434,761)
Net income	-	-	-	2,473,498,158	-	-	-	2,473,498,158	-	-	-	2,473,498,158
Legal reserve (Note 22)	-	-	2,000	(2,000)	-	-	-	(2,000)	-	-	-	-
Creation of the Social Contingency Fund (Note 22)	-	-	194	(195)	-	-	-	(195)	-	-	-	(1)
Reclassification of net income of the Curacao Branch (Note 22)	-	-	-	(191,028,496)	-	191,028,496	-	-	-	-	-	-
Exchange gain, net (Note 4)	-	-	-	-	-	-	-	-	-	10,985,670,374	-	10,985,670,374
Reclassification to restricted surplus of 50% of net income for the period (Note 22)	-	-	-	(1,141,233,831)	1,141,233,831	-	-	-	-	-	-	-
Balances at December 31, 2018	38,919	387,162	40,191	1,147,848,238	1,146,222,112	191,029,366	(1,608,504)	2,483,491,212	463,334	11,023,638,858	(53,431,112)	13,454,628,564
Capital stock increase through dividends declared (Note 22)	19,000	-	-	(4,750)	(14,250)	-	-	(19,000)	-	-	-	-
Adjustment of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	-	-	(320,056,309)	(320,056,309)
Net income	-	-	-	37,967,653,895	-	-	-	37,967,653,895	-	-	-	37,967,653,895
Legal reserve (Note 22)	-	-	19,000	(19,000)	-	-	-	(19,000)	-	-	-	-
Creation of the Social Contingency Fund (Note 22)	-	-	228	(228)	-	-	-	(228)	-	-	-	-
Reclassification of net income of the Curacao Branch (Notes 8 and 22)	-	-	-	(33,834,087,491)	-	33,834,087,491	-	-	-	-	-	-
Reversal of unrealized benefits, as per SUDEBAN instructions (Note 6)	-	-	-	(108,493,963)	-	-	-	(108,493,963)	-	-	-	(108,493,963)
Exchange gain, net (Note 4)	-	-	-	-	-	-	-	-	-	130,498,383,410	-	130,498,383,410
Reclassification to restricted surplus of 50% of net income for the period (Note 22)	-	-	-	(2,066,773,702)	2,066,773,702	-	-	-	-	-	-	-
Balances at June 30, 2019	<u>57,919</u>	<u>387,162</u>	<u>59,419</u>	<u>3,106,122,999</u>	<u>3,212,981,564</u>	<u>34,025,116,857</u>	<u>(1,608,504)</u>	<u>40,342,612,916</u>	<u>463,334</u>	<u>141,522,022,268</u>	<u>(373,487,421)</u>	<u>181,492,115,597</u>

Net income per share (Note 2-n)

	<u>Six-month periods ended</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Weighted average of outstanding shares	<u>4,163,358,571</u>	<u>3,891,930,106</u>
Income per share	<u>9.119</u>	<u>0.636</u>

The notes on pages 6 to 62 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, 2019 and December 31, 2018

	June 30, 2019	December 31, 2018
	(In bolivars)	
Cash flows from operating activities		
Net income	37,967,653,895	2,473,498,158
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Loss on impairment of investment securities (Notes 5-c and 18)	2,369,884,462	-
Allowance for losses on loan portfolio (Note 6)	9,658,553,981	276,991,871
Provision for contingent loans (Note 15)	9,000	166
Release of allowance for losses on loan portfolio (Note 6)	(34,727,280,615)	-
Provision for interest receivable (Note 7)	1,539,010,587	233,470,026
Provision for other assets (Note 11)	37,381,246	13,446,655
Depreciation of property and equipment and amortization of deferred charges (Notes 10, 11 and 19)	243,454,436	16,734,926
Accrual for length-of-service benefits	817,866,354	147,959,385
Transfers to trust fund and payment of length-of-service benefits	(237,471,390)	(14,118,738)
Income tax provision (Note 16)	4,804,664,306	44,591,722
Deferred income tax (Note 16)	(550,887,462)	35,261,476
Net change in		
Overnight deposits	(34,362,419,667)	240,746,556
Interest and commissions receivable	(8,259,591,177)	(693,308,543)
Other assets	(14,631,007,993)	214,778,667
Accruals and other liabilities	<u>21,243,282,124</u>	<u>(2,239,630,359)</u>
Net cash provided by (used in) operating activities	<u>(14,086,897,913)</u>	<u>750,421,968</u>
Cash flows from financing activities		
Contributions pending capitalization	-	8,453
Net change in		
Customer deposits	244,560,704,087	22,415,480,528
Borrowings	13,793,941,598	147,811
Interest and commissions payable	<u>302,822,676</u>	<u>368,887</u>
Net cash provided by financing activities	<u>258,657,468,361</u>	<u>22,416,005,679</u>
Cash flows from investing activities		
Loans granted during the period	(193,710,272,158)	(20,103,237,377)
Loans collected during the period	214,870,548,649	7,226,099,753
Net change in		
Investments in available-for-sale securities	(548,572,187)	54,842,013
Investments in held-to-maturity securities	(968,228,571)	6,448,840
Restricted investments	(507,231,912)	(15,249,850)
Investments in other securities	2,366	(1,753,276)
Property and equipment	<u>(10,216,402,899)</u>	<u>(751,967,423)</u>
Net cash provided by (used in) investing activities	<u>8,919,843,288</u>	<u>(13,584,817,320)</u>
Cash and due from banks		
Net change in cash and cash equivalents	253,490,413,736	9,581,610,327
Exchange gain	232,415,272,413	19,627,422,677
At the beginning of the period	<u>29,519,878,105</u>	<u>310,845,101</u>
At the end of the period	<u>515,425,564,254</u>	<u>29,519,878,105</u>
Supplementary information on non-cash activities		
Write-off of uncollectible loans (Note 6)	331,214,138	555
Write-off of uncollectible loans (interest) (Note 7)	10,560	-
Reclassification of excess in (Notes 6, 7 and 11)		
Interest receivable to allowance for losses on loan portfolio	(582,328)	36,032,938
Interest receivable to other assets	(6,334,866,527)	(3,302,601)
Change in net unrealized loss on investments in available-for-sale securities (Note 5-b)	(320,056,309)	(53,431,112)
Reversal of unrealized benefits according to SUDEBAN instructions (Note 6)	(108,493,963)	-
Exchange gain, net, recorded in equity		
Cash and due from banks	232,415,272,413	19,627,422,677
Loan portfolio	59,488,667,809	7,638,368,332
Investment securities		
Overnight deposits	1,525,858,085	234,927,708
Investments in available-for-sale securities	33,945,783,037	3,858,978,052
Investments in held-to-maturity securities	32,866,591,401	3,444,921,144
Restricted investments	20,534,461,294	2,153,681,034
Interest and commissions receivable	341,684,341	23,108,555
Other assets	2,313,507,740	1,550,462,477
Property and equipment (Note 8)	109,264,526	15,049,485
Available-for-sale assets	99,149	22,601,046
Customer deposits	(201,517,884,415)	(20,096,316,635)
Accruals and other liabilities	(51,285,275,062)	(7,471,241,745)
Interest and commissions payable	(219,627,255)	(16,291,756)
Borrowings	(20,019,653)	-

The notes on pages 6 to 62 are an integral part of the financial statements

Banco Nacional de Crédito, C.A, Banco Universal

Notes to the financial statements

June 30, 2019 and December 31, 2018

1. Activities and regulatory environment

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

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

Most of the Bank's assets are located in the Bolivarian Republic of Venezuela. At June 30, 2019 and December 31, 2018, the Bank has 171 and 165 agencies and external counters, respectively, a branch in Curacao, a main office and 2,368 and 2,624 employees, respectively.

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

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

The Bank's financial statements at June 30, 2019 and December 31, 2018 were approved for issue by the Board of Directors on July 10 and January 9, 2019, respectively.

Branch in Curacao

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

The Branch's activities are ruled by the Law on Banking Sector Institutions and the Law of Banks of Curacao and St. Maarten, regulations issued by the Central Bank of Curacao and St. Maarten, as well as the prudential rules and other instructions of SUDEBAN, the Higher Authority of the National Financial System (OSFIN) and the Central Bank of Venezuela (BCV). The Branch is not an economically independent entity and conducts transactions following the Bank's guidelines. The Branch operates under an off-shore license granted by the Central Bank of Curacao and St. Maarten and SUDEBAN in Venezuela. Capital assigned to the Branch has been contributed by the Bank (Note 8).

Trust fund

In August 2003, 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.

Regulatory environment

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

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

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Law on Banking Sector Institutions

This Law, among other things, considers banking as a public service; defines financial intermediation as fundraising for investment in loan portfolios and securities issued or guaranteed by the Venezuelan government or government agencies; limits the bank's assets and transactions with a single debtor, and defines "debtor" in relation to this limitation; regulates the formation and functions of the Board of Directors; establishes disqualification instances to act as directors; regulates the formation of financial groups; establishes a social contribution to finance projects developed by communal councils and establishes prohibitions.

Law of the National Financial System

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

Central Bank of Venezuela (BCV)

Deposit and lending rates are regulated by the BCV. The BCV sets maximum and minimum interest rates for deposits and credit operations based on reference rates. In this regard, at June 30, 2019 and December 31, 2018, the annual interest rate for credit card transactions shall range from 17% to 40% and 24% to 29%, respectively. The maximum rate to be charged on amounts overdue from cardholders shall be 3% per annum.

At June 30, 2019, annual interest rates on savings deposits, including liquid asset accounts, shall not fall below 21%, calculated on daily balances. Annual interest rates on time deposits and transactions for the issue of certificates of participation shall not fall below 24% (Note 12).

The BCV set at 29.50% the annual interest rate to be charged on discount, rediscount and advance operations, except as regards operations conducted under special regimes.

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

Law for the Advancement of Science, Technology and Innovation

This Law establishes that the country's major corporations will annually earmark 0.5% of gross income generated in Venezuela in the prior year to investments in science, technology and innovation, and their applications. Contributions must be paid and declared within the second quarter after the closing of the period in which gross income was generated. During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank recorded expenses in this connection of Bs 25,571,216 and Bs 7,302, respectively, included under sundry operating expenses (Note 18).

Antidrug Law

This Law requires all private corporations, consortia and business-oriented public entities with 50 or more employees to contribute 1% of their annual operating income to the National Antidrug Fund (FONA) within 60 days of their respective year end. These contributions will be used to finance plans and projects for the prevention of illegal drug trafficking. Companies belonging to economic groups will make contributions on a consolidated basis. During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank recorded expenses in this connection of Bs 400,000,000 and Bs 28,405,104, respectively, included under sundry operating expenses (Note 18).

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Sports and Physical Education Law

This Law seeks to regulate physical education and the sponsorship, organization and management of sporting activities as public services. Companies subject to this Law must contribute 1% of their net or accounting income to the activities contemplated therein. During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank recorded expenses in this connection of Bs 43,795,849 and Bs 25,334,364, respectively, included within sundry operating expenses (Note 18).

New Labor Law (LOTTT)

The most relevant aspects of this Law include: calculation of certain employee benefits, such as vacation bonus, profit sharing, maternity leave, and the retrospective accrual of length-of-service benefits. In addition, the LOTTT reduces working hours and extends job security for parents.

2. Basis of preparation

The accompanying financial statements at June 30, 2019 and December 31, 2018 have been prepared based on the accounting rules and instructions of SUDEBAN included in the Accounting Manual, which differ in certain material respects from accounting principles generally accepted in Venezuela (VEN NIF) published by the FCCPV, of mandatory application in Venezuela as from January 1, 2008. VEN NIF are mainly based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for certain criteria concerning adjustments for inflation and the valuation of foreign currency assets and liabilities, among others.

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

At June 30, 2019 and December 31, 2018, 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) Inflation-adjusted financial statements

VEN NIF require that the effects of inflation on the financial statements be recognized, provided that inflation for the year exceeds one digit. SUDEBAN has stipulated that inflation-adjusted financial statements must be provided as supplementary information. Through Circular SIB-II-GGR-GNP-06691 of June 13, 2019, SUDEBAN deferred the presentation of supplementary financial statements at June 30, 2019, prepared under generally accepted accounting principles, effective at December 31, 2007 (VEN GAAP), and inflation-adjusted financial statements; this supplementary information will be presented for purposes of comparison with the information at the end of the second semester of 2019.

2) Other comprehensive income

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

3) Cash equivalents

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.

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4) Premium or discount on held-to-maturity investments

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

5) Permanent losses on investment securities

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

6) Investments in other securities

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

7) Valuation of reclassified securities

a) Reclassification of held-to-maturity securities to available-for-sale securities

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

b) Reclassification of available-for-sale securities to held-to-maturity securities

SUDEBAN rules and instructions establish that available-for-sale investments reclassified to the held-to-maturity category must be recorded at their fair value at the reclassification date. Unrealized gains or losses are maintained separately in equity and are amortized over the investment's remaining life as an adjustment to yield. Under VEN NIF, the fair value of the investment at the reclassification date becomes the new amortized cost basis, and any gain or loss previously recognized in equity is accounted for as follows: a) gains or losses on fixed maturity investments, as well as any difference between the new amortized cost and value at maturity, are taken to profit and loss and amortized over the investment's remaining life, and b) gains or losses on non-maturity investments will remain in equity until the asset is sold or otherwise disposed of, when they shall be recognized in profit or loss.

8) Overdue loan portfolio

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

9) Rescheduled loan portfolio

The Accounting Manual establishes that loans whose original repayment schedule, term, or other conditions have been modified at the request of the debtor must be reclassified within rescheduled loans. In addition, the Accounting Manual establishes that loans classified as overdue must be written off within 24 months after inclusion in this category. Loans in litigation must be fully provided for after 24 months

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in the in-litigation category. In addition, overdue monthly loan installments that have been repaid must be classified to the category to which they pertained before being classified as overdue. Likewise, when a debtor repays pending loan installments of a loan in litigation, thereby terminating the lawsuit, the loan must be reclassified to the category to which it pertained before being classified as in litigation or overdue. VEN NIF do not establish specific accounting criteria; however, any measurement of expected credit losses from a financial instrument shall reflect: a) an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes; b) the time value of money; and c) reasonable and supportable information, that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

10) Allowance for losses on loan portfolio

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

11) Commissions collected and deferred income

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

12) Assets received as payment and idle assets

Assets received as payment are recorded at the lower of cost and market value and amortized using the straight-line method over 1 to 3 years. Idle assets must be written out of asset accounts after 24 months. In accordance with VEN NIF, assets received as payment are stated at the lower of cost and fair 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.

13) Property and equipment

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

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

14) Leasehold improvements

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

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15) Provisions

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

16) Deferred tax

The Bank computes a deferred tax asset or liability in respect of temporary differences between the tax base and carrying amounts in the financial statements, except for provisions for losses on other than high risk or unrecoverable loans, which generate a deferred tax asset, and surplus from revaluation of property and equipment, and exchange gain recorded in equity, since they are recorded according to SUDEBAN rules and instructions. A deferred tax asset is not recognized for any amount exceeding future taxable income. In accordance with VEN NIF, a deferred tax asset is recognized in respect of 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.

17) Foreign currency

Foreign currency transactions, mainly in U.S. dollars, are recorded at the official exchange rate in effect at the transaction date and balances are adjusted to the official rate prevailing at year end. The assets, liabilities and equity of the Branch are translated at the effective exchange rate. Income accounts are translated at the closing official exchange rate. VEN NIF establish two options for measuring foreign currency transactions and balances: a) at the official exchange rates established in the exchange agreements issued by the BCV, or b) on the basis of best estimates of future cash flows in bolivars expected to be obtained using the exchange or settlement mechanisms permitted under Venezuelan law. VEN NIF establish that exchange gains and losses on available-for-sale or held-to-maturity securities must be included in the income statement.

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.

18) Reconciling items

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

The accounting policies followed by the Bank are:

a) Foreign currency

Foreign currency balances and transactions are recorded at the official exchange rate in effect at the transaction date. At June 30, 2019 and December 31, 2018 foreign currency balances are shown at the official exchange rate of Bs 6,716.46/US\$1 and Bs 636.58/US\$1, respectively.

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

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SUDEBAN established that: a) gains resulting from changes in the official exchange rate must be recorded in equity and may only be used, subject to previous approval, to offset losses, create contingency provisions for assets, offset deferred expenses (including goodwill), increase capital stock (Note 22), and b) exchange gains and losses arising from exchange fluctuations of the U.S. dollar with respect to other foreign currencies are recorded in net results for the period (Notes 17 and 18).

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

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

Assets and liabilities, and income accounts of the Branch expressed in U.S. dollars were translated into bolivars at the official exchange rate of Bs 6,716.46/US\$1 and Bs 636.58/US\$1 at June 30, 2019 and December 31, 2018 (Note 8).

c) Investment securities

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

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

Deposits with the BCV and overnight deposits

Excess liquidity deposited at the BCV, overnight deposits and debt securities issued by Venezuelan financial institutions maturing within 60 days are included in this account (Note 5-a).

Investments in available-for-sale securities

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

Investments in held-to-maturity securities

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

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The Bank assesses monthly, if circumstances require it, whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment in the fair value of held-to-maturity securities is charged to the results for the period when management considers that it is other than temporary. Certain factors identified as indicators of impairment are: 1) a prolonged period where fair value remains substantially below cost; 2) the financial difficulty of the issuer; 3) a fall in the issuer's credit rating; 4) the disappearance of an active market for the security; and 5) the Bank's intention and ability to hold the investment long enough to allow for recovery of fair value, among others. For the six-month periods ended June 30, 2019 and December 31, 2018, the Bank has identified no unrecorded permanent impairment in the fair value of its investments (Note 5-c).

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

Restricted investments

Restricted investments originating from other investment categories are measured using the same criteria used to record those investments from which they are derived. Securities or loans which the Bank contractually sells and commits to repurchase at an agreed date and price, i.e., for which the Bank acts as the reporting entity, are valued using the same criteria as for investments in trading securities (Note 5-d).

Investments in other securities

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

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

d) Loan portfolio

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

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

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

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e) Use of estimates in the preparation of financial statements

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

Investment securities

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

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

Allowance for losses on loan portfolio

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

Provision for other assets

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

Provision for legal and tax claims

The Bank sets aside a provision for legal and tax claims considered sufficient and reasonably quantifiable based on the opinion of its legal advisors. Based on this opinion, management believes that the outcome of most legal and tax claims outstanding at June 30, 2019 and December 31, 2018 will be favorable to the Bank (Note 27). However, this opinion is based on events to date; the outcome of these lawsuits could differ from that expected.

Length-of-service benefit actuarial liabilities

The length-of-service benefits liability recognized in the balance sheet is the present value at period end of any difference in projected retrospective length-of-service benefits in excess of the value of the projected guarantee fund, together with any adjustments from unrecognized past service costs. The liability in respect of this defined benefit is prepared by an independent actuary using the projected unit credit method. The present value of the defined benefit liability is determined by using discount rate, salary increase rate and turnover rate assumptions. Actuarial gains or losses resulting from future adjustments or changes to actuarial assumptions are recorded in equity net of deferred income tax.

f) Available-for-sale assets

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

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

g) Property and equipment

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

h) Deferred expenses

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

i) Income tax

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

j) Employee benefits

A new collective labor agreement was signed in June 2017, effective for 3 years until 2020.

Accrual for length-of-service benefits

Based on the provisions of the LOTTT and the Bank's Collective Labor Agreement, length-of-service benefits are a vested right of employees. Under the LOTTT, the Bank transfers guaranteed length-of-service benefits monthly to a trust fund on behalf of each employee. In addition, the LOTTT establishes that length-of-service benefits will be calculated retrospectively upon termination of employment considering the last salary earned by the employee and length of service. The LOTTT requires the payment to employees at employment termination of the higher of retrospective length-of-service benefits and total amounts accrued in the employee's trust fund.

During the six-month periods ended at December 31, 2018, the effect of the retrospective scheme was determined using a non-actuarial calculation, which consisted in determining length-of-service benefits according to Article 142 b) of the LOTTT. An additional expense and an additional liability were recognized for employees whose benefits in the guarantee fund are less than the amount calculated using the retrospective scheme. Employees' last salary, termination date and total amounts to be accrued in connection with each employee are all uncertainties at each period end. Therefore, at June 30, 2019, the Bank uses actuarial methods to measure and record its obligation for length-of-service benefits based on assumptions that include, among others, discount rates, salary increase rates and employee turnover rates. These assumptions are reviewed annually, and changes may affect the amount of the obligation.

In accordance with the LOTTT, the Bank calculates additional length-of-service benefits based on the last salary earned by the employee upon employment termination, using actuarial methods. As from the six-month period ending December 31, 2019, actuarial gains or losses shall be recorded in equity net of deferred income tax as remeasurements for employee benefit plans.

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

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At June 30, 2019 and December 31, 2018, the method used by the Bank to calculate length-of-service benefits comply with the provisions set out by SUDEBAN, the LOTTT and the prevailing Collective Labor Agreement.

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

Profit sharing

Under the Collective Labor Agreement, the Bank is required to pay a share of its annual profits to its employees of up to 150 days of salary. Expenses incurred in this connection during the first six-month period of each year are paid in April and July, and the remaining amount in November. During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank recorded expenses of Bs 423,589,732 and Bs 87,977,595, respectively, in this connection, shown under salaries and employee benefits. At June 30, 2019, the Bank maintains an accrual Bs 232,174,328 in this connection (Note 15).

Vacation leave and vacation bonus

The LOTTT and the Collective Labor Agreement grant each employee a minimum of 15 days of vacation leave each year and a vacation bonus of 23 days of salary based on length of service. For the six-month periods ended June 30, 2019 and December 31, 2018, the Bank recorded expenses of Bs 216,049,307 and Bs 22,028,032, respectively, in this connection, shown under salaries and employee benefits. At June 30, 2019 and December 31, 2018, the Bank maintains accruals of Bs 212,819,197 and Bs 23,296,367, respectively, to cover expenses in this connection (Note 15).

k) Recognition of revenue and expenses

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

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

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

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

Service fees (mainly from point-of-sale transactions and use of credit cards, and documentation and maintenance of pledged lines of credit) are recorded as income or expense when collected or paid, respectively, at the transaction date, and are shown within other operating income and other operating expenses, respectively (Notes 17 and 18).

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.

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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, 2019 and December 31, 2018, no permanent losses were identified.

The Bank acts as custodian, administrator and manager of third-party investments. As a result, in certain cases, the Bank purchases and sells a wide range of financial instruments. These trust fund assets are not included in the Bank's assets. At June 30, 2019, trust fund assets amount to Bs 1,904,890,258 (Bs 66,280,750 at December 31, 2018), shown under memorandum accounts (Note 20).

n) Net income per share

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

o) Cash flows

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

p) Financial risk management

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

Credit risk

The Bank assumes exposure to credit risk when a counterparty is unable to pay off its debts at maturity. The Bank monitors credit risk exposure by regularly analyzing payment capabilities of its borrowers. The Bank structures the level of credit risk by establishing limits for individual and group borrowers. The Bank requests fiduciary and mortgage guarantees, and collateral on certificates of deposit and other securities after assessing specific borrower characteristics.

Market risk

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

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

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

1) Price risk

The Bank's exposure to price risk arises from investment securities. To manage price risk, management diversifies its investment portfolio following limits set by the Bank. A total of 37% of the Bank's investment securities relates mainly to debt securities issued by foreign non-financial public-sector companies and securities issued by the Bolivarian Republic of [Venezuela](#) listed on stock exchanges.

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Below is a summary of the impact of increases or decreases in the fair value of investment securities by category at June 30, 2019. The analysis is based on the assumption that fair values will increase or decrease by 10% and 8%, respectively, with all other variables remaining constant and that all investment securities will move in line with indices:

	Increase by 10%	Decrease by 8%
	(In bolivars)	
Debt securities issued by foreign non-financial public-sector entities	3,558,861,974	2,847,089,579
Securities issued or guaranteed by the Venezuelan government	1,297,288,493	1,412,858,378

2) Foreign exchange risk

Foreign exchange risk arises from fluctuations in the value of financial instruments due to changes in foreign currency exchange rates. The Bank'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.

3) Interest rate risk

The Bank assumes exposure from the effects of fluctuations in market interest rate levels on its financial position and cash flows. Interest margins may increase as a result of such changes but may diminish or lead to losses in the event of unexpected movements.

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

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

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

	Increase by 20%	Decrease by 30%
	(In bolivars)	
Financial instruments - assets		
Investment securities	330,601,440	495,902,160
Loan portfolio	126,998,435	190,497,653
Financial instruments - liabilities		
Customer deposits	79,880,516	119,820,774
Borrowings	27,960,000	41,940,000

Liquidity risk

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

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

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

Operational risk

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

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

3. Cash and due from banks

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

	June 30, 2019	December 31, 2018
	(In bolivars)	
Legal reserve (Note 26)	179,834,457,139	6,750,060,894
Demand deposits	17,449,457,001	1,278,448,061
Banknotes in foreign currency under BCV custody, equivalent to €907,500	6,930,832,780	-
Other deposits with the BCV, equivalent to US\$21,000 (Notes 4 and 15)	141,045,561	13,368,277
Special reserve fund (Note 26)	-	2,542,940,282
	<u>204,355,792,481</u>	<u>10,584,817,514</u>

At June 30, 2019 and December 31, 2018, the Bank has cash and due from banks under foreign and correspondent banks for US\$2,610,958 and US\$2,080,574, equivalent to Bs 17,536,385,787 and Bs 1,324,461,406, respectively, deposited at BNC International Banking Corporation, in respect of deposits received in accordance with Exchange Agreement No. 20 (Notes 12 and 23). Through Circular VOI-GOC-BLOC/132 of October 13, 2016, the BCV agreed to exempt financial institutions from the obligation of transferring to BCV accounts all deposits in foreign currency received in accordance with Exchange Agreements Nos. 20 and 30 and, consequently, are authorized to maintain the aforementioned deposits in their correspondent accounts. This extraordinary measure was effective until June 30, 2017. To date, the Bank is awaiting instructions from regulatory entities to transfer funds in this connection.

At June 30, 2019 and December 31, 2018, pending cash items relate to clearinghouse operations conducted by the BCV and other banks.

The BCV issued Resolution No. 19-01-04 on January 29, 2019 to establish that when deemed pertinent, it may conduct foreign currency sale transactions with financial institutions with a charge to the sole account of these financial institutions with the BCV for the amount of bolivars equivalent to foreign currency sold by the BCV. Furthermore, the total foreign currency amount sold should be used in the trading of foreign currencies that are part of the Exchange Market System, private-sector clients, with the exception of those belonging to banking sectors and the stock market, at the official exchange rate in effect at the date of the transaction. The amount in bolivars, equivalent to the amount of the exchange transaction, will be deducted from the legal reserve as from the transaction date until the last day of the following week. At June 30, 2019, the Bank maintains under Cash and in custody of the BCV banknotes for €2,945,000 and €907,500 (equivalent to Bs 22,491,793,429 and Bs 6,930,832,780), respectively, sold to its customers through this mechanism; these amounts are also part of Customer deposits as per Exchange Agreement No. 20 (Note 12). During the six-month period ended June 30, 2019, the Bank charged commissions to its customers for Bs 871,788,853 in respect of exchange transactions and transportation of banknotes (Note 17).

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4. Foreign currency assets and liabilities

a) Exchange control regime

Exchange Agreement No. 1 was published in Extraordinary Official Gazette No. 6,405. This Agreement repeals Exchange Agreement No. 39 and establishes the free convertibility of the currency throughout the country based on the following premises:

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

Annulment of the exchange control regime and related offenses

The annulment of the Law on Exchange control regime and related offenses, Article No. [138](#) of the Law of the BCV, exclusively regarding the illicit trade of foreign currency in the country as well as any provision that conflicts with the provisions of this Constituent Decree, was published in the Official Gazette on August 2, 2018.

Transactions through the foreign exchange market

On May 2, 2019, the BCV published Resolution No. 19-05-01 in the official gazette to establish that banks authorized to act as exchange brokers on the foreign exchange market may negotiate through foreign exchange desks, among their customers or through interbank transactions, foreign currency purchase and sale transactions by individuals and private-sector companies. Those interested in submitting foreign currency bids (supply or demand) through exchange desks may do so without restrictions and must comply with due diligence processes established by exchange brokers; they are also required to be customers of the respective banking institution. Those interested in foreign currency trading must contact exchange brokers directly or use the online banking created for such purpose. The BCV shall publish on its web page, on a daily basis, the weighted average exchange rate of operations transacted on foreign exchange desks. During the six-month period ended June 30, 2019, the Bank recorded income of Bs 91,255,204 from commissions on transactions through the foreign exchange system (Note 17).

Subsequent events

At August 13, 2019, the prevailing exchange rate published by the BCV was Bs 13,763.08/US\$1. The accounting effect of measuring foreign currency assets and liabilities at this exchange rate was an increase in equity of Bs 185,361,898,929, to be recorded in the Bank's financial statements for the six-month period ending December 31, 2019.

b) Applicable exchange rates

At June 30, 2019 and December 31, 2018, the exchange rate for transactions in U.S. dollars is Bs 6,716.46/US\$1 and Bs 636.58/US\$1, respectively, for all transactions. At June 30, 2019 and December 31, 2018, the exchange rate for transactions in euros is Bs 7,637.28/€1 and Bs 728/€1, respectively.

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During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank recorded net exchange gains of Bs 130,498,383,410 and Bs 10,985,670,374, respectively arising from exchange rate fluctuations, mainly caused by the variation in the official exchange rate of the U.S. dollar and the euro, recorded in equity under exchange gain from holding foreign currency assets and liabilities.

c) Net global position in foreign currency

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

	June 30, 2019								
	US\$				€				
	Bank	Curacao Branch	Eliminations	Total	Bank	Curacao Branch	Eliminations	Total	Equivalent in bolivars
Assets									
Cash and due from banks									
Cash	395,727	-	-	395,727	3,633,886	-	-	3,633,886	30,410,900,540
Central Bank of Venezuela (Note 3)	21,000	-	-	21,000	907,500	-	-	907,500	7,071,878,341
Foreign and correspondent banks	15,375,021	14,998,502	(1,826,380)	28,547,143	490,582	10,186,568	-	10,677,150	273,280,009,845
(Provision for cash and due from banks)	(3,030)	-	-	(3,030)	-	-	-	-	(20,350,859)
Investment securities (Note 5)	5,272,337	10,836,053	-	16,108,390	-	-	-	-	108,191,281,048
Loan portfolio (Note 6)									
Gross loan portfolio	-	5,324,988	-	5,324,988	-	-	-	-	35,765,043,761
(Allowance for losses on loan portfolio)	-	(1,326,658)	-	(1,326,658)	-	-	-	-	(8,910,439,127)
Interest and commissions receivable (Note 7)									
Gross interest and commissions receivable	202,150	50,516	-	252,666	-	-	-	-	1,697,019,890
(Provision for interest receivable and other)	(202,150)	(22,268)	-	(224,418)	-	-	-	-	(1,507,293,461)
Investments in subsidiaries, affiliates and branches (Note 8)	11,130,965	-	(11,130,965)	-	-	-	-	-	-
Property and equipment (Note 10)	-	16,135	-	16,135	-	-	-	-	108,370,006
Other assets (Note 11)									
Other gross assets	1,042,731	74,345	-	1,117,076	-	-	-	-	7,502,790,997
(Provision for other assets)	(987,292)	(15,563)	-	(1,002,855)	-	-	-	-	(6,735,630,759)
Total assets	<u>32,247,459</u>	<u>29,936,050</u>	<u>(12,957,345)</u>	<u>49,226,164</u>	<u>5,031,968</u>	<u>10,186,568</u>	<u>-</u>	<u>15,218,536</u>	<u>446,853,580,222</u>
Liabilities and Equity									
Liabilities									
Customer deposits (Note 12)	2,610,958	18,462,456	(64,865)	21,008,549	3,855,500	10,190,931	-	14,046,431	248,379,533,400
Interest and commissions payable (Note 14)	-	50,862	-	50,862	-	-	-	-	341,619,065
Accruals and other liabilities (Note 15)	<u>4,596,353</u>	<u>286,804</u>	<u>(1,761,515)</u>	<u>3,121,642</u>	<u>27,885</u>	<u>-</u>	<u>-</u>	<u>27,885</u>	<u>21,179,340,970</u>
Total equity	<u>7,207,311</u>	<u>18,800,122</u>	<u>(1,826,380)</u>	<u>24,181,053</u>	<u>3,883,385</u>	<u>10,190,931</u>	<u>-</u>	<u>14,074,316</u>	<u>269,900,493,435</u>
Equity (Note 22)									
Assigned capital	-	7,599,462	(7,599,462)	-	-	-	-	-	-
Capital reserves	-	2,766,551	(2,766,551)	-	-	-	-	-	-
Retained earnings	-	771,885	(771,885)	-	-	-	-	-	-
Net unrealized loss on available-for-sale securities	<u>-</u>	<u>(6,933)</u>	<u>6,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>-</u>	<u>11,130,965</u>	<u>(11,130,965)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and equity	<u>7,207,311</u>	<u>29,931,087</u>	<u>(12,957,345)</u>	<u>24,181,053</u>	<u>3,883,385</u>	<u>10,190,931</u>	<u>-</u>	<u>14,074,316</u>	<u>269,900,493,435</u>
Memorandum accounts (Note 20)									
	<u>27,361,369</u>	<u>21,478,177</u>	<u>-</u>	<u>48,839,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>328,028,626,543</u>

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	US\$				December 31, 2018				
	Bank	Curacao Branch	Eliminations	Total	Bank	Curacao Branch	Eliminations	Total	Equivalent in bolivars
Assets									
Cash and due from banks									
Cash	535,793	-	-	535,793	688,686	-	-	688,686	842,440,079
Central Bank of Venezuela (Note 3)	21,000	-	-	21,000	-	-	-	-	13,368,277
Foreign and correspondent banks	16,429,495	4,429,519	(1,410,125)	19,448,889	6,531,504	6,166,653	(6,166,653)	6,531,504	17,135,784,698
(Provision for cash and due from banks)	(29,623)	-	-	(29,623)	-	-	-	-	(18,857,544)
Investment securities (Note 5)	3,282,914	11,158,793	-	14,441,707	-	-	-	-	9,193,367,552
Loan portfolio (Note 6)									
Gross loan portfolio	-	16,805,258	-	16,805,258	-	1,159,259	-	1,159,259	11,541,906,200
(Allowance for losses on loan portfolio)	-	(5,801,263)	-	(5,801,263)	-	-	-	-	(3,692,994,396)
Interest and commissions receivable (Note 7)									
Gross interest and commissions receivable	100	961,070	-	961,170	-	-	-	-	611,865,972
(Provision for interest receivable and other)	(100)	(938,928)	-	(939,028)	-	-	-	-	(597,770,717)
Investments in subsidiaries, affiliates and branches (Note 8)	6,049,622	-	(6,049,622)	-	-	-	-	-	-
Property and equipment (Note 10)	-	19,909	-	19,909	-	-	-	-	12,673,762
Other assets (Note 11)									
Other gross assets (Note 11)	409,399	81,131	-	490,530	-	-	-	-	312,263,936
(Provision for other assets)	(9,342)	(10,376)	-	(19,718)	-	-	-	-	(12,551,654)
Total assets	26,689,258	26,705,113	(7,459,747)	45,934,624	7,220,190	7,325,912	(6,166,653)	8,379,449	35,341,496,165
Liabilities and Equity									
Liabilities									
Customer deposits (Note 12)	2,080,574	21,964,387	(52,332)	23,992,629	-	6,104,982	-	6,104,982	19,717,751,915
Interest and commissions payable (Note 14)	-	23,210	-	23,210	-	-	-	-	14,775,127
Accruals and other liabilities (Note 15)	5,298,474	64,150	(1,357,793)	4,004,831	6,178,890	-	(6,166,653)	12,237	2,558,323,814
Total liabilities	7,379,048	22,051,747	(1,410,125)	28,020,670	6,178,890	6,104,982	(6,166,653)	6,117,219	22,290,850,856
Equity (Note 22)									
Assigned capital	-	7,599,462	(7,599,462)	-	-	-	-	-	-
Capital reserves	-	2,766,551	(2,766,551)	-	-	-	-	-	-
Retained earnings	-	(4,232,671)	4,232,671	-	-	-	-	-	-
Net unrealized loss on available-for-sale securities	-	(83,720)	83,720	-	-	-	-	-	-
Total equity	-	6,049,622	(6,049,622)	-	-	-	-	-	-
Total liabilities and equity	7,379,048	28,101,369	(7,459,747)	28,020,670	6,178,890	6,104,982	(6,166,653)	6,117,219	22,290,850,856
Memorandum accounts (Note 20)	26,619,869	22,404,697	-	49,024,566	-	-	-	-	31,208,281,286

According to BCV guidelines, the authorized foreign currency position should not exceed the maximum limit set, which at December 31, 2018, is 60% of the Bank's equity. On December 28, 2018, through Circular VOI-GOC-DNPC-03, the BCV resolved not to penalize financial institutions that exceeded the authorized foreign currency position between November 1, 2018 and February 28, 2019. Subsequently, on April 8, 2019, the BCV issued Resolution VOI-GOC-DNPC-004 indicating that: a) the maximum limit will be considered exceeded in the event of a net global liability position in foreign currency; the amount in excess will be subject to the corresponding rate; b) all foreign currency assets and liabilities are part of the net global position; and c) the net global asset position in foreign currency will not temporarily be subject to the maximum limit.

During the six-month period ended June 30, 2019, the Bank recorded exchange gains and losses of Bs 892,124,593 and Bs 979,918,873 respectively (Bs 14,486,751 and Bs 60,313,474, respectively, during the six-month period ended December 31, 2018), arising from exchange rate fluctuations of the U.S. dollar with respect to other foreign currencies (Notes 17 and 18).

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5. Investment securities

Investment securities comprise the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Investments		
Deposits with the BCV and overnight deposits	35,888,277,752	-
Available for sale	37,937,083,178	3,762,784,263
Held to maturity	34,941,128,466	3,476,192,956
Restricted	23,214,517,646	2,172,824,440
Other securities	<u>3,673,167</u>	<u>3,675,533</u>
	<u>131,984,680,209</u>	<u>9,415,477,192</u>

a) Deposits with the BCV and overnight deposits

Deposits with the BCV and overnight deposits at June 30, 2019 comprise the following:

	(In bolivars)
Overnight deposits at Banesco Banco Universal C.A., annual yield between 123% and 125%, maturing in July 2019	8,430,000,000 (1)
Overnight deposits at Banco del Caribe, C.A., Banco Universal, 125% annual yield, maturing in July 2019	1,000,000,000 (1)
Overnight deposits at Banco Caroní C.A., Banco Universal, 125% annual yield, maturing in July 2019	5,000,000,000 (1)
Overnight deposits at Citibank N.A., Venezuelan branch, 125% annual yield, maturing in July 2019	1,100,000,000 (1)
Overnight deposits at Banco Exterior C.A., Banco Universal, 125% annual yield, maturing in July 2019	600,000,000 (1)
Overnight deposits at Mercantil C.A., Banco Universal, 125% annual yield, maturing in July 2019	3,000,000,000 (1)
Overnight deposits at Banco Sofitasa, Banco Universal C.A., 125% annual yield, maturing in July 2019	1,000,000,000 (1)
Overnight deposits at Venezolano de Crédito S.A., Banco Universal, 125% annual yield, maturing in July 2019	3,400,000,000 (1)
Overnight deposits at Banco Multibank, Inc., with a par value of US\$940,000, 2.00% annual yield, maturing in July 2019 (Note 4)	6,313,467,982 (1)
Overnight deposits at Banco Do Brasil, S.A., with a par value of US\$900,000, 1.50% annual yield, maturing in July 2019 (Note 4)	<u>6,044,809,770 (1)</u>
	<u>35,888,277,752</u>

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

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b) Investments in available-for-sale securities

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

	June 30, 2019				December 31, 2018		
	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to fair value)		Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to fair value)
	(In bolivars)						
Debt securities issued by foreign non-financial public-sector entities							
Treasury Notes, issued by the United States of America, equivalent to US\$5,298,721 with a par value of US\$5,280,000, maturing in July 2019 (equivalent to US\$5,301,000, with a par value of US\$5,280,000, maturing in January 2019 at December 31, 2018) (Note 4)	35,530,123,230	58,496,631	35,588,619,861	(1) - (d) and (e)	3,355,478,141	2,552,578	3,358,030,719 (1) - (d) and (e)
Debt securities issued or guaranteed by the Venezuelan government							
Fixed Interest Securities (TIF), with a par value of Bs 21,670, annual yield between 13.25% and 16.5%, maturing between November 2019 and January 2037	24,103	2,795	26,898	(1) - (a)	28,796	2,710	31,506 (1) - (a)
Vebonos, with a par value of Bs 202,244,232, annual yield between 12.08% and 21.07%, maturing between April 2019 and August 2037 (Bs 202,246,111, annual yield between 12.08% and 21.07%, maturing between April 2019 and August 2027 at December 31, 2018)	202,247,029	41,420,086	243,667,115	(1) - (a)	202,249,226	116,616	202,365,842 (1) - (a)
Sovereign Bonds of the Bolivarian Republic of Venezuela, equivalent to US\$298,803 and US\$301,312 at June 30, 2019 and December 31, 2018, with a par value of US\$1,287,000, 7.75% annual yield, maturing in October 2019 (Note 4)	2,372,712,955	(365,817,379)	2,006,895,576	(1) - (f)	239,359,566	(47,430,824)	191,928,742 (1) - (f)
Global Bonds, equivalent to US\$211 and US\$185 at June 30, 2019 and December 31, 2018, with a par value of US\$800, 9.25% annual yield, maturing in September 2027 (Note 4)	3,949,276	(2,530,760)	1,418,516	(1) - (b)	-	-	- (1) - (b)
	2,578,933,363	(326,925,258)	2,252,008,105		441,637,588	(47,311,498)	394,326,090
Equity in Venezuelan non-financial private-sector companies							
Common shares							
S.G.R. - SOGATUR, S.A., Sociedad de Garantías Recíprocas para el Sector Turismo S.A., 10,873 shares, with a par value of Bs 0.018 each	196	-	196	(2) - (g)	196	-	196 (2) - (g)
S.G.R. - SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, 17,500 shares, with a par value of Bs 0.0001 each, 3.10% owned	2	-	2	(2) - (g)	2	-	2 (2) - (g)
	198	-	198		198	-	198 (2) - (g)
Debt securities issued by foreign financial private-sector companies							
International Cooperatief UA, equivalent to US\$14,361 and US\$16,380 at June 30, 2019 and December 31, 2018, with a par value of US\$100,000, 10.38% annual yield, maturing in September 2020 (Note 4)	201,513,808	(105,058,794)	96,455,014	(1) - (c)	19,099,448	(8,672,192)	10,427,256 (1) - (c)
	38,310,570,599	(373,487,421)	37,937,083,178		3,816,215,375	(53,431,112)	3,762,784,263

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

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

Custodians of investments

- (a) Central Bank of Venezuela
- (b) Caja Venezolana de Valores, S.A.
- (c) Morgan Stanley Private Wealth Management
- (d) Pershing LLC
- (e) Morgan Stanley Smith Barney
- (f) BNC International Banking Corporation
- (g) Shares in custody of private-sector companies, S.G.R. - SOGAMIC, S.A. and S.G.R. - SOGATUR, S.A.

Through Notice SIB-II-GGIBPV2-40535 of December 13, 2012, SUDEBAN informed the Bank that since the Reuters and Bloomberg services which offer reference prices for all key global financial markets do not provide reference prices for the Bank's available-for-sale investments, the Bank must use similar services or, if unavailable, must apply the present value (yield curve) to measure its available-for-sale investments, as required by the Accounting Manual. The Bank used these guidelines to measure its available-for-sale investments at June 30, 2019 and December 31, 2018.

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

	June 30, 2019	December 31, 2018
	(In bolivars)	
Unrealized gain		
Securities issued or guaranteed by the Venezuelan government in local currency	41,422,881	119,326
Debt securities issued by foreign non-financial public-sector entities	<u>58,496,631</u>	<u>2,552,578</u>
	<u>99,919,512</u>	<u>2,671,904</u>
Unrealized loss		
Securities issued or guaranteed by the Venezuelan government in foreign currency	(368,348,139)	(47,430,824)
Debt securities issued by foreign financial private-sector companies	<u>(105,058,794)</u>	<u>(8,672,192)</u>
	<u>(473,406,933)</u>	<u>(56,103,016)</u>
	<u>(373,487,421)</u>	<u>(53,431,112)</u>

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

	Fair value	
	June 30, 2019	December 31, 2018
	(In bolivars)	
Up to 6 months	37,595,515,545	3,358,154,768
6 months to 1 year	-	191,810,971
1 to 5 years	338,607,269	10,445,604
Over 5 years	2,960,166	202,372,722
Without maturity	<u>198</u>	<u>198</u>
	<u>37,937,083,178</u>	<u>3,762,784,263</u>

During the six-month period ended June 30, 2019, the Bank sold investments in available-for-sale securities for Bs 4,028,831,733 and US\$32,166,963, equivalent to Bs 216,047,967,178 (Bs 372,423,189 and US\$43,912,675 equivalent to Bs 27,964,130,308 for the six-month period ended December 31, 2018). As a result of these sales, during the six-month period ended June 30, 2019, the Bank recorded gains and losses of Bs 523,789,789 and Bs 306,520,181, respectively (Bs 44,721,651 and Bs 2,727, respectively, for the six-month period ended December 31, 2018), shown under other operating income and other operating expenses, respectively (Notes 17 and 18).

c) Investments in held-to-maturity securities

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

	June 30, 2019				December 31, 2018		
	Acquisition cost	Amortized cost	Fair value		Acquisition cost	Amortized cost	Fair value
	(In bolivars)						
Certificates of deposits in foreign financial institutions							
Certificates of deposit with Banco Do Brasil, S.A., with a par value of US\$1,050,000, 2.65% annual yield, maturing in July 2019 (US\$1,050,000, 2.65% annual yield, maturing in January 2019 at December 31, 2018) (Note 4)	7,052,278,043	7,052,278,043	7,052,278,043	(2) - (c)	668,413,830	668,413,830	668,413,830 (2) - (c)
Certificates of deposit with Itaú Unibanco, S.A., with a par value of US\$2,500,000, annual yield between 2.40% and 2.65%, maturing in July 2019 (US\$2,500,000, annual yield between 2.02% and 2.04%, maturing in January 2019 at December 31, 2018) (Note 4)	16,791,138,197	16,791,138,197	16,791,138,197	(2) - (d)	1,591,461,500	1,591,461,500	1,591,461,500 (2) - (d)
	<u>23,843,416,240</u>	<u>23,843,416,240</u>	<u>23,843,416,240</u>		<u>2,259,875,330</u>	<u>2,259,875,330</u>	<u>2,259,875,330</u>
Securities issued or guaranteed by the Venezuelan government							
Vebonos, with a par value of Bs 15,957,118, annual yield between 9.27% and 15.23%, maturing between June 2020 and October 2030	15,967,557	15,964,136	21,399,995	(1) - (a)	15,967,557	15,965,071	16,057,244 (1) - (a)
Fixed Interest Bonds (TIF), with a par value of Bs 7,866, annual yield between 9.88% and 16.25%, maturing between August 2019 and January 2026	10,328	9,084	10,052	(1) - (a)	10,328	9,191	10,084 (1) - (a)
Global Bonds in foreign currency, equivalent to US\$1,649,228, with a par value of US\$6,625,000, 9.25% annual yield, maturing in September 2027 (US\$1,884,900 at December 31, 2018) (Note 4)	11,076,962,783	11,076,962,783	11,076,962,783	(1) - (b)	2,138,241,518	1,199,898,023	976,211,534 (1) - (b)
Sovereign Bonds equivalent to US\$89, with a par value of US\$100, 8.25% annual yield, maturing in October 2024 (Note 4)	<u>515,622</u>	<u>592,156</u>	<u>179,141</u>	(1) - (b)	-	-	-
	<u>11,093,456,290</u>	<u>11,093,528,159</u>	<u>11,098,551,971</u>		<u>2,154,219,403</u>	<u>1,215,872,285</u>	<u>992,278,862</u>

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	June 30, 2019				December 31, 2018			
	Acquisition cost	Amortized cost	Fair value		Acquisition cost	Amortized cost	Fair value	
	(In bolivars)							
Bonds and obligations issued by Venezuelan non-financial institutions								
Dematerialized Participation Certificates, issued by Fondo Simón Bolívar para Reconstrucción, S.A. with a par value of Bs 60,868, maturing between June 2023 and November 2024, annual yield between 4.66% and 6.05%	60,868	60,868	60,868	(2) - (a)	60,868	60,868	60,868	(2) - (a)
PDVSA bonds issued by Petróleos de Venezuela, S.A. equivalent to US\$614 and US\$604 at June 30, 2019 and December 31, 2018, with a par value of US\$900, annual yield between 5.38% and 5.50%, maturing between April 2027 and April 2037 (Note 4)	3,036,644	4,123,199	1,299,111	(1) - (b)	287,813	384,473	84,588	(1) - (b)
	3,097,512	4,183,067	1,359,979		348,681	445,341	145,456	
	34,939,970,042	34,941,128,466	34,943,328,190		4,414,443,414	3,476,192,956	3,252,299,648	

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

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

Custodians of investments

- (a) Central Bank of Venezuela
- (b) Euroclear Bank, S.A.
- (c) Banco Do Brasil, S.A.
- (d) Itaú Unibanco, S.A.

During the six-month period ended June 30, 2019, the Bank recorded US\$352,847 equivalent to Bs 2,369,884,462, in respect of permanent write-downs of Global Bonds of the Bolivarian Republic of Venezuela, maturing in September 2027, shown under other operating expenses (Note 18).

During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank recorded income from amortization of discounts on held-to-maturity investments of Bs 787,634,014 and Bs 175,078, respectively.

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

	June 30, 2019		December 31, 2018	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In bolivars)			
Less than 1 year	23,843,423,365	23,843,423,933	2,259,875,530	2,259,936,404
1 to 5 years	15,161,731	20,270,439	13,936,396	13,823,218
5 to 10 years	11,079,415,908	11,078,626,941	1,201,938,760	978,282,881
Over 10 years	<u>3,127,462</u>	<u>1,006,877</u>	<u>442,270</u>	<u>257,145</u>
	<u>34,941,128,466</u>	<u>34,943,328,190</u>	<u>3,476,192,956</u>	<u>3,252,299,648</u>

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

At June 30, 2019 and December 31, 2018, the Bank has an account in the name of the BCV at the Euroclear Bank to hold in custody all foreign currency securities held by other foreign financial institutions, as set out in Article 51 of the Law on Banking Sector Institutions. The custodians Pershing LLC, Morgan Stanley Smith Barney, Morgan Stanley Private Wealth Management and BNC International Banking Corporation, only hold securities of the Branch; Banco Do Brasil, S.A. and Itaú Unibanco, S.A. only hold placements and certificates of deposit.

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d) Restricted investments

Restricted investments comprise the following:

	June 30, 2019		December 31, 2018		
	Amortized cost	Fair value	Amortized cost	Fair value	
	(In bolivars)				
Certificates of deposit					
Social Contingency Fund (Note 22)	1,297	1,297	1,074	1,074	(1)
PNC Bank, with a par value of US\$1,803,202 (US\$1,785,270 at December 31, 2018) (Note 4)	12,111,128,719	12,111,128,719	1,136,475,280	1,136,475,280	(1)
JP Morgan Chase Bank, with a par value of US\$1,653,162 (US\$1,627,982 at December 31, 2018) (Note 4)	<u>11,103,387,630</u>	<u>11,103,387,630</u>	<u>1,036,348,086</u>	<u>1,036,348,086</u>	(1)
	<u>23,214,517,646</u>	<u>23,214,517,646</u>	<u>2,172,824,440</u>	<u>2,172,824,440</u>	

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

At June 30, 2019 and December 31, 2018, the certificates of deposit with JP Morgan Chase Bank and PNC Bank are used as collateral to guarantee VISA and MasterCard credit card operations, respectively.

e) Investments in other securities

Investments in other securities comprise the following:

	June 30, 2019	December 31, 2018	
	(In bolivars)		
BANDES securities, issued by Banco de Desarrollo Económico y Social de de Venezuela, with a par value Bs 3,673,167, 10% annual yield, maturing between December 2022 and August 2024 (with a par value of Bs 3,603,683 at December 31, 2018)	3,673,167	3,603,683	(1) - (a)
Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 73,022, annual yield between 4.66% and 6.48%, maturing between October 2020 and September 2021	-	71,850	(1) - (a)
	<u>3,673,167</u>	<u>3,675,533</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.

Custodian of investments

(a) Central Bank of Venezuela

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

The Bank's control environment includes policies and procedures to determine investment risks by entity and economic sector. At June 30, 2019, the Bank has investment securities issued or guaranteed by the Venezuelan government of Bs 13,353,393,403, representing 10% of its investment securities portfolio (15% at December 31, 2018).

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6. Loan portfolio

The loan portfolio is classified as follows:

	June 30, 2019				December 31, 2018			
	Current	Rescheduled	Overdue	Total	Current	Rescheduled	Overdue	Total
	(In bolivars)							
Economic activity - operations in Venezuela								
Manufacturing	18,899,071,277	90	18,624,338	18,917,695,705	3,638,198,489	-	-	3,638,198,489
Wholesale and retail trade, restaurants and hotels	11,281,575,914	-	895,880	11,282,471,794	3,248,362,321	-	8,200	3,248,370,521
Agriculture, fishing and forestry	9,123,784,462	-	-	9,123,784,462	1,474,793,489	151	-	1,474,793,640
Financial businesses, insurance, real estate and services	7,074,430,404	-	56,940	7,074,487,344	934,921,457	-	17,987	934,939,444
Construction	6,341,432,102	-	-	6,341,432,102	917,297,196	-	-	917,297,196
Communal, social and consumer services	6,019,349,258	-	326,700	6,019,675,958	2,306,466,842	-	12,554	2,306,479,396
Transportation, warehousing and communications	3,219,302,616	-	-	3,219,302,616	389,067,451	-	14,081	389,081,532
Utilities	186,870,665	-	-	186,870,665	72,732,533	-	-	72,732,533
Mining and oil	615,908	-	-	615,908	139,373,708	-	-	139,373,708
	<u>62,146,432,606</u>	<u>90</u>	<u>19,903,858</u>	<u>62,166,336,554</u>	<u>13,121,213,486</u>	<u>151</u>	<u>52,822</u>	<u>13,121,266,459</u>
Economic activity - operations in the Curacao Branch								
Manufacturing equivalent to US\$1,958,667 (US\$6,515,354 at December 31, 2018) (Note 4)	13,155,294,694	-	-	13,155,294,694	4,147,573,738	-	-	4,147,573,738
Communal, social and consumer services, equivalent to US\$2,180,000 (US\$2,690,000 at December 31, 2018) (Note 4)	4,970,176,906	-	9,671,695,632	14,641,872,538	1,521,437,075	-	190,975,365	1,712,412,440
Agriculture, fishing and forestry, equivalent to US\$600,000 (US\$5,405,853 at December 31, 2018) (Note 4)	4,029,873,167	-	-	4,029,873,167	3,441,282,499	-	-	3,441,282,499
Construction, equivalent to US\$300,301 (US\$2,083,333 at December 31, 2018) (Note 4)	2,014,943,300	-	-	2,014,943,300	1,326,218,647	-	-	1,326,218,647
Wholesale and retail trade, restaurants and hotels, equivalent to US\$286,320 (US\$1,436,447 at December 31, 2018) (Note 4)	<u>1,923,055,475</u>	<u>-</u>	<u>-</u>	<u>1,923,055,475</u>	<u>914,419,967</u>	<u>-</u>	<u>-</u>	<u>914,419,967</u>
	<u>26,093,343,542</u>	<u>-</u>	<u>9,671,695,632</u>	<u>35,765,039,174</u>	<u>11,350,931,926</u>	<u>-</u>	<u>190,975,365</u>	<u>11,541,907,291</u>
	<u>88,239,776,148</u>	<u>90</u>	<u>9,691,599,490</u>	<u>97,931,375,728</u>	<u>24,472,145,412</u>	<u>151</u>	<u>191,028,187</u>	<u>24,663,173,750</u>
Allowance for losses on loan portfolio, includes US\$1,326,658 (US\$5,801,263 at December 31, 2018) (Note 4)				<u>(13,829,154,162)</u>				<u>(3,958,751,690)</u>
				<u>84,102,221,566</u>				<u>20,704,422,060</u>
Guarantee - operations in Venezuela								
Unsecured	35,256,136,813	90	19,903,858	35,276,040,761	7,942,269,425	151	30,296	7,942,299,872
Endorsement	26,227,117,291	-	-	26,227,117,291	5,033,577,412	-	22,500	5,033,599,912
Collateral	165,433	-	-	165,433	90,000,006	-	-	90,000,006
Pledge	102,247,682	-	-	102,247,682	4,836,337	-	-	4,836,337
Real property mortgage	512,299,759	-	-	512,299,759	27,442,791	-	26	27,442,817
Chattel mortgage	48,465,382	-	-	48,465,382	1,732	-	-	1,732
Other guarantees	131	-	-	131	422	-	-	422
Non-possessory pledge	115	-	-	115	989	-	-	989
Written instruments	-	-	-	-	14,384,372	-	-	14,384,372
Trust fund guarantee	-	-	-	-	8,700,000	-	-	8,700,000
	<u>62,146,432,606</u>	<u>90</u>	<u>19,903,858</u>	<u>62,166,336,554</u>	<u>13,121,213,486</u>	<u>151</u>	<u>52,822</u>	<u>13,121,266,459</u>
Guarantee - operations in the Curacao Branch								
Unsecured, equivalent to US\$1,807,000 (US\$10,641,987 at December 31, 2018) (Note 4)	10,121,693,487	-	2,014,936,614	12,136,630,101	6,468,963,922	-	190,975,365	6,659,939,287
Endorsement, equivalent to US\$1,386,320 (US\$1,674,000 at December 31, 2018) (Note 4)	9,311,156,282	-	-	9,311,156,282	1,065,643,627	-	-	1,065,643,627
Collateral, equivalent to US\$1,831,776 (US\$3,855,000 at December 31, 2018) (Note 4)	4,645,550,473	-	7,656,759,018	12,302,309,491	1,362,290,937	-	-	1,362,290,937
Pledge, equivalent to US\$300,001 (US\$2,140,000 at December 31, 2018) (Note 4)	<u>2,014,943,300</u>	<u>-</u>	<u>-</u>	<u>2,014,943,300</u>	<u>2,454,033,440</u>	<u>-</u>	<u>-</u>	<u>2,454,033,440</u>
	<u>26,093,343,542</u>	<u>-</u>	<u>9,671,695,632</u>	<u>35,765,039,174</u>	<u>11,350,931,926</u>	<u>-</u>	<u>190,975,365</u>	<u>11,541,907,291</u>
	<u>88,239,776,148</u>	<u>90</u>	<u>9,691,599,490</u>	<u>97,931,375,728</u>	<u>24,472,145,412</u>	<u>151</u>	<u>191,028,187</u>	<u>24,663,173,750</u>
Maturity - operations in Venezuela								
Up to 30 days	45,702,493,753	-	19,619,337	45,722,113,090	7,062,755,208	-	40,005	7,062,795,213
31 to 60 days	6,621,533,952	-	794	6,621,534,746	4,852,284,721	-	109	4,852,284,830
61 to 90 days	1,257,486,116	-	595	1,257,486,711	717,796,069	-	178	717,796,247
91 to 180 days	3,781,762,013	-	161	3,781,762,174	12,316,523	-	562	12,317,085
181 to 360 days	138,683,367	90	-	138,683,457	14,666,180	-	1,488	14,667,668
Over 360 days	<u>4,644,473,405</u>	<u>-</u>	<u>282,971</u>	<u>4,644,756,376</u>	<u>461,394,785</u>	<u>151</u>	<u>10,480</u>	<u>461,405,416</u>
	<u>62,146,432,606</u>	<u>90</u>	<u>19,903,858</u>	<u>62,166,336,554</u>	<u>13,121,213,486</u>	<u>151</u>	<u>52,822</u>	<u>13,121,266,459</u>

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	June 30, 2019				December 31, 2018			
	Current	Rescheduled	Overdue	Total	Current	Rescheduled	Overdue	Total
	(In bolivars)							
Maturity -								
Operations in the Curacao Branch								
Overdue	3,526,134,434	-	-	3,526,134,434	904,637,389	-	-	904,637,389
Up to 30 days	-	-	-	-	-	-	-	-
31 to 60 days	8,731,391,863	-	-	8,731,391,863	1,161,130,219	-	-	1,161,130,219
61 to 90 days	1,444,037,885	-	-	1,444,037,885	5,325,586,136	-	-	5,325,586,136
91 to 180 days	5,731,285,587	-	7,656,759,048	13,388,044,635	1,176,642,512	-	-	1,176,642,512
181 to 360 days	-	-	2,014,936,584	2,014,936,584	862,572,065	-	-	862,572,065
Over 360 days	<u>6,660,493,773</u>	-	-	<u>6,660,493,773</u>	<u>1,920,363,605</u>	-	<u>190,975,365</u>	<u>2,111,338,970</u>
	<u>26,093,343,542</u>	-	<u>9,671,695,632</u>	<u>35,765,039,174</u>	<u>11,350,931,926</u>	-	<u>190,975,365</u>	<u>11,541,907,291</u>
	<u>88,239,776,148</u>	<u>90</u>	<u>9,691,599,490</u>	<u>97,931,375,728</u>	<u>24,472,145,412</u>	<u>151</u>	<u>191,028,187</u>	<u>24,663,173,750</u>
Type of loan -								
operations in Venezuela								
Checking accounts	45,775,465,624	-	19,613,169	45,795,078,793	10,283,550,523	-	20,552	10,283,571,075
Agriculture	8,681,534,111	-	-	8,681,534,111	733,374,110	151	-	733,374,261
Manufacturing	2,766,712,735	90	-	2,766,712,825	135,333,568	-	-	135,333,568
Credit cards	2,613,517,888	-	278,960	2,613,796,848	442,768,583	-	14,053	442,782,636
Employee loans	1,646,773,134	-	11,718	1,646,784,852	25,593,230	-	-	25,593,230
Microcredits	611,613,979	-	-	611,613,979	48,862,731	-	18,200	48,880,931
Mortgage	35,254,545	-	-	35,254,545	23,621	-	17	23,638
Tourism	15,560,472	-	-	15,560,472	17,304,331	-	-	17,304,331
Vehicles	112	-	-	112	582	-	-	582
Fixed term	6	-	11	17	1,349,904,125	-	-	1,349,904,125
Letters of credit	-	-	-	-	470	-	-	470
Factoring and discounts	-	-	-	-	84,497,612	-	-	84,497,612
	<u>62,146,432,606</u>	<u>90</u>	<u>19,903,858</u>	<u>62,166,336,554</u>	<u>13,121,213,486</u>	<u>151</u>	<u>52,822</u>	<u>13,121,266,459</u>
Type of loan -								
operations in the Curacao Branch								
Fixed term, equivalent US\$5,324,988 (US\$10,123,516 at December 31, 2018) (Note 4)	26,093,343,542	-	9,671,695,632	35,765,039,174	6,253,500,239	-	190,975,365	6,444,475,604
Letters of credit, equivalent to US\$6,681,742 and €1,159,259 (Note 4)	-	-	-	-	<u>5,097,431,687</u>	-	-	<u>5,097,431,687</u>
	<u>26,093,343,542</u>	-	<u>9,671,695,632</u>	<u>35,765,039,174</u>	<u>11,350,931,926</u>	-	<u>190,975,365</u>	<u>11,541,907,291</u>
	<u>88,239,776,148</u>	<u>90</u>	<u>9,691,599,490</u>	<u>97,931,375,728</u>	<u>24,472,145,412</u>	<u>151</u>	<u>191,028,187</u>	<u>24,663,173,750</u>

In accordance with SUDEBAN rules, at June 30, 2019 and December 31, 2018, the Bank maintains a general allowance of Bs 985,429,876 and Bs 341,692,250, respectively, for losses on the loan portfolio, and a countercyclical allowance of Bs 734,485,286 and Bs 190,614,558, respectively, (Note 2-e).

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

	Six-month periods ended	
	June 30, 2019	December 31, 2018
	(In bolivars)	
Balance at the beginning of the period	3,958,751,690	15,306,419
Provided in the period	9,658,553,981	276,991,871
Release of allowance, equivalent to US\$5,170,478	(34,727,280,615)	-
Write-offs of uncollectible loans, includes US\$49,294 at June 30, 2019	(331,214,138)	(555)
Reclassification to provision for interest receivable (US\$56,194 at December 31, 2018) (Note 7)	(582,328)	(36,032,938)
Adjustment from exchange differences	<u>35,270,925,572</u>	<u>3,702,486,893</u>
Balance at the end of the period	<u>13,829,154,162</u>	<u>3,958,751,690</u>

During the six-month period ended June 30, 2019, the Branch received cash payment of US\$8,617,610, equivalent to Bs 57,879,789,773 in respect of letters of credit, for which an allowance of US\$5,170,478, equivalent to Bs 34,727,280,615, had been set aside. Accordingly, this allowance was released with a credit to the results for the six-month period ended June 30, 2019, recorded under income from financial assets recovered. On July 25, 2019, management informed SUDEBAN of this release.

At June 30, 2019, overdue loans on which interest is no longer accrued amount to Bs 9,691,599,490 (Bs 191,028,202 at December 31, 2018). In addition, at June 30, 2019, memorandum accounts include Bs 462,903,475 (Bs 222,030 at December 21, 2018), in respect of interest not recognized as income from loans on which interest is no longer accrued (Note 20).

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During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank collected commissions on settlement of loans granted to its customers for Bs 6,730,140,353 and Bs 455,546,102, respectively, in connection with procedures for management and documentation of pledged lines of credit. Furthermore, during the six-month period ended June 30, 2019, the Bank provided financial advisory services to its customers when granting loans; the Bank has charged commissions for Bs 8,388,110,164 in this connection (Note 17).

At June 30, 2019 and December 31, 2018, interest receivable collected in advance from debtors upon loan settlement amount to Bs 796,802,134 and Bs 114,905,869, respectively, which are part of deferred income under accruals and other liabilities. Interest is recorded as income upon collection (Note 15).

Through Notice SIB-II-GGIBPV-GIBPV6-01693 of February 8, 2019, SUDEBAN instructed the Bank to reverse from retained earnings in equity, unrealized benefits on loans granted by the Branch for US\$32,937, equivalent to Bs 108,493,963, with a credit to deferred income under accruals and other liabilities, since they were paid by the debtor with resources derived from interest on time deposits at the same financial institution (Note 15).

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

Activity	June 30, 2019					December 31, 2018					Calculation basis
	Balance maintained in bolivars	Earmarked %	Required %	Number of debtors	Maximum annual interest rate %	Balance maintained in bolivars	Earmarked %	Required %	Number of debtors	Maximum annual interest rate %	
Agriculture (a)	8,681,534,111	20.75	20.00	75	17	733,374,261	28.59	25.00	204	13	Gross loan portfolio from previous quarter
Small businesses	611,613,979	4.66	3.00	32	36	48,880,931	7.00	3.00	4,730	24	Gross loan portfolio from previous six-month period
Mortgages	35,254,545	0.27	-	177	Between 4.66 and 12.66	23,621	-	20.00	3	Between 4.66 and 10.66	Gross loan portfolio from immediate previous year
Tourism (b)	15,560,472	95.93	2.50	27	5.75	17,304,331	184.00	5.25	34	11.62	Gross loan portfolio from previous year
Manufacturing	2,766,712,825	21.09	20	11	22	135,333,568	834.00	30.00	46	Between 16.2 and 18	Gross loan portfolio from previous year

The Bank's control environment includes policies and procedures to determine credit risks by client and economic sector. Concentration of risk is limited since loans are granted to a variety of economic sectors and a large number of clients. At June 30, 2019 and December 31, 2018, the Bank's loan portfolio does not have significant risk concentrations in terms of individual clients and groups of related companies.

7. Interest and commissions receivable

Interest and commissions receivable comprise the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Interest receivable on investment securities		
Held to maturity, includes US\$184,282 (US\$797,180 at December 31, 2018) (Note 4)	1,237,856,639	507,592,774
Deposits with the BCV and overnight deposits, includes US\$275 (Note 4)	246,449,849	-
Available for sale, includes US\$24,292 (US\$74,163 at December 31, 2018) (Note 4)	168,601,733	52,770,707
Other securities	<u>98,980</u>	<u>100,015</u>
	1,653,007,201	560,463,496

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	June 30, 2019	December 31, 2018
	(In bolivars)	
Interest receivable on loan portfolio		
Current, includes US\$22,461 (US\$69,608 at December 31, de 2018) (Note 4)	480,244,215	76,008,430
Overdue, includes US\$21,356 (US\$20,219 at December 31, de 2018) (Note 4)	147,451,940	13,128,474
Microcredits	<u>7,296,021</u>	<u>454,715</u>
	<u>634,992,176</u>	<u>89,591,619</u>
Commissions receivable		
Trust fund (Note 20)	<u>2,208,273</u>	<u>61,058</u>
	2,290,207,650	650,116,173
Provision for interest receivable and other, includes US\$224,418 (US\$939,028 at December 31, 2018) (Note 4)	<u>(1,511,307,992)</u>	<u>(598,032,591)</u>
	<u>778,899,658</u>	<u>52,083,582</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:

	Six-month periods ended	
	June 30, 2019	December 31, 2018
	(In bolivars)	
Balance at the beginning of the period	598,032,591	598,871
Provided in the period, includes US\$228,667 (US\$366,652 at December 31, 2018)	1,539,010,587	233,470,026
Write-offs for uncollectible interest	(10,560)	-
Reclassification to provision for other assets, equivalent to US\$943,186 (US\$5,188 at December 31, 2018) (Note 11)	(6,334,866,527)	(3,302,601)
Reclassification from allowance for losses on loan portfolio, includes US\$56,194 at December 31, 2018 (Note 6)	582,328	36,032,938
Adjustment from exchange differences	<u>5,708,559,573</u>	<u>331,233,357</u>
Balance at the end of the period	<u>1,511,307,992</u>	<u>598,032,591</u>

During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank reclassified interest receivable on securities, with its respective provision for US\$943,186 and US\$5,188, equivalent to Bs 6,334,866,527 and Bs 3,302,601, respectively, to Other assets, since these securities were past due (Note 11).

8. Investments in subsidiaries, affiliates and branches

At June 30, 2019 and December 31, 2018, the Branch has an assigned capital of US\$7,599,462, which results from Bank contributions approved by the Board of Directors.

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

Balance sheet

	June 30, 2019		December 31, 2018	
	US\$	Equivalent in bolivars	US\$	Equivalent in bolivars
Assets (Note 4)				
Cash and due from banks	26,581,648	178,534,450,027	11,481,703	7,309,074,737
Investment securities	10,836,053	72,779,865,373	11,158,793	7,103,515,220
Loan portfolio	3,998,330	26,854,604,635	12,329,724	7,848,911,804
Interest and commissions receivable	28,248	189,726,429	22,142	14,094,619
Property and equipment	16,135	108,370,006	19,909	12,673,762
Other assets	<u>58,782</u>	<u>394,806,674</u>	<u>70,755</u>	<u>45,042,176</u>
Total assets	<u>41,519,196</u>	<u>278,861,823,144</u>	<u>35,083,026</u>	<u>22,333,312,318</u>
Liabilities and Equity				
Liabilities (Note 4)				
Customer deposits	30,050,564	201,833,269,207	28,946,044	18,426,604,394
Interest and commissions payable	50,862	341,612,348	23,210	14,775,127
Accruals and other liabilities	<u>286,805</u>	<u>1,926,312,957</u>	<u>64,150</u>	<u>40,836,899</u>
	<u>30,388,231</u>	<u>204,101,194,512</u>	<u>29,033,404</u>	<u>18,482,216,420</u>
Equity (Note 4)				
Capital	7,599,462	51,041,446,666	7,599,462	4,837,700,098
Capital reserves	2,766,551	18,580,156,516	2,766,551	1,761,143,623
Retained earnings	771,885	5,185,590,634	(4,232,671)	(2,694,452,964)
Unrealized loss on investments in available-for-sale securities	<u>(6,933)</u>	<u>(46,565,184)</u>	<u>(83,720)</u>	<u>(53,294,859)</u>
Total equity	<u>11,130,965</u>	<u>74,760,628,632</u>	<u>6,049,622</u>	<u>3,851,095,898</u>
Total liabilities and equity	<u>41,519,196</u>	<u>278,861,823,144</u>	<u>35,083,026</u>	<u>22,333,312,318</u>

Income statement

	Six-month periods ended			
	June 30, 2019		December 30, 2018	
	US\$	Equivalent in bolivars	US\$	Equivalent in bolivars
Interest income	1,642,233	11,029,992,255	1,017,879	647,966,045
Interest expense	(60,005)	(403,021,182)	(70,607)	(44,947,325)
Income from financial assets recovered	5,170,566	34,727,899,716	-	-
Expenses from uncollectible loans	(771,781)	(5,183,668,960)	(397,435)	(253,000,981)
Other operating income	328,023	2,203,153,359	92,762	59,050,856
Other operating expenses	(1,126,006)	(7,562,774,259)	(217,308)	(138,335,894)
Operating expenses	(143,753)	(965,511,274)	(124,661)	(79,357,267)
Sundry operating income	399	2,679,868	1,955	1,244,523
Income tax	<u>(2,183)</u>	<u>(14,662,032)</u>	<u>(2,500)</u>	<u>(1,591,461)</u>
Net income	<u>5,037,493</u>	<u>33,834,087,491</u>	<u>300,085</u>	<u>191,028,496</u>

At June 30, 2019 and December 31, 2018, the Branch's assets, liabilities and results were integrated into the Bank's financial statements.

The equivalent amounts in bolivars shown in the above financial statements at June 30, 2019 and December 31, 2018 have been translated at the official exchange rate of Bs 6,716.46/US\$1 and Bs 636.58/US\$1, respectively (Note 2-b).

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9. Available-for-sale assets

Available-for-sale assets comprise the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Personal property received as payment	<u>232</u>	<u>309</u>

During the six-month period ended December 31, 2018, interest income in respect of the security received as payment amounted to US\$31,862, equivalent to Bs 20,282,916, shown as part of net income for the period within income from available-for-sale assets.

10. Property and equipment

Property and equipment comprises the following:

	Land	Buildings and facilities	Computer hardware	Furniture and equipment	Vehicles (In bolivars)	Equipment for Chip project	Construction in progress	Other property	Total
Balances at June 30, 2018									
Cost (include US\$83,164)	61,436	4,485,560	1,027,274	976,224	14,744	87	725,136	165	7,290,626
Accumulated depreciation (include US\$55,706)	-	(16,165)	(123,429)	(31,546)	(2,749)	(63)	-	-	(173,952)
Net balance	<u>61,436</u>	<u>4,469,395</u>	<u>903,845</u>	<u>944,678</u>	<u>11,995</u>	<u>24</u>	<u>725,136</u>	<u>165</u>	<u>7,116,674</u>
Balances at December 31, 2018									
Opening balance	61,436	4,469,395	903,845	944,678	11,995	24	725,136	165	7,116,674
Additions	-	6,606,810	26,414,017	34,975,574	52,692,765	-	631,278,352	-	751,967,518
Adjustment from exchange differences	-	-	38,909,106	13,936,412	-	-	-	-	52,845,518
Disposals	(95)	(22,518)	-	-	-	-	-	-	(22,613)
Adjustment from exchange differences on accumulated depreciation expense	-	-	(31,229,410)	(6,566,623)	-	-	-	-	(37,796,033)
Withdrawals from accumulated depreciation	-	(135,900)	(2,717,256)	(1,265,243)	(248,224)	(24)	-	-	(4,366,647)
Closing balance	<u>61,341</u>	<u>10,940,305</u>	<u>32,280,302</u>	<u>42,024,798</u>	<u>52,456,536</u>	<u>-</u>	<u>632,003,488</u>	<u>165</u>	<u>769,766,935</u>
Balances at December 31, 2018									
Cost (include US\$83,164) (Note 4)	61,341	11,069,850	66,349,923	49,888,665	52,707,510	87	632,003,488	165	812,081,029
Accumulated depreciation (include US\$63,255) (Note 4)	-	(129,545)	(34,069,621)	(7,863,867)	(250,974)	(87)	-	-	(42,314,094)
Net balance	<u>61,341</u>	<u>10,940,305</u>	<u>32,280,302</u>	<u>42,024,798</u>	<u>52,456,536</u>	<u>-</u>	<u>632,003,488</u>	<u>165</u>	<u>769,766,935</u>
Balances at June 30, 2019									
Opening balance	61,341	10,940,305	32,280,302	42,024,798	52,456,536	-	632,003,488	165	769,766,935
Additions	-	-	6,877,153,028	570,589,495	34,040,000	-	2,722,838,959	-	10,204,621,482
Adjustment from exchange differences	-	-	372,282,645	133,351,961	-	-	-	-	505,634,606
Adjustment from exchange differences over accumulated depreciation	-	-	(315,089,937)	(69,499,002)	-	-	-	-	(384,588,939)
Depreciation expense	-	(270,607)	(31,807,153)	(12,838,375)	(8,358,368)	-	-	-	(53,274,503)
Withdrawals from accumulated depreciation	-	-	-	276	-	-	-	-	276
Closing balance	<u>61,341</u>	<u>10,669,698</u>	<u>6,934,818,885</u>	<u>663,629,153</u>	<u>78,138,168</u>	<u>-</u>	<u>3,354,842,447</u>	<u>165</u>	<u>11,042,159,857</u>
Balances at June 30, 2019									
Cost (include US\$83,164) (Note 4)	61,341	11,069,800	7,315,781,034	753,826,444	86,747,510	87	3,354,842,447	165	11,522,328,828
Accumulated depreciation (include US\$67,029) (Note 4)	-	(400,102)	(380,962,149)	(90,197,291)	(8,609,342)	(87)	-	-	480,168,971)
Net balance	<u>61,341</u>	<u>10,669,698</u>	<u>6,934,818,885</u>	<u>663,629,153</u>	<u>78,138,168</u>	<u>-</u>	<u>3,354,842,447</u>	<u>165</u>	<u>11,042,159,857</u>

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Below are the useful lives by type of asset:

	Useful life (years)	Average remaining useful life
Buildings and facilities	40	33.11
Computer hardware	4	2.47
Furniture and equipment	8-10	3.07
Vehicles	5	1.86

Additions to computer hardware during the six-month period ended June 30, 2019, relate mainly to technology purchases for the corporate office and agencies to be opened.

At June 30, 2019 and December 31, 2018, the balance of construction in progress is in respect of construction and remodeling work to the Bank's main office and to existing and new agencies, which is in compliance with the Accounting Manual.

During the six-month period ended June 30, 2019, the Bank recorded depreciation expense of Bs 53,274,503 (Bs 4,366,647 during the six-month period ended December 31, 2018), shown in the income statement under general and administrative expenses (Note 19).

On December 12, 2018, the Bank sold the Altamira office, where the Altamira II agency was located, for €6,000,000 at a gain of Bs 2,050,084,000, recorded in the income statement under extraordinary income. Furthermore, the Bank requested authorization from SUDEBAN to sell this office before and after the transaction. SUDEBAN, through Notice SIB-II-GGR-GA-01155 of January 29, 2019 authorized the sale.

11. Other assets

Other assets comprise the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Deferred expenses		
Leasehold improvements, net of amortization	1,426,008,063	196,938
Software	436,980,008	39,162,845
Licenses	426,647,867	43,839,226
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	3,172	3,401
	<u>2,289,639,110</u>	<u>83,202,410</u>
Pending items	7,439,611,026	318,621,810
Matured financial instruments receivable, equivalent to US\$1,002,855 (US\$10,375 at December 31, 2018) (Notes 4, 5 and 7)	6,735,627,422	6,604,564
Advances on purchase options on premises owned by the Bank	6,238,322,636	208,322,636
Advances to suppliers	4,669,857,607	540,163,623
Other prepaid expenses, includes US\$51 (US\$51 at December 31, 2018) (Note 4)	1,385,611,504	41,187,847
Prepaid taxes and subscriptions (Note 16)	976,909,833	41,700,872
Other sundry accounts receivable, includes US\$36,389 (US\$3,962 at December 31, 2018) (Note 4)	553,659,425	43,917,508
Deferred income tax (Note 16)	515,373,187	-
Accounts receivable in foreign currency, equivalent to US\$US\$49,466 (US\$US\$61,440 at December 31, 2018) (Note 4)	332,237,521	39,111,885
Bank insurance, includes US\$4,590 (US\$4,590 at December 31, 2018) (Note 4)	219,517,677	7,874,026
Stationery and sundry supplies	<u>208,626,425</u>	<u>75,962,654</u>
Carried forward	29,275,354,263	1,323,467,425

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	June 30, 2019	December 31, 2018
	(In bolivars)	
Brought forward	29,275,354,263	1,323,467,425
Accounts receivable from employees, includes US\$20,270 at December 31, 2018 (Note 4)	150,747,844	13,081,563
Debt items pending reconciliation, includes US\$19,050 (US\$382,254 at December 31, 2018) (Notes 4 and 15)	127,945,720	243,336,698
Credit card-related accounts receivable and balance offsettings	110,500,778	11,784,079
Prepaid advertising	104,485,159	91,085,180
Guarantee deposits, includes US\$4,675 (US\$4,675 at December 31, 2018) (Note 4)	37,944,233	2,976,272
Inventories of chip credit and debit cards	7,111,064	2,169,200
Other items pending recording, includes (US\$2,913 at December, 31 2018) (Note 4)	-	3,341,186
	<u>29,814,089,061</u>	<u>1,691,241,603</u>
	32,103,728,171	1,774,444,013
Provision for other assets, includes US\$1,002,855 (US\$19,718 at December 31, 2018) (Notes 4, 5 and 7)	<u>(6,746,629,122)</u>	<u>(20,053,507)</u>
	<u>25,357,099,049</u>	<u>1,754,390,506</u>

The balance of pending items comprises the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Pending items		
Interbank Mobile Payment transactions receivable	7,045,949,329	210,281,627
Internet deposit remittances	386,607,912	42,709,354
Teller machines and remittances in foreign currency	3,692,208	3,122,975
Other pending items	3,187,093	2,884,036
Cash shortages	174,484	104,145
MasterCard credit card	-	59,519,673
	<u>7,439,611,026</u>	<u>318,621,810</u>

In-transit operations in respect of the interbank mobile payment system relate to cash transfers with other financial institutions which clear the week following the six-month period closing. At June 30, 2019, the Bank has operations receivable and payable of Bs 7,045,949,329 and Bs 6,899,124,993, respectively (Bs 210,281,627 and Bs 47,440,167, respectively, at December 31, 2018) in connection with interbank mobile payment transactions (Note 15). During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank recorded income from commissions charged to clients of Bs 258,621,048 and Bs 1,134,997, respectively, in connection with transactions through this system (Note 17).

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

Advances for purchase options on premises owned by the Bank were granted mainly to purchase administrative offices located in Avenida Francisco de Miranda, Chacao, Miranda State.

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

At June 30, 2019, items pending reconciliation include items from credit balances for US\$19,050, equivalent to Bs 127,945,720 (credit balances for US\$346,202, equivalent to Bs 220,389,868 and debt balances for US\$36,052, equivalent to Bs 22,949,830 at December 31, 2018) (Note 15).

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The balance of other prepaid expenses comprises the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Improvements to agencies	485,225,479	4,283,770
Insurance	405,851,992	7,492
Licenses maturing within one year	361,134,551	30,076,383
Bloomberg service	108,627,502	6,635,734
Per diems paid to employees	<u>24,771,980</u>	<u>184,468</u>
	<u>1,385,611,504</u>	<u>41,187,847</u>

Deferred expenses are made up of the following concepts:

	June 30, 2019			December 31, 2018		
	Cost	Accumulated amortization	Book value	Cost	Accumulated amortization	Book value
	(In bolivars)					
Licenses	511,766,487	(85,118,620)	426,647,867	50,738,816	(6,899,590)	43,839,226
Leasehold improvements	1,427,142,436	(1,134,373)	1,426,008,063	217,139	(20,201)	196,938
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	4,586	(1,414)	3,172	4,586	(1,185)	3,401
Operating system (software)	<u>552,218,392</u>	<u>(115,238,384)</u>	<u>436,980,008</u>	<u>44,154,644</u>	<u>(4,991,799)</u>	<u>39,162,845</u>
	<u>2,491,131,901</u>	<u>(201,492,791)</u>	<u>2,289,639,110</u>	<u>95,115,185</u>	<u>(11,912,775)</u>	<u>83,202,410</u>

During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank recorded amortization of deferred expenses of Bs 190,179,933 and Bs 12,368,279, respectively, shown in the income statement under general and administrative expenses (Note 19).

Below is the movement in the provision for other assets:

	Six-month periods ended	
	June 30, 2019	December 31, 2018
	(In bolivars)	
Balance at the beginning of the period	20,053,507	15,972
Provided in the period (Note 18)	37,381,246	13,446,655
Reclassification of interest receivable, equivalent to US\$943,186 (Note 7) (US\$5,188 at December 31, 2018)	6,334,866,527	3,302,601
Write-offs of unrecoverable accounts, equivalent to US\$5,188 at December 31, 2018	-	(3,302,601)
Adjustment from exchange differences	<u>354,327,842</u>	<u>6,590,880</u>
Balance at the end of the period	<u>6,746,629,122</u>	<u>20,053,507</u>

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12. Customer deposits

Customer deposits comprise the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Checking account deposits and certificates		
Non-interest-bearing checking accounts	179,214,967,135	17,806,759,183
Interest-bearing checking accounts	26,075,383,845	2,008,559,501
Checking accounts under Exchange Agreement No. 20 equivalent to US\$2,610,957 and €3,855,500 (US\$2,080,574 at December 31, 2018) (Notes 3 and 4)	46,981,923,839	1,324,461,406
Demand deposits and certificates		
Non-negotiable demand deposits, bearing annual interest at between 1% and 9%	1,867,609,421	346,487,099
Public, State and Municipal Administration	<u>2,329,639,310</u>	<u>26,531,111</u>
	<u>256,469,523,550</u>	<u>21,512,798,300</u>
Other demand deposits		
Cashier's checks	2,003,184,648	247,362,511
Trust fund liabilities (Note 20)	224,838,877	15,785,017
Advance collections from credit card holders	57,962,076	11,026,259
Housing Savings Fund liabilities (Note 20)	<u>13,232,586</u>	<u>307,776</u>
	<u>2,299,218,187</u>	<u>274,481,563</u>
Savings deposits, bearing 21% annual interest for saving deposits for individuals and 0.125% for deposits in foreign currency, includes US\$13,754,592 and €10,190,931 (US\$16,432,707 and €6,104,982 at December 31, 2018) (Note 4)	<u>199,289,825,321</u>	<u>17,939,439,421</u>
Time deposits, bearing 24% annual interest for deposits in bolivars and between 0.02% and 3.50% for deposits in U.S dollars, includes US\$4,643,000 (US\$5,479,348 at December 31, 2018) with the following maturities (Note 4):		
Up to 30 days	5,333,992,317	380,463,255
31 to 60 days	7,457,000	877,967,957
61 to 90 days	20,428,598,549	242,699,694
91 to 180 days	5,499,258,776	103,354,736
181 to 360 days	<u>1,050,097</u>	<u>1,919,130,369</u>
	<u>31,270,356,739</u>	<u>3,523,616,011</u>
	<u>489,328,923,797</u>	<u>43,250,335,295</u>

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

	June 30, 2019	December 31, 2018
	(In bolivars)	
Non-interest-bearing checking accounts	10,353,799,281	540,652,394
Non-negotiable demand deposits	5,416,302,435	190,726,482
Savings deposits at 12.5% annual interest	2,329,639,310	26,531,111
Interest-bearing checking accounts, at 0.25% annual interest	668,992,880	62,131,073
Time deposits at 14.5% annual interest	<u>3,000,000</u>	<u>4,000,529</u>
	<u>18,771,733,906</u>	<u>824,041,589</u>

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13. Borrowings

Borrowings comprise the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Borrowings from Venezuelan financial institutions, up to one year		
Demand deposits, non-interest-bearing checking accounts with		
Banco de Venezuela, C.A., Banco Universal	10,800,000,000	-
Banco del Tesoro, C.A., Banco Universal	3,000,000,000	133,355
Banplus, Banco Universal, C.A.	10,058,084	1
Mi Banco, Banco Microfinanciero, C.A.	477,840	6,399
Bancrecer, Banco Microfinanciero, C.A.	<u>361,510</u>	<u>30,475</u>
	<u>13,810,897,434</u>	<u>170,230</u>
Borrowings from foreign financial institutions, up to one year		
Demand deposits, interest-bearing checking account		
BNC International Banking Corporation, at 0.25% per annum (Note 23)	103	103
Demand deposits, non-interest bearing checking accounts with		
Arca International Bank, Inc.	3,236,000	6,732
Bancaribe Curacao Bank, N.V.	<u>6,732</u>	<u>1,953</u>
	<u>3,242,835</u>	<u>8,788</u>
	<u>13,814,140,269</u>	<u>179,018</u>

Through Resolution No. 113.14 of August 13, 2014, SUDEBAN set interbank deposit limits, which should be the lower amount resulting from comparing 10% of the total equity of the placing financial institution at the previous month end with 10% of the total equity of the receiving financial institution at the previous month end. At June 30, 2019 and December 31, 2018, the Bank complies with the requirements of this Resolution.

14. Interest and commissions payable

Interest and commissions payable comprise the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Expenses payable on customer deposits		
Time deposits, includes US\$50,863 (US\$23,210 at December 31, 2018) (Note 4)	343,672,512	15,111,611
Non-negotiable demand deposits	<u>55,730,069</u>	<u>1,641,039</u>
	399,402,581	16,752,650
Expenses payable on borrowings		
Interest payable on overnight deposits	<u>139,800,000</u>	-
Total expenses payable	<u>539,202,581</u>	<u>16,752,650</u>

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15. Accruals and other liabilities

Accruals and other liabilities comprise the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Pending items, includes US\$258,907 (US\$406,166 at December 31, 2018) (Note 4)	48,971,665,297	2,351,053,396
Accounts payable in foreign currency, equivalent to US\$2,791,980 and €27,885 (US\$3,534,515 and €12,237 at December 31, 2018) (Note 4)	18,965,176,771	2,258,927,867
Income tax provision, includes US\$2,178 (US\$3,949 at December 31, 2018) (Notes 4 and 16)	4,800,597,579	50,425,019
Other provisions	3,402,971,384	120,130,013
Withholding tax, includes US\$1,402 (US\$1,415 at December 31, 2018) (Note 4)	1,376,373,599	175,968,302
Suppliers and other sundry payables, includes US\$16,999 (US\$56,692 at December 31, 2018) (Note 4)	1,211,401,236	105,405,037
Employee bonuses payable	950,262,104	72,226
Deferred interest income, includes US\$32,937 (US\$849 at December 31, 2018) (Notes 4 and 6)	905,296,097	114,905,869
Tax on economic activities and other taxes payable (Note 16)	800,168,104	37,697,650
Accrual for length-of-service benefits (Note 2-j)	716,443,177	136,048,213
Contribution for the prevention of money laundering and terrorism financing	423,301,469	28,571,757
Profit sharing payable, include US\$3,463 at June 30, 2019 (Notes 2-j and 4)	232,174,328	-
Vacations and vacation bonus payable (Note 2-j)	212,819,197	23,296,367
Cashier's checks	143,729,804	9,229,896
Professional fees payable includes US\$12,500 at June 30, 2019	130,838,266	3,752,906
Leases	85,403,334	2,643,179
Commissions on credit and debit card services	73,988,922	4,713,834
Labor contributions and withholdings payable, includes US\$1,276 (US\$1,245 at December 31, 2018) (Note 4)	66,806,962	9,431,602
Sports and Physical Education Law	40,593,270	25,444,870
Ezequiel Zamora Fund withholdings	6,222,375	890,578
Provision for contingent loans (Note 20)	9,306	306
Deferred income tax liability (Note 16)	-	35,514,275
	<u>83,516,242,581</u>	<u>5,494,123,162</u>

The balance of pending items comprises the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Electronic transfers pending offsetting, include US\$216,049	25,377,774,017	-
Point-of-sale transactions payable	15,911,728,905	1,959,167,649
Interbank mobile transactions payable (Note 11)	6,899,124,993	47,440,167
Collection of government and municipal taxes	287,097,186	37,442,500
In-transit operations through SICAD, equivalent to US\$21,000 (Note 4)	141,045,561	13,368,277
Reconciling items includes US\$17,065 (US\$382,254 at December 31, 2018) (Note 11)	114,615,841	243,336,698
Other pending items	69,043,052	16,567
Pending employee payments	63,195,901	42,310
Commissions to the Central Bank of Venezuela	44,742,024	36,948,800
Debt items in foreign currency pending reconciliation, equivalent to US\$4,793 (US\$2,912 at December 31, 2018) (Note 4)	32,195,372	1,854,053
Suiche 7B transactions payable	29,014,824	5,460,925
Cash surplus	1,357,572	177,813
Credit card transactions	722,289	-
Automatic voucher differences	7,760	2,015
Credit card exchange differences	-	5,795,622
	<u>48,971,665,297</u>	<u>2,351,053,396</u>

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Electronic transfers pending offsetting correspond to transfer made by Bank customers to other financial institutions during the last days of June 2019, which cleared the first days of July 2019. They also include US\$216,049 equivalent to Bs 1,451,083,386 in respect of transfers made by Branch customers to other foreign financial institutions pending clearance by the correspondent bank. During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank charged commissions on interbank electronic transfers for Bs 2,004,082,433 and Bs 10,106,204, respectively, included under other operating income (Note 17).

At June 30, 2019 and December 31, 2018, point-of-sale transactions payable correspond to the use of points of sale of other financial institutions by Bank customers. Most of these transactions clear in the month following period closing. During the six-month period ended June 30, 2019, the Bank recorded income and expenses of Bs 8,768,881,742 and Bs 4,758,020,617, respectively, from commissions charged to stores for the use of points of sales, which are part of commissions for services recorded under other income and other operating expenses, respectively (income and expenses of Bs 367,393,491 and Bs 117,313,715, respectively, for the six-month period ended December 31, 2018) (Notes 17 and 18). Furthermore, during the six-month periods ended June 30, 2019 and December 31, 2018, the Bank charged commissions for Bs 1,626,552,957 and Bs 20,602,335, respectively, on reimbursement of point-of sale operation costs to stores (Note 17).

At June 30, 2019 and December 31, 2018, collection of government and municipal taxes includes national and municipal taxes paid by individuals and corporations to the Tax Authorities between July 4 and 8, 2019 and on January 3, 2019, respectively.

At June 30, 2019 and December 31, 2018, accounts payable in foreign currency include mainly interest payable on customer securities held in custody by the Bank, which, to date, have not been demanded. To date, management is taking the necessary actions to settle this liability with the corresponding beneficiaries.

At June 30, 2019 and December 31, 2018, withheld taxes relate mainly to withholdings from third parties in connection with:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Tax on large financial transactions	745,517,982	81,859,834
Income tax	381,247,061	80,626,249
Value added tax	156,228,688	1,698,751
Stamp duty	83,089,851	10,778,801
Other taxes	<u>10,290,017</u>	<u>1,004,667</u>
	<u>1,376,373,599</u>	<u>175,968,302</u>

At June 30, 2019 and December 31, 2018, management maintains other provisions of Bs 3,287,237,237 and Bs 120,000,000, respectively, mainly in connection with possible contingent losses. During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank recorded expenses of Bs 3,218,521,191 and Bs 120,000,000, respectively, in this connection, shown in the income statement within sundry operating expenses (Note 18).

At June 30, 2019 and December 31, 2018, suppliers and other sundry payables correspond mainly to accounts payable of Bs 892,749,699 and Bs 58,887,457, respectively, for contracted services.

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Below is the movement in the provision for contingent loans:

	<u>Six-month periods ended</u>	
	<u>June 30,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>
	(In bolivars)	
Balance at the beginning of the period	306	140
Provided for the period	<u>9,000</u>	<u>166</u>
Balance at the end of the period	<u>9,306</u>	<u>306</u>

At December 31, 2018, in accordance with the LOTT, the Bank maintains an accrual in respect of the additional obligation for length-of-service benefits for Bs 136,048,213, which was determined through a simplified calculation (Note 1). As from June 30, 2019, the Bank determined this liability using actuarial methods, and recorded at that date an accrual of Bs 716,443,177 in this connection. In addition, management conducted an analysis of the retrospective effects of this change and determined that it has no significant effects on the financial statements at December 31, 2018.

Below are the assumptions used for the actuarial obligation in respect of the retrospective accrual of length-of-service benefits at June 30, 2019:

	%
Turnover rate	22.12
Discount rate	2,066.80
Salary increase rate	1,983.46
Inflation rate (value expected in the long term)	500,000.00

The assumption related to the future mortality rate of the population is based on actuarial assumptions that use the GAM83 (Group Annuitant Mortality 1983) mortality table; a turnover rate for employees in the area where the Bank operates, and an average length of employment of 4 years.

A hypothetical increase or decrease of 1% in the discount rate would result in a decrease or increase in the value of the projected length-of-service benefit obligation by Bs 8,226,431 and Bs 9,165,732, respectively.

The expense estimate to be recognized in the income statement for the year ending December 31, 2019 is Bs 1,772,523,494. This amount will cover interest and service cost for that year.

16. Taxes

a) Income tax

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

The Income Tax Law published on December 30, 2015 in Official Gazette No. 6,210, establishes, among other things, a 40% proportional income tax for institutions engaged in banking and financial activities; these institutions are excluded from the inflation adjustment for tax purposes set forth in this Law. The Law also establishes that net operating losses may be carried forward for 3 years and offset up to a maximum of 25% of annual income.

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Income tax advance regime

On August 21, 2018, the Venezuelan government published a Constituent Decree in Extraordinary Official Gazette No. 6,396 to establish a temporary regime for the payment of income tax advances applicable to special taxpayers engaged in economic activities other than exploitation of mines, hydrocarbons and related activities, who do not receive royalties from such exploitations. The advance referred to in this Decree shall be determined based on gross income from the sale of goods and services obtained in the tax period of the previous month within the country and shall range from 0.5% to 2%. The Venezuelan government may establish different tax rates but may not exceed the limits set. The percentage of the advance has been set at:

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

These advances may be deducted in the final income tax return. The advance regime established in this Decree will be effective until fully or partially repealed by the Venezuelan government. This Decree is effective as from September 1, 2018.

Below is the reconciliation between book income and net taxable income for the year ended June 30, 2019:

	(In bolivars)
Statutory tax rate (%)	<u>40</u>
Book income before tax	42,221,430,739
Difference between book income and taxable income	
Other provisions	4,733,907,113
Loan portfolio, net	(13,915,838,612)
Interest on loan portfolio	2,313,711,142
Tax-exempt income, net of related expenses	(2,019,396,116)
Social contributions	431,372,121
Municipal taxes	688,681,087
Deferred charges	(765,298,407)
Income not available at period closing	(11,463,291,852)
Impairment of investments issued by the Bolivarian Republic of Venezuela	2,369,884,462
Non-deductible expenses from travels abroad	519,982,619
Income from foreign sources	(13,678,719,421)
Other effects, net	<u>538,575,125</u>
Taxable income from foreign source	<u>11,975,000,000</u>
Income tax expense in Venezuela	<u>4,790,000,000</u>

During the six-month period ended June 30, 2019, the Branch recorded estimated income tax expense of US\$2,183, equivalent to Bs 14,664,306 (US\$2,500, equivalent to Bs 1,591,461 based on the exchange rate at December 31, 2018). On June 27, 2013, the Curacao Tax Authorities approved Tax Ruling No. UR 19-0115 until December 31, 2021, which is an extension of Tax Ruling No. UR 15-1483, which was in effect until December 31, 2018. According to this Ruling, the Branch must calculate tax payable on the basis of 7% of the costs of its activities since the commencement of Branch operations, except for disbursement costs and interest on debt. Disbursements include costs of services provided by third parties which are not considered part of the Branch's activities, except for service fees, office and equipment leasing and telecommunication expenses, among others (Note 8).

At June 30, 2019 and December 31, 2018, the Bank maintains an income tax provision of Bs 4,800,597,579 and Bs 50,425,019, respectively, which includes US\$2,178 and US\$3,949, respectively, in connection with the Branch (Note 15). In addition, at June 30, 2019 and December 31, 2018, the Bank has prepaid income tax amounting to Bs 941,266,838 and Bs 41,691,027, respectively, which are part of other assets and are shown within prepaid taxes and subscriptions (Note 11).

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The tax expense comprises the following:

	Six-month periods ended	
	June 30, 2019	December 31, 2018
	(In bolivars)	
Income tax		
Current	(4,804,664,306)	(44,591,722)
Deferred asset (liability)	<u>550,887,462</u>	<u>(35,261,476)</u>
	<u>(4,253,776,844)</u>	<u>(79,853,198)</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 for any amount exceeding taxable income (Note 2-i).

Bank management determined and evaluated the deferred tax recorded. The main differences between the tax base and the carrying amount at June 30, 2019 and December 31, 2018, relate to the provision for high-risk and uncollectible loans, actuarial obligation for length-of-service benefits, prepaid expenses and sundry provisions. At June 30, 2019 and December 31, 2018, the Bank maintains net deferred tax asset and liability for Bs 515,373,187 and Bs 35,514,275, respectively, included under other assets and accruals and other liabilities, respectively (Notes 11 and 15).

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

	June 30, 2019	December 31, 2018
	(In bolivars)	
Assets		
Other provisions and accruals	287,262,752	5,660,500
Allowance for losses on loan portfolio and provision for interest receivable	<u>645,164,964</u>	<u>332,516</u>
	<u>932,427,716</u>	<u>5,993,016</u>
Liabilities		
Actuarial obligation for length-of-service benefits	81,518,127	-
Prepaid expenses	<u>335,536,402</u>	<u>41,507,291</u>
	<u>417,054,529</u>	<u>41,507,291</u>
Deferred income tax liability	<u>515,373,187</u>	<u>(35,514,275)</u>

The movements in the deferred income tax liability accounts for the six-month periods ended June 30, 2019 and December 30, 2018 are summarized below:

	Other provisions and accruals	Allowance for losses on loan portfolio and provision for interest receivable	Prepaid expenses	Actuarial obligation for length-of- service benefits	Total deferred tax asset (liability)
	(In bolivars)				
At June 30, 2018	300,575	40	(553,414)	-	(252,799)
Charged (credited) to the income statement	<u>5,359,925</u>	<u>332,476</u>	<u>(40,953,877)</u>	-	<u>(35,261,476)</u>
At December 31, 2018	5,660,500	332,516	(41,507,291)	-	(35,514,275)
Charged (credited) to the income statement	<u>281,602,252</u>	<u>644,832,448</u>	<u>(294,029,111)</u>	<u>(81,518,127)</u>	<u>550,887,462</u>
At June 30, 2019	<u>287,262,752</u>	<u>645,164,964</u>	<u>(335,536,402)</u>	<u>(81,518,127)</u>	<u>515,373,187</u>

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c) Transfer pricing

According to transfer-pricing regulations, taxpayers that conduct transactions with related parties abroad are required to calculate income, costs and deductions applying the methodology set out in the Law. The Bank conducts transactions with related parties abroad. At December 30, 2018, the Bank made the transfer-pricing study and determined no impact on taxable income for the year then ended; the transfer-pricing study for the six-month period ending December 31, 2019 is underway.

d) Tax on economic activities

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

At June 30, 2019 and December 31, 2018, the Bank recorded a tax expense of Bs 1,506,376,500 and Bs 54,304,333, respectively, in connection with the economic activities conducted in its offices nationwide, shown under general and administrative expenses (Note 19). At June 30, 2019, the balance pending payment in this connection amounts to Bs 720,816,351 (Bs 32,135,264 at December 31, 2018), and is shown under accruals and other liabilities within tax on economic activities and other taxes payable (Note 15).

e) Law on Tax on Large Financial Transactions

On December 30, 2015, the Venezuelan government enacted the Law on Tax on Large Financial Transactions, whose tax rate is 0.75% applicable to operations made by incorporated and unincorporated entities that have been qualified by Seniat's System for Liquidation and Self-liquidation of Customs Duties as special taxpayers and by incorporated and unincorporated entities legally bound to them or that make payments on their behalf. Similarly, Venezuelan banks and financial institutions also pay this tax based on the transactions laid down in the aforementioned Law that give rise to such payment.

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

During the six-month period ended June 30, 2019, the Bank recorded expenses of Bs 774,010,111 shown under general and administrative expenses (Bs 42,402,317 during the six-month period ended December 31, 2018) (Note 19).

f) Subsequent event

Tax on Equity

The Law on Equity Tax was published in Official Gazette No. 41,667 on July 3, 2018. This law establishes that special taxpayers whose equity is equal to or higher than 36,000,000 tax units for individuals and 100,000,000 tax units for corporations are required to pay between 0.25% and 1.50% for the portion of net equity exceeding these amounts. Payment of this tax must be made under the terms and conditions established by Tax Authorities. This constitutional law became effective upon its publication in the official gazette.

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17. Other operating income

Other operating income comprises the following:

	Six-month periods ended	
	June 30, 2019	December 31, 2018
	(In bolivars)	
Service fees	15,388,942,133	527,380,279
Commission on financial advisory (Note 6)	8,388,110,164	-
Commission for documentation of promissory notes and lines of credit (Note 6)	6,730,140,353	455,546,102
Exchange gain (Note 4)	892,124,593	14,486,751
Commission on bank intervention transactions (Note 3)	871,788,853	-
Income from amortization of discount on held-to-maturity investments (Note 5-c)	787,634,014	175,078
Gain on sale of investment securities (Note 5-b)	523,789,789	44,721,651
Commission on transactions through the foreign exchange system (Note 4)	91,255,204	-
Commissions on trust funds (Note 20)	7,567,151	294,917
	<u>33,681,352,254</u>	<u>1,042,604,778</u>

Service fees comprise the following:

	Six-month periods ended	
	June 30, 2019	December 31, 2018
	(In bolivars)	
Point-of-sale transactions (Note 15)	8,768,881,742	367,393,491
Interbank transfers (Note 15)	2,004,082,433	10,106,204
Reimbursement of point-of-sale operation costs to stores (Note 15)	1,626,552,957	20,602,335
Services to social security pensioners	687,649,330	61,461,740
Issue of cashier's checks	491,864,665	2,641,282
Interbank mobile payment (Note 11)	258,621,048	1,134,997
Returned checks	225,681,083	12,868,601
Minimum balances of customer deposits	209,891,462	4,558,183
Other	<u>1,115,717,413</u>	<u>46,613,446</u>
	<u>15,388,942,133</u>	<u>527,380,279</u>

18. Other operating expenses

Other operating expenses comprise the following:

	Six-month periods ended	
	June 30, 2019	December 31, 2018
	(In bolivars)	
Service fees (Notes 2-k and 15)	11,487,964,346	256,044,708
Loss on impairment of investment securities (Note 5-c)	2,369,884,462	-
Exchange loss (Note 4)	979,918,873	60,313,474
Loss on sale of investment securities (Note 5-b)	306,520,181	2,727
Amortization of premiums on held-to-maturity investments	2,507	1,986,345
	<u>15,144,290,369</u>	<u>318,347,254</u>

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Service fees comprise the following:

	Six-month periods ended	
	June 30, 2019	December 31, 2018
	(In bolivars)	
Transfers through correspondent banks	6,248,456,455	76,383,149
Point-of-sales commissions (Note 15)	4,758,020,617	117,313,715
Other expenses for service fees	<u>481,487,274</u>	<u>62,347,844</u>
	<u>11,487,964,346</u>	<u>256,044,708</u>

Sundry operating expenses comprise the following:

	Six-month periods ended	
	June 30, 2019	December 31, 2018
	(In bolivars)	
Possible contingent losses (Note 15)	3,218,521,191	120,000,000
Contribution for the Antidrug Law (Note 1)	400,000,000	28,405,104
Contribution to the National Fund for Communal Councils	127,587,982	837,402
Contribution for the Sports and Physical Education Law (Note 1)	43,795,849	25,334,364
Provision for other assets (Note 11)	37,381,246	13,446,655
Contribution for the Law for the Advancement of Science, Technology and Innovation (Note 1)	25,571,216	7,302
Others	<u>27,906,300</u>	<u>2,613</u>
	<u>3,880,763,784</u>	<u>188,033,440</u>

19. General and administrative expenses

General and administrative expenses comprise the following:

	Six-month periods ended	
	June 30, 2019	December 31, 2018
	(In bolivars)	
Maintenance and repairs	4,424,598,193	176,126,304
Transportation of valuables and surveillance	2,414,399,745	271,656,108
Transportation and communication expenses	1,832,028,487	42,314,792
Consulting and external audit	1,825,509,724	85,148,919
Outsourced services	1,531,869,231	58,626,861
Tax on economic activities (Note 16)	1,506,376,500	54,304,333
Sundry general expenses	1,054,106,658	50,009,757
Leases	1,055,671,960	28,005,577
Tax on Large Financial Transactions (Note 16)	774,010,111	42,402,317
Legal advice	435,021,195	47,218,824
Advertising	200,646,735	3,393,902
Amortization of deferred expenses (Note 11)	190,179,933	12,368,279
Insurance	188,012,183	2,355,028
Public relations	114,122,279	1,718,146
Stationery and office supplies	67,922,250	6,888,803
Depreciation and impairment of property and equipment (Note 10)	53,274,503	4,366,647
Other taxes and contributions	26,911,936	460,259
Utilities	15,978,949	386,744
Infrastructure expenses	9,889,428	1,961,040
Legal expenses	8,013,235	10,347,620
Other	<u>28,386,940</u>	<u>1,636,102</u>
	<u>17,756,930,175</u>	<u>901,696,362</u>

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20. Memorandum accounts

Memorandum accounts comprise the following:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Contingent debtor accounts		
Credit card lines of credit (Note 21)	2,193,532,326	403,150,952
Lines of credit for discounts and factoring (Note 21)	1,203,467	12,575
Guarantees granted (Note 21)	930,581	30,603
Letters of credit issued but not negotiated	<u>2</u>	<u>2</u>
	<u>2,195,666,376</u>	<u>403,194,132</u>
Assets received in trust (Note 2-m)	<u>1,904,890,258</u>	<u>66,280,750</u>
Debtor accounts from other special trust services (Housing Loan System)	<u>89,513,472</u>	<u>32,019,150</u>
Other debtor memorandum accounts		
Guarantees received, includes US\$26,060,566 (US\$26,663,566 at December 31, 2018) (Note 4)	329,267,450,815	55,902,032,233
Lines of credit available but not negotiated	133,180,764,709	16,123,064,639
Assets held in custody, includes US\$10,950,796 (US\$10,961,294 at December 31, 2018) (Note 4)	73,702,249,433	7,006,160,834
Securities held by other financial institutions, equivalent to US\$9,926,800 (US\$9,566,801 at December 31, 2018) (Note 4)	66,672,908,472	6,090,077,551
Collections in foreign currency, equivalent to US\$1,664,007 (US\$1,664,007 at December 31, 2018) (Note 4)	11,176,228,433	1,059,281,211
Debt reconciling and written off items, includes US\$168,607	1,372,409,632	347,301,786
Deferred interest receivable on loans overdue and in litigation, includes US\$68,770 (US\$291 at December 31, 2018) (Notes 4 and 6)	462,903,475	222,030
Uncollectible accounts written off	139,610	5,378
Performance bonds from suppliers	4,889	4,889
Personal and real property written off	117	117
Taxes receivable	16	16
Guarantees on collateral granted	4	4
Currency awarded through SICAD	<u>2</u>	<u>2</u>
	<u>615,835,059,607</u>	<u>86,528,150,690</u>
	<u>620,025,129,713</u>	<u>87,029,644,722</u>

At June 30, 2019 and December 31, 2018, securities in custody of other financial institutions of Bs 66,672,908,472 and Bs 6,090,077,551 respectively, are held in Commerzbank, AG, Frankfurt.

a) Assets received in trust

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

	June 30, 2019	December 31, 2018
	(In bolivars)	
Assets		
Cash and due from banks (Note 12)	224,838,877	15,785,017
Investment securities	1,125,138,883	38,480,348
Loan portfolio	454,151,854	11,036,541
Interest receivable on investment securities	24,063,726	834,153
Other assets	<u>76,696,918</u>	<u>144,691</u>
Total assets	<u>1,904,890,258</u>	<u>66,280,750</u>

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	June 30, 2019	December 31, 2018
	(In bolivars)	
Liabilities and Equity		
Liabilities		
Other liabilities	<u>2,259,540</u>	<u>112,723</u>
Equity		
Capital assigned to trusts	1,835,344,098	64,889,036
Retained earnings	<u>67,286,620</u>	<u>1,278,991</u>
Total equity	<u>1,902,630,718</u>	<u>66,168,027</u>
Total liabilities and equity	<u>1,904,890,258</u>	<u>66,280,750</u>

Below is a breakdown of assets received in trust:

	June 30, 2019	December 31, 2018
	(In bolivars)	
Assets received in trust		
Length-of-service benefits	1,711,405,323	65,332,523
Administration	189,245,139	917,234
Investment	<u>4,239,796</u>	<u>30,993</u>
	<u>1,904,890,258</u>	<u>66,280,750</u>

At June 30, 2019 and December 31, 2018, cash and due from banks includes Bs 224,438,877 and Bs 15,785,017, respectively, related to funds received from trust fund operations that are managed through checking accounts with the Bank and are used to receive or pay all funds; they earn 6% annual interest (Note 12). During the six-month periods ended June 30, 2019 and December 31, 2018, the Bank's trust fund earned income of Bs 4,029,832 and Bs 324,287, respectively, from cash and due from banks.

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

	June 30, 2019				December 31, 2018		
	Acquisition cost	Amortized cost	Fair value		Acquisition cost	Amortized cost	Fair Value
	(In bolivars)						
Securities issued by Venezuelan financial private-sector companies							
Banco Sofitasa, Banco Universal, C.A., with a par value of Bs 370,930,417, annual yield between 28% and 45%, maturing in July, 2019	370,930,417	370,930,417	370,930,417	(1) - (a)	-	-	-
Banco Activo, C.A., Banco Universal, with a par value of Bs 152,376,444, 50% annual yield, maturing in July 2019	152,376,444	152,376,444	152,376,444	(1) - (a)	-	-	-
Banco Caroní, C.A., Banco Universal, with a par value of Bs 140,000,000, 55% annual yield, maturing in June 2019	140,000,000	140,000,000	140,000,000	(1) - (a)	-	-	-
Del Sur Banco Universal, C.A., with a par value of Bs 140,000,000, 55% annual yield, maturing in June 2019	140,000,000	140,000,000	140,000,000	(1) - (a)	-	-	-
Banco Occidental de Descuento, Banco Universal, C.A., with a par value of Bs 90,000,000, 40% annual yield, maturing in July 2019	90,000,000	90,000,000	90,000,000	(1) - (a)	-	-	-
Banco Exterior, C.A., Banco Universal, with a par value of Bs 80,658,863, 28% annual yield, maturing in July 2019 (Bs 10,132,917, 14.5% annual yield, maturing in January 2019 at December 31, 2018)	<u>80,658,863</u>	<u>80,658,863</u>	<u>80,658,863</u>	(1) - (a)	<u>10,132,917</u>	<u>10,132,917</u>	<u>10,132,917</u> (1) - (a)
	<u>973,965,724</u>	<u>973,965,724</u>	<u>973,965,724</u>		<u>10,132,917</u>	<u>10,132,917</u>	<u>10,132,917</u>

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	June 30, 2019				December 31, 2018			
	Acquisition cost	Amortized cost	Fair value		Acquisition cost	Amortized cost	Fair value	
	(In bolivars)							
Securities issued or guaranteed by the Venezuelan government								
Vebonos, with a par value of Bs 24,405,755, annual yield between 12.03% and 21.08%, maturing between June 2020 and August 2037	24,405,755	24,404,965	29,233,036	(2) - (c)	24,406,227	24,405,506	24,503,510	(2) - (c)
Fixed Interest Bond (TIF), with a par value of Bs 83,937, annual yield between 8.25 % and 16.50%, maturing between February 2021 and January 2037	83,937	83,265	74,090	(2) - (c)	83,937	83,424	74,008	(2) - (c)
	<u>24,489,692</u>	<u>24,488,230</u>	<u>29,307,126</u>		<u>24,490,164</u>	<u>24,488,930</u>	<u>24,577,518</u>	
	<u>1,122,784,521</u>	<u>1,125,138,883</u>	<u>1,130,469,120</u>		<u>38,478,691</u>	<u>38,480,348</u>	<u>38,569,605</u>	

(1) Corresponds to par value or acquisition cost, which is considered as fair market value.

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

Custodians of investments

- (a) Certificates of deposits at Banco Exterior, C.A., Banco Universal; Banco Sofitasa, Banco Universal, C.A.; Banco Activo, C.A., Banco Universal; Banco Occidental de Descuento, Banco Universal, C.A.; Banco Caroní, C.A., Banco Universal; and Del Sur Banco Universal, C.A.
(b) Caja Venezolana de Valores, S.A.
(c) Central Bank of Venezuela

Below is the classification of investment securities according to maturity:

	June 30, 2019		December 31, 2019	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In bolivars)			
Up to 6 months	1,008,508,483	1,009,019,824	10,165,156	10,136,127
6 months to 1 year	15,989	16,118	57,100	57,100
1 to 5 years	92,133,169	92,134,083	3,776,192	3,806,882
Over 5 years	<u>24,481,242</u>	<u>29,299,095</u>	<u>24,481,900</u>	<u>24,569,496</u>
	<u>1,125,138,883</u>	<u>1,130,469,120</u>	<u>38,480,348</u>	<u>38,569,605</u>

At June 30, 2019, interest receivable on investment securities amounts to Bs 24,063,726 (Bs 834,153 at December 31, 2018).

At June 30, 2019 and December 31, 2018, the loan portfolio includes loans and advances granted to employees guaranteed by their length-of-service benefits deposited in the trust fund. These interest-free and short-term loans are in respect of length-of-service benefit trust fund plans of public and private-sector companies.

At June 30, 2019, loans and advances to beneficiaries of length-of-service benefits recorded in the loan portfolio include Bs 15,242,290 from Bank employees (Bs 183,957 at December 31, 2018); Bs 388,748,220 from private length-of-service benefit trust funds; and Bs 50,161,344 from government agencies (Bs 8,788,904 and Bs 2,063,680, respectively, at December 31, 2018).

At June 30, 2019 and December 31, 2018, other liabilities include fiduciary remuneration payable for Bs 2,208,273 and Bs 61,058, respectively, which relates to commissions payable to the Bank as set out in the trust fund agreements signed by trustors and the Bank as trustee. It is calculated on the monthly average capital of the trust fund and is deducted from the product or capital, depending on the terms of the contract (Note 7). Furthermore, the commission paid by the trust fund and the trustors to the Bank during the six-month period ended June 30, 2019, amounted to Bs 7,542,151 (Bs 277,107 during the six-month period ended December 31, 2018), Note 17

At June 30, 2019, length-of-service benefit trust funds in favor of Bank employees amount to Bs 177,717,787 (Bs 10,542,798 at December 31, 2018).

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The National Treasury Office published in Official Gazette No. 40,172 of May 22, 2013, Resolution No. 0010 "Administrative Ruling regulating the refund to the Treasury of amounts credited to trust funds set up by the Venezuelan government and its decentralized agencies that have been inactive for over 4 months." This Resolution establishes that bodies and agencies of the Venezuelan government that have set up trust funds with budgetary resources at public or private banks without having made the corresponding disbursements or payments for periods equal or over 4 months, with the exception of labor trust funds, shall refund to the National Treasury account both the trust fund capital and the dividends generated. At June 30, 2019 and December 31, 2018, trust funds set up by the Venezuelan government or its decentralized agencies correspond mainly to length-of-service benefit and administration trust funds, which have been mobilized over the last 4 months.

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

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

	June 30, 2019	December 31, 2018
	(In bolivars)	
Assets		
Cash and due from banks (Note 12)	13,232,585	307,776
Investment securities	76,280,879	31,711,322
Loan portfolio	-	44
Other assets	<u>8</u>	<u>8</u>
Total assets	<u>89,513,472</u>	<u>32,019,150</u>
Liabilities		
Contributions to the Housing Savings Fund	89,510,450	32,016,125
Liabilities to BANAVIH	<u>2,437</u>	<u>2,437</u>
Total liabilities	<u>89,512,887</u>	<u>32,018,562</u>
Income	<u>585</u>	<u>588</u>
Total liabilities and income	<u>89,513,472</u>	<u>32,019,150</u>

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

At June 30, 2019, the Bank has an investment trust in BANAVIH for Bs 76,280,879 (Bs 31,711,322 at December 31, 2018), 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.

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21. Financial instruments with off-balance sheet risk

Credit-related financial instruments

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

a) Guarantees granted

After conducting a credit risk analysis, the Bank provides guarantees to certain customers within their line of credit; they are issued to a beneficiary who may execute the guarantee if the customer fails to comply with the terms of the agreement. At June 30, 2019 and December 31, 2018, these guarantees earned annual commissions of 1%. These commissions are recorded monthly while the guarantees are in force.

At June 30, 2019, Bank guarantees amount to Bs 930,581 (Bs 30,603 at December 31, 2018) (Note 20).

b) Credit limits

Credit limit contractual agreements are granted to customers subject to prior credit risk assessments and, if needed, obtention of any guarantee required by the Bank to cover risk for each customer. These agreements are for specific periods, provided that customers do not default on the terms set forth therein (Note 20). The Bank may exercise its option to cancel a credit commitment with a particular customer. At June 30, 2019 and December 31, 2018, the Bank has no negotiated lines of credit unused by customers.

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, 2019 and December 31, 2018, the Bank charged a commission of between 0.5% and 2% on the amount of letters of credit (Note 20).

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

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

22. Equity

a) Capital stock and authorized capital

At June 30, 2019 and December 31, 2018, the Bank's paid-in capital amounts to Bs 57,919 and Bs 38,919, respectively, represented by 5,791,930,372 and 3,891,930,372 non-convertible common shares of the same class with a par value of Bs 0.00001 each, fully subscribed and paid-in. The Bank complies with the minimum capital required under the current legislation.

At a Special Shareholders' Meeting held on January 25, 2017, it was resolved to increase capital to up to Bs 2,000, in nominal amounts, through the public offering of non-convertible common shares with a par value of Bs 0.00001 at a premium. During the six-month period ended December 31, 2018, the Bank received contributions from its shareholders in this connection of Bs 8,453, which are included in equity under contributions pending capitalization. On January 25, 2018, and upon favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-01342 authorizing the capital increase. On

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April 13, 2018, through Resolution No. DSNV/CJU/321, the SNV authorized the public offering. During July 2018, the Bank placed the public offering, completing the requirements of the Stock Market Law. As a result, the Bank recorded a capital increase of Bs 2,000.

At a Regular Shareholders' Meeting held on March 29, 2017, it was resolved to declare and pay dividends for Bs 19,000, to be distributed as follows: Bs 4,750, payable in cash with a charge to unappropriated surplus, and Bs 14,250 through a stock dividend payable with a charge to restricted surplus. On December 21, 2018, SUDEBAN, through Notice SIB-II-GGR-GA-40488 authorized the capital increase through dividends declared. The SNV, through Resolution No. 038 of April 1, 2019, authorized the capital increase.

Below are the capital increases approved at the Shareholders' Meetings which are pending approval by the regulatory entities:

Meeting date	Type of increase	Amount of the increase (In bolivars)	Increase method	Regulatory entities pending authorization
September 27, 2017	Stock dividends	56,000	25% with a charge to unappropriated surplus and 75% with a charge to restricted surplus	SUDEBAN and SNV
December 20, 2017	Premium capitalization on capital contributions	65,555	With a charge to share premiums pending capitalization	SUDEBAN and SNV
March 18, 2018	Stock dividends	195,000	With a charge to unappropriated surplus	SUDEBAN and SNV
September 26, 2018	Stock dividends	3,110,000	With a charge to unappropriated surplus	SUDEBAN and SNV
March 20, 2019	Stock dividends	1,141,000,000	With a charge to unappropriated surplus	SUDEBAN and SNV

At a Regular Shareholders' Meeting held on September 27, 2017, it was resolved to declare and pay dividends for Bs 56,000, to be distributed as follows: Bs 14,000, payable in cash with a charge to unappropriated surplus, and Bs 42,000 through a stock dividend payable with a charge to restricted surplus. To date, the Bank is awaiting a response from SUDEBAN to subsequently request SNV authorization.

At a Special Shareholders' Meeting held on December 20, 2017, it was resolved to increase the Bank's subscribed and paid-in capital by Bs 65,555 with a charge to paid-in surplus, through the issue of 6,555,451,276 shares, with a par value of Bs 0.00001 each. To date, the Bank is awaiting a response from SUDEBAN to subsequently request SNV authorization.

At a Regular Shareholders' Meeting held on March 18, 2018, it was resolved to declare and pay dividends for Bs 195,000, payable in cash with a charge to unappropriated surplus. Furthermore, at the aforementioned Meeting, the shareholders unanimously approved to increase capital stock to up to Bs 195,000, by subscribing and paying shares at a par value of Bs 0.00001. To date, the Bank is awaiting a response from SUDEBAN to subsequently request SNV authorization.

At a Special Shareholders' Meeting on August 9, 2018, the shareholders approved a capital stock increase of up to Bs 10,000, payable in cash with a premium at a price 3.5 times the equity value of the share. The Bank's Board of Directors, exercising the powers granted by the Shareholders' Meeting, desisted from carrying out the capital increase, since the amount was insignificant and informed SUDEBAN of such decision.

At a Regular Shareholders' Meeting of September 26, 2018, it was resolved to declare dividends of Bs 3,110,000 fully payable in shares through the distribution of 311,000,000,000 non-convertible common shares of the same class with a par value of Bs 0.00001, payable with a charge to restricted surplus. To date, the Bank is awaiting authorization from SUDEBAN to subsequently request SNV authorization.

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At a Regular Shareholders' Meeting of March 20, 2019, it was resolved to declare dividends of Bs 1,141,000,000 fully payable in shares through the distribution of 114,100,000,000 non-convertible common shares of the same class with a par value of Bs 0.00001, payable with a charge to restricted surplus. To date, the Bank is awaiting authorization from SUDEBAN to subsequently request SNV authorization.

Shares subscribed by shareholders for the six-month periods ended June 30, 2019 and December 31, 2018 are identified as non-convertible common shares as follows:

	June 30, 2019		December 31, 2018	
	Number of shares	Equity %	Number of shares	Equity %
Shareholders				
Nogueroles García, Jorge Luis	553,866,036	9.5627	372,174,373	9.5627
Valores Torre Casa, C.A.	412,118,057	7.1154	276,925,773	7.1154
Nogueroles López, José María	380,692,818	6.5728	252,916,178	6.4985
Halabi Harb, Anuar	339,451,986	5.8608	228,097,270	5.8608
Alintio International, S.L.	287,134,247	4.9575	192,941,978	4.9575
Curbelo Pérez, Juan Ramón	228,690,908	3.9484	153,670,544	3.9484
Zasuma Inversiones, C.A.	222,456,886	3.8408	149,481,548	3.8408
De Guruceaga López, Gonzalo Francisco	215,476,621	3.7203	147,160,402	3.7812
Inversiones Clatal, C.A.	180,368,740	3.1141	120,260,925	3.0900
Castellana Investments Fund, Limited, S.C.C.	178,971,058	3.0900	118,743,890	3.0510
Osio Montiel, Carmen Inés	150,440,008	2.5974	101,089,275	2.5974
Kozma Solymosy, Nicolás A.	124,068,420	2.1421	83,368,691	2.1421
Inversiones Grial, C.A.	114,012,121	1.9685	76,611,287	1.9685
Inversiones Tosuman, C.A.	107,999,164	1.8646	72,570,836	1.8646
Tamayo Degwitz, Carlos Enrique	107,780,729	1.8609	72,521,155	1.8634
Teleacción A.C., C.A.	103,756,963	1.7914	69,720,258	1.7914
García Arroyo, Sagrario	99,183,005	1.7124	66,646,753	1.7124
Puig Miret, Jaime	80,887,215	1.3966	54,352,762	1.3966
Consorcio Toyomarca, S.A. (Toyomarca, S.A.)	80,766,467	1.3945	54,271,625	1.3945
Somoza Mosquera, David	79,849,405	1.3786	53,655,399	1.3786
Kozma Ingenuo, Alejandro Nicolás	73,342,454	1.2663	49,283,004	1.2663
Kozma Ingenuo, Carolina María	73,342,454	1.2663	49,283,004	1.2663
Chaar, Mouada	65,881,714	1.1375	44,269,705	1.1375
Nogueroles García, María Monsterrat	63,922,281	1.1036	42,953,049	1.1036
Tracto Agro Valencia, C.A.	58,686,762	1.0133	36,020,045	0.9255
Eurobuilding Internacional, C.A.	54,913,775	0.9481	39,813,617	1.0230
Valores Agropecuarios La Florida, C.A.	53,604,655	0.9255	36,899,717	0.9481
Valores Abezur, C.A.	51,262,588	0.8851	34,446,275	0.8851
Herrera de la Sota, Mercedes de la Concepción	49,392,319	0.8528	33,189,534	0.8528
Benacerraf Herrera, Mercedes Cecilia	44,949,782	0.7761	30,204,338	0.7761
Grupo Inmobiliario Gonariz, C.A.	40,897,147	0.7061	27,481,141	0.7061
Cedeño, Eligio	40,822,221	0.7048	27,430,793	0.7048
Others	<u>1,072,941,366</u>	<u>18.5247</u>	<u>723,475,228</u>	<u>18.5890</u>
	<u>5,791,930,372</u>	<u>100.0000</u>	<u>3,891,930,372</u>	<u>100.0000</u>

b) Capital reserves

1) Legal reserve

Based on the provisions set out in its bylaws and the Law on Banking Sector Institutions, the Bank makes an appropriation to the legal reserve every 6 months equivalent to 20% of its biannual net income until the reserve reaches 50% of its capital stock. Once the legal reserve reaches this amount, the Bank's appropriation to the legal reserve will be 10% of its biannual net income until the reserve covers 100% of its capital stock. At June 30, 2019 and December 31, 2018, capital reserves include Bs 57,919 and Bs 38,919, respectively, in connection with the legal reserve.

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2) Social Contingency Fund

Resolution No. 305-11 issued by SUDEBAN on November 28, 2011 was published in the Official Gazette No. 39,820 on December 14, 2011. This Resolution relates to the “Regulations Governing the Social Contingency Fund” and establishes the guidelines to account for the social fund, in conformity with Article No. 45 of the Law on Banking Sector Institutions.

On March 23, 2012, the Bank created the social fund through an investment trust fund with Banco Exterior, C.A. Banco Universal, in conformity with Resolution No. 305-11. The Bank made the respective accounting entries with a charge to restricted investments (Note 5-d) and a credit to cash maintained with the BCV.

At June 30, 2019 and December 31, 2018, the Bank recorded the social contingency fund of Bs 228 and Bs 194, respectively, which includes capital and interest, with a charge to unappropriated surplus and a credit to capital reserves. At June 30, 2019 and December 31, 2018, capital reserves include Bs 1,490 and Bs 1,262, in respect of the Social Contingency Fund (Note 5-d).

3) Voluntary reserves

At June 30, 2019 and December 31, 2018, capital reserves include Bs 10 in respect of voluntary reserves.

c) Retained earnings

1) Restricted surplus

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

2) Restricted surplus

In compliance with SUDEBAN Resolution No. 329-99, during the six-month period ended June 30, 2019, the Bank reclassified Bs 2,066,773,702 (Bs 1,141,233,831 at December 31, 2018) to restricted surplus, equivalent to 50% of income for the six-month period, net of appropriations to reserves and income from Branch operations. At June 30, 2019 and December 31, 2018, restricted surplus amounts to Bs 3,212,981,564 and Bs 1,146,222,112, 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, 2018	4,988,281
Appropriation of 50% of income for the period	<u>1,141,233,831</u>
Balance at December 31, 2018	1,146,222,112
Capital stock increase	(14,250)
Appropriation of 50% of income for the period	<u>2,066,773,702</u>
Balance at June 30, 2019	<u>3,212,981,564</u>

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d) Exchange gain from holding foreign currency assets and liabilities

During the six-month periods ended June 30, 2019 and December 31, 2018, exchange gain from holding foreign currency assets and liabilities comprises the following:

	(In bolivars)
Balance at June 30, 2018	37,968,484
Net exchange gain (Note 4)	<u>10,985,670,374</u>
Balance at December 31, 2018	11,023,638,858
Net exchange gain (Note 4)	<u>130,498,383,410</u>
Balance at June 30, 2019	<u>141,522,022,268</u>

e) Risk-based capital ratio

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

	Required %	Maintained %	
		June 30, 2019	December 31, 2018
Total risk-based capital	11	94.81	34.13
Equity-to-total assets	7	52.73	26.81

The Law on Banking Sector Institutions requires banks to calculate total risk-based capital, which under no circumstances should be lower than 12% of their assets and risk-weighted contingent operations, according to Resolution No. 305-09 of July 9, 2009. This Resolution also establishes that banks and financial institutions shall calculate on a monthly basis, equity-to-total assets ratio by dividing the amount of equity-to-total assets plus operating results by the value of total assets, which according to Resolution No. 117.14 of August 25, 2014, shall not be less than 9%.

Through Resolution No. 004.18 of January 25, 2018, SUDEBAN decreased the equity-to-total assets ratio to 7% and total risk-based capital ratio to 11% and modified the parameters to determine primary equity (Tier I), reducing the risk-weighting of certain assets. The exceptional measures established in this Resolution are temporary and will be applicable as from the January 2018 month-end closing until January 2019, both inclusive. Through Circular SIB-II-GGR-GNP-01342 of February 4, 2019, SUDEBAN extended the urgency term of Resolution No. 004.16 until July 2019.

At June 30, 2019 and December 31, 2018, the Bank calculates the total risk-based capital ratio and capital to risk asset ratio in conformity with current regulations.

23. Balances and transactions with related companies

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

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

	June 30, 2019	December 31, 2018
	(In bolivars)	
Assets		
Cash and due from banks		
Foreign and correspondent banks for US\$7,623,443 (US\$8,275,303 at December 31, 2018)	51,202,514,746	5,267,929,839
Exchange Agreement No. 20 for US\$2,610,958 (US\$2,080,574 at December 31, 2018) (Notes 3 and 4)	<u>17,536,385,787</u>	<u>1,324,461,406</u>
	<u>68,738,900,533</u>	<u>6,592,391,245</u>
Liabilities		
Borrowings (Note 13)		
Interest-bearing checking accounts, with 0.25% annual interest	<u>103</u>	<u>103</u>
Custodian of investment securities		
Global Bonds issued by the Bolivarian Republic of Venezuela, with a par value of US\$1,287,800, maturing in October 2019 (Notes 4 and 5-b)	<u>2,006,895,576</u>	<u>191,810,844</u>

24. Social Bank Deposit Protection Fund

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

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

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

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

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

At June 30, 2019 and December 31, 2018, the biannual fee is 1 and 0.045% of the average of the Bank's assets, respectively; it is payable monthly. This fee is shown under operating expenses.

Through Resolutions Nos. 075.18 and 078.18 of September 21 and October 17, 2018, respectively, SUDEBAN set the fee at 0.045% of the average of the Bank's assets during the two months prior to the two-month period when payment of the contribution for September, October, November and December 2018 is due. Furthermore, through Resolution No. 011.19 of March 14, 2019, SUDEBAN set at 0.1% of the average of the Bank's assets during the two months prior to the two-month period when payment of the contribution is due.

26. Legal reserve

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

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Accordingly, through Resolution No. 18-11-02 of November 29, 2018, the BCV requires financial institutions to maintain a minimum legal reserve deposit at such institute equal to a percentage of their placements, deposits, liabilities and investments assigned, excluding liabilities with the BCV, FOGADE and other financial institutions; liabilities arising from funds received from the Venezuelan government, local or foreign entities to finance special programs in the country (once these funds have been allocated); liabilities arising from funds received from financial institutions to finance and promote exports as required by Law (once these funds have been allocated) and; liabilities in foreign currency resulting from its offices abroad and those resulting from transactions with other banks and financial institutions for which the latter have, in turn, created a reserve pursuant to the legal reserve regulations. Liabilities arising from resources provided by Mandatory Housing Savings Funds required under the Venezuelan Housing Loan Law and managed by financial institutions in trust funds will not be computed.

According to Resolution No. 18-11-03 issued by the BCV on November 29, 2018, financial institutions are required to maintain a special reserve, additional to the regular reserve, equivalent to 100% of the Bank's surplus reserves at August 31, 2018, to be calculated and reported on a daily basis by the BCV (Note 3). On January 21, 2019, the BCV repealed the application of the special reserve on surplus reserves.

The BCV published Resolution No. 19-01-05 in the Official Gazette on January 29, 2019 to increase the legal reserve percentage to 57% of total net liabilities and 100% of the regular reserve for marginal increases.

At June 30, 2019 and December 31, 201, the legal reserve is 100% and 50%, respectively, for marginal increases in deposits, and 57% and 31%, respectively, of the total amount of net liabilities, according to the methodology established by the BCV.

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

27. Contingencies

At June 30, 2019 and December 31, 2018, the Bank is defendant in certain legal proceedings pending final ruling. Management is not aware of any other pending tax, labor or other claim that may have a significant effect on the Bank's financial position or result of operations.

28. Maturity of financial assets and liabilities

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

	June 30, 2019							
	Maturity							
	December 31, 2019	June 30, 2020	December 31, 2020	June 30, 2021	December 31, 2021	June 30, 2022	Beyond to June 30, 2022	Total
	(In bolivars)							
Assets								
Cash and due from banks	515,425,564,254	-	-	-	-	-	-	515,425,564,254
Investment securities	49,869,954,379	35,685,083,507	6,128	4,588	7,145	-	46,429,624,462	131,984,680,209
Loan portfolio	84,472,503,555	2,153,620,041	4,745,338,449	2,183,824,012	16,986,865	409,305,652	3,949,797,154	97,931,375,728
Interest and commissions receivable	2,290,207,650	-	-	-	-	-	-	2,290,207,650
	<u>652,058,229,838</u>	<u>37,838,703,548</u>	<u>4,745,344,577</u>	<u>2,183,828,600</u>	<u>16,994,010</u>	<u>409,305,652</u>	<u>50,379,421,616</u>	<u>747,631,827,841</u>
Liabilities								
Customer deposits	489,327,873,700	1,050,097	-	-	-	-	-	489,328,923,797
Borrowings	13,814,140,269	-	-	-	-	-	-	13,814,140,269
Interest and commissions payable	539,202,581	-	-	-	-	-	-	539,202,581
	<u>503,681,216,550</u>	<u>1,050,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>503,682,266,647</u>

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	December 31, 2018							
	Maturity							
	June 30, 2019	December 31, 2019	June 30 2020	December 31, 2020	June 30, 2021	December 31, 2021	Beyond to December 31, 2021	Total
	(In bolivars)							
Assets								
Cash and due from banks	29,538,735,332	-	-	-	-	-	-	29,538,735,332
Investment securities	5,893,251,919	314	10,436,416	2,323	12,981	5,195	3,511,768,044	9,415,477,192
Loan portfolio	21,213,188,526	877,239,733	2,111,411,441	19,193,482	15,666,293	7,587,468	418,886,807	24,663,173,750
Interest and commissions receivable	650,116,173	-	-	-	-	-	-	650,116,173
	<u>57,295,291,950</u>	<u>877,240,047</u>	<u>2,121,847,857</u>	<u>19,195,805</u>	<u>15,679,274</u>	<u>7,592,663</u>	<u>3,930,654,851</u>	<u>64,267,502,447</u>
Liabilities								
Customer deposits	41,331,204,926	1,919,130,369	-	-	-	-	-	43,250,335,295
Borrowings	179,018	-	-	-	-	-	-	179,018
Interest and commissions payable	16,752,650	-	-	-	-	-	-	16,752,650
	<u>41,348,136,594</u>	<u>1,919,130,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,267,266,963</u>

29. Fair value of financial instruments

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

	June 30, 2019		December 31, 2018	
	Book	Estimated fair	Book	Estimated fair
	(In bolivars)			
Assets				
Cash and due from banks	515,425,564,254	515,425,564,254	29,519,878,105	29,519,878,105
Investment securities	131,984,680,209	131,986,879,933	9,415,477,192	9,191,583,884
Loan portfolio	84,102,221,566	84,102,221,566	20,704,422,060	20,704,422,060
Interest and commissions receivable	<u>778,899,658</u>	<u>778,899,658</u>	<u>52,083,582</u>	<u>52,083,582</u>
	<u>732,291,365,687</u>	<u>732,293,565,411</u>	<u>59,691,860,939</u>	<u>59,467,967,631</u>
Liabilities				
Customer deposits	489,328,923,797	489,328,923,797	43,250,335,295	43,250,335,295
Borrowings	13,814,140,269	13,814,140,269	179,018	179,018
Interest and commissions payable	<u>539,202,581</u>	<u>539,202,581</u>	<u>16,752,650</u>	<u>16,752,650</u>
	<u>503,682,266,647</u>	<u>503,682,266,647</u>	<u>43,267,266,963</u>	<u>43,267,266,963</u>

Short-term financial instruments

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

Investment securities

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

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.

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Customer deposits and long-term liabilities

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

30. Legally established limits for loans and investments

At June 30, 2019 and December 31, 2018, the Bank does not have loans with debtors that individually exceed 10% of its equity or with economic groups exceeding 20% of the Bank's equity and does not maintain investments or loans exceeding the limits established in the Law on Banking Sector Institutions.

31. Integration schedule of the Bank's financial statements

The integration schedule used for the preparation of the Bank's financial statements is shown below for purposes of additional analysis. This schedule shows a breakdown of operations in Venezuela and Branch operations with their respective elimination entries expressed in bolivars (Notes 2-c and 8):

Integration schedule - Balance sheet **June 30, 2019 and December 31, 2018**

	June 30, 2019				December 31, 2018			
	Operations in Venezuela	Branch operations in Curacao	Elimination entry	Total Bank, including Branch operations	Operations in Venezuela	Branch operations in Curacao	Elimination entry	Total Bank, including Branch operations
	(In bolivars)							
Assets								
Cash and due from banks	349,157,912,352	178,534,450,391	(12,266,798,489)	515,425,564,254	27,597,775,761	7,348,187,363	(5,426,085,019)	29,519,878,105
Cash	36,051,399,973	-	-	36,051,399,973	1,265,862,922	-	-	1,265,862,922
Central Bank of Venezuela	204,355,792,481	-	-	204,355,792,481	10,584,817,514	-	-	10,584,817,514
Venezuelan banks and other financial institutions	12,555,026	-	-	12,555,026	217,510,340	-	-	217,510,340
Foreign and correspondent banks	107,012,357,943	178,534,450,391	(12,266,798,489)	273,280,009,845	15,213,685,106	7,348,187,363	(5,426,085,019)	17,135,787,450
Pending cash items	1,746,154,430	-	-	1,746,154,430	334,757,106	-	-	334,757,106
(Provision for cash and due from banks)	(20,347,501)	-	-	(20,347,501)	(18,857,227)	-	-	(18,857,227)
Investment securities	<u>59,204,816,352</u>	<u>72,779,863,857</u>	<u>-</u>	<u>131,984,680,209</u>	<u>2,311,961,566</u>	<u>7,103,515,626</u>	<u>-</u>	<u>9,415,477,192</u>
Deposits with the BCV and overnight deposits	23,530,000,000	12,358,277,752	-	35,888,277,752	-	-	-	-
Investments in available-for-sale securities	2,252,008,308	35,685,074,870	-	37,937,083,178	202,515,429	3,560,268,834	-	3,762,784,263
Investments in held-to-maturity securities	11,097,712,151	23,843,416,315	-	34,941,128,466	16,475,014	3,459,717,942	-	3,476,192,956
Restricted investments	22,321,422,726	893,094,920	-	23,214,517,646	2,089,295,590	83,528,850	-	2,172,824,440
Investments in other securities	3,673,167	-	-	3,673,167	3,675,533	-	-	3,675,533
Loan portfolio	<u>57,247,622,958</u>	<u>26,854,598,608</u>	<u>-</u>	<u>84,102,221,566</u>	<u>12,855,509,238</u>	<u>7,848,912,822</u>	<u>-</u>	<u>20,704,422,060</u>
Current	62,146,432,606	26,093,343,542	-	88,239,776,148	13,121,213,485	11,350,931,912	-	24,472,145,397
Rescheduled	90	-	-	90	151	-	-	151
Overdue	19,903,858	9,671,695,632	-	9,691,599,490	52,822	190,975,380	-	191,028,202
(Allowance for losses on loan portfolio)	(4,918,713,596)	(8,910,440,566)	-	(13,829,154,162)	(265,757,220)	(3,692,994,470)	-	(3,958,751,690)
Interest and commissions receivable	<u>589,175,647</u>	<u>189,724,011</u>	<u>-</u>	<u>778,899,658</u>	<u>37,988,105</u>	<u>14,095,477</u>	<u>-</u>	<u>52,083,582</u>
Interest receivable on investment securities	1,608,016,219	44,990,982	-	1,653,007,201	5,843,505	554,619,991	-	560,463,496
Interest receivable on loan portfolio	340,699,068	294,293,108	-	634,992,176	32,409,783	57,181,836	-	89,591,619
Commissions receivable	2,208,273	-	-	2,208,273	61,058	-	-	61,058
(Provision for interest receivable and other)	(1,361,747,913)	(149,560,079)	-	(1,511,307,992)	(326,241)	(597,706,350)	-	(598,032,591)
Investments in subsidiaries, affiliates and branches	<u>74,760,619,599</u>	<u>-</u>	<u>(74,760,619,599)</u>	<u>-</u>	<u>3,851,096,749</u>	<u>-</u>	<u>(3,851,096,749)</u>	<u>-</u>
Available-for-sale assets	<u>232</u>	<u>-</u>	<u>-</u>	<u>232</u>	<u>309</u>	<u>-</u>	<u>-</u>	<u>309</u>
Property and equipment	<u>10,933,790,993</u>	<u>108,368,864</u>	<u>-</u>	<u>11,042,159,857</u>	<u>757,093,013</u>	<u>12,673,922</u>	<u>-</u>	<u>769,766,935</u>
Other assets	<u>24,962,295,665</u>	<u>394,803,384</u>	<u>-</u>	<u>25,357,099,049</u>	<u>1,709,349,234</u>	<u>45,041,272</u>	<u>-</u>	<u>1,754,390,506</u>
Total assets	<u>576,856,233,798</u>	<u>278,861,809,115</u>	<u>(87,027,418,088)</u>	<u>768,690,624,825</u>	<u>49,120,773,975</u>	<u>22,372,426,482</u>	<u>(9,277,181,768)</u>	<u>62,216,018,689</u>
Memorandum accounts								
Contingent debtor accounts	2,195,666,376	-	-	2,195,666,376	403,194,132	-	-	403,194,132
Assets received in trust	1,904,890,258	-	-	1,904,890,258	66,280,750	-	-	66,280,750
Debtor accounts from other special trust services	89,513,472	-	-	89,513,472	32,019,150	-	-	32,019,150
Other debtor memorandum accounts	471,577,846,346	144,257,213,261	-	615,835,059,607	72,265,665,319	14,262,485,371	-	86,528,150,690
	<u>475,767,916,452</u>	<u>144,257,213,261</u>	<u>-</u>	<u>620,025,129,713</u>	<u>72,767,159,351</u>	<u>14,262,485,371</u>	<u>-</u>	<u>87,029,644,722</u>

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	June 30, 2019				December 31, 2018			
	Operations in Venezuela	Branch operations in Curacao	Elimination entry	Total Bank, including Branch operations	Operations in Venezuela	Branch operations in Curacao	Elimination entry	Total Bank, including Branch operations
	(In bolivars)							
Liabilities and Equity								
Customer deposits	<u>287,931,316,824</u>	<u>201,833,270,383</u>	<u>(435,663,410)</u>	<u>489,328,923,797</u>	<u>24,857,043,020</u>	<u>18,426,605,829</u>	<u>(33,313,554)</u>	<u>43,250,335,295</u>
Demand deposits	<u>256,469,523,550</u>	-	-	<u>256,469,523,550</u>	<u>21,512,798,300</u>	-	-	<u>21,512,798,300</u>
Non-interest-bearing checking accounts	179,214,967,135	-	-	179,214,967,135	17,806,759,183	-	-	17,806,759,183
Interest-bearing checking accounts	26,075,383,845	-	-	26,075,383,845	2,008,559,501	-	-	2,008,559,501
Checking accounts under Exchange Agreement No. 20	46,981,923,839	-	-	46,981,923,839	1,324,461,406	-	-	1,324,461,406
Demand deposits and certificates	4,197,248,731	-	-	4,197,248,731	373,018,210	-	-	373,018,210
Other demand deposits	2,299,218,187	-	-	2,299,218,187	274,481,563	-	-	274,481,563
Savings deposits	29,076,720,306	170,648,768,425	(435,663,410)	199,289,825,321	3,034,215,065	14,938,537,910	(33,313,554)	17,939,439,421
Time deposits	85,854,781	31,184,501,958	-	31,270,356,739	35,548,092	3,488,067,919	-	3,523,616,011
Borrowings	<u>13,814,140,269</u>	-	-	<u>13,814,140,269</u>	<u>179,018</u>	-	-	<u>179,018</u>
Venezuelan financial institutions, up to one year	13,810,897,434	-	-	13,810,897,434	170,230	-	-	170,230
Foreign financial institutions, up to one year	3,242,835	-	-	3,242,835	8,788	-	-	8,788
Interest and commissions payable	<u>197,593,120</u>	<u>341,609,461</u>	-	<u>539,202,581</u>	<u>1,977,273</u>	<u>14,775,377</u>	-	<u>16,752,650</u>
Expenses payable on customer deposits	57,793,120	341,609,461	-	399,402,581	1,977,273	14,775,377	-	16,752,650
Expenses payable on borrowings	139,800,000	-	-	139,800,000	-	-	-	-
Accruals and other liabilities	<u>93,421,067,988</u>	<u>1,926,309,672</u>	<u>(11,831,135,079)</u>	<u>83,516,242,581</u>	<u>10,806,946,100</u>	<u>79,948,577</u>	<u>(5,392,771,515)</u>	<u>5,494,123,162</u>
Total liabilities	<u>395,364,118,201</u>	<u>204,101,189,516</u>	<u>(12,266,798,489)</u>	<u>587,198,509,228</u>	<u>35,666,145,411</u>	<u>18,521,329,783</u>	<u>(5,426,085,069)</u>	<u>48,761,390,125</u>
Equity								
Capital stock	57,919	51,041,446,934	(51,041,446,934)	57,919	38,919	4,837,700,464	(4,837,700,464)	38,919
Contributions pending capitalization	387,162	-	-	387,162	387,162	-	-	387,162
Capital reserves	59,419	58,196,675	(58,196,675)	59,419	40,191	5,516,552	(5,516,552)	40,191
Retained earnings	40,342,612,916	23,707,538,152	(23,707,538,152)	40,342,612,916	2,483,491,212	(938,825,586)	938,825,586	2,483,491,212
Adjustment from revaluation of property and equipment	463,334	-	-	463,334	463,334	-	-	463,334
Exchange gain from holding foreign currency assets and liabilities	141,522,022,268	-	-	141,522,022,268	11,023,638,858	-	-	11,023,638,858
Net unrealized loss on investments in available-for-sale securities	(373,487,421)	(46,562,162)	46,562,162	(373,487,421)	(53,431,112)	(53,294,731)	53,294,731	(53,431,112)
Total equity	<u>181,492,115,597</u>	<u>74,760,619,599</u>	<u>(74,760,619,599)</u>	<u>181,492,115,597</u>	<u>13,454,628,564</u>	<u>3,851,096,699</u>	<u>(3,851,096,699)</u>	<u>13,454,628,564</u>
Total liabilities and equity	<u>576,856,233,798</u>	<u>278,861,809,115</u>	<u>(87,027,418,088)</u>	<u>768,690,624,825</u>	<u>49,120,773,975</u>	<u>22,372,426,482</u>	<u>(9,277,181,768)</u>	<u>62,216,018,689</u>

Banco Nacional de Crédito, C.A, Banco Universal

Notes to the financial statements

June 30, 2019 and December 31, 2018

Integration schedule - Income statement

Six-month periods ended June 30, 2019 and December 31, 2018

	June 30, 2019				December 31, 2018			
	Operations in Venezuela	Branch operations in Curacao	Elimination entry	Total Bank, including Branch operations	Operations in Venezuela	Branch operations in Curacao	Elimination entry	Total Bank, including Branch operations
	(In bolivars)							
Interest income	<u>22,783,244,107</u>	<u>11,029,981,313</u>	-	<u>33,813,225,420</u>	<u>1,321,456,898</u>	<u>656,784,617</u>	<u>(29,101,565)</u>	<u>1,949,139,950</u>
Income from cash and due from banks	49,226,713	17,494,821	-	66,721,534	80,411	3,994,390	-	4,074,801
Income from investment securities	4,190,782,616	1,254,662,798	-	5,445,445,414	8,539,740	273,194,697	(29,101,565)	252,632,872
Income from loan portfolio	18,387,814,765	5,031,555,585	-	23,419,370,350	1,311,191,618	267,631,471	-	1,578,823,089
Income from other accounts receivable	691,179	4,726,268,109	-	4,726,959,288	1,645,129	111,964,059	-	113,609,188
Other interest income	154,728,834	-	-	154,728,834	-	-	-	-
Interest expense	<u>(5,520,082,472)</u>	<u>(403,019,289)</u>	-	<u>(5,923,101,761)</u>	<u>(75,106,197)</u>	<u>(44,947,118)</u>	-	<u>(120,053,315)</u>
Expenses from customer deposits	(2,356,989,817)	(403,019,289)	-	(2,760,009,106)	(70,932,856)	(44,947,118)	-	(115,879,974)
Expenses from borrowings	(2,537,452,410)	-	-	(2,537,452,410)	(2,723,211)	-	-	(2,723,211)
Other interest expense	(625,640,245)	-	-	(625,640,245)	(1,450,130)	-	-	(1,450,130)
Gross financial margin	<u>17,263,161,635</u>	<u>10,626,962,024</u>	-	<u>27,890,123,659</u>	<u>1,246,350,701</u>	<u>611,837,499</u>	<u>(29,101,565)</u>	<u>1,829,086,635</u>
Income from financial assets recovered	148,571,448	34,727,871,586	-	34,876,443,034	5,118	-	-	5,118
Expenses from uncollectible loans and other accounts receivable	(6,013,919,891)	(5,183,635,677)	-	(11,197,555,568)	(257,460,839)	(253,001,224)	-	(510,462,063)
Expenses from provision for cash and due from banks	(153,326,347)	-	-	(153,326,347)	(18,857,227)	-	-	(18,857,227)
Net financial margin	<u>11,244,486,845</u>	<u>40,171,197,933</u>	-	<u>51,415,684,778</u>	<u>970,037,753</u>	<u>358,836,275</u>	<u>(29,101,565)</u>	<u>1,299,772,463</u>
Other operating income	79,441,886,094	2,203,149,600	(47,963,683,440)	33,681,352,254	1,691,815,180	59,050,034	(708,260,436)	1,042,604,778
Other operating expenses	(21,738,991,984)	(7,534,894,334)	14,129,595,949	(15,144,290,369)	(697,244,406)	(138,334,787)	517,231,939	(318,347,254)
Financial intermediation margin	<u>68,947,380,955</u>	<u>34,839,453,199</u>	<u>(33,834,087,491)</u>	<u>69,952,746,663</u>	<u>1,964,608,527</u>	<u>279,551,522</u>	<u>(220,130,062)</u>	<u>2,024,029,987</u>
Operating expenses	<u>(23,771,771,833)</u>	<u>(965,509,052)</u>	-	<u>(24,737,280,885)</u>	<u>(1,271,398,309)</u>	<u>(79,357,089)</u>	-	<u>(1,350,755,398)</u>
Salaries and employee benefits	(5,945,463,361)	(306,449,958)	-	(6,251,913,319)	(405,988,671)	(27,280,897)	-	(433,269,568)
General and administrative expenses	(17,097,871,081)	(659,059,094)	-	(17,756,930,175)	(849,620,170)	(52,076,192)	-	(901,696,362)
Fees paid to the Social Bank Deposit Protection Fund	(165,964,048)	-	-	(165,964,048)	(4,724,076)	-	-	(4,724,076)
Fees paid to the Superintendency of Banking Sector Institutions	(562,473,343)	-	-	(562,473,343)	(11,065,392)	-	-	(11,065,392)
Gross operating margin	<u>45,175,609,122</u>	<u>33,873,944,147</u>	<u>(33,834,087,491)</u>	<u>45,215,465,778</u>	<u>693,210,218</u>	<u>200,194,433</u>	<u>(220,130,062)</u>	<u>673,274,589</u>
Income from available-for-sale assets	-	-	-	-	4,134,816	(8,818,669)	29,101,585	24,417,732
Sundry operating income	922,647,142	2,680,940	-	925,328,082	474,446	1,244,434	-	1,718,880
Expenses from available-for-sale assets	(35,420,678)	-	-	(35,420,678)	(1,105,090)	-	-	(1,105,090)
Sundry operating expenses	(3,852,890,494)	(27,873,290)	-	(3,880,763,784)	(188,033,440)	-	-	(188,033,440)
Net operating margin	<u>42,209,945,092</u>	<u>33,848,751,797</u>	<u>(33,834,087,491)</u>	<u>42,224,609,398</u>	<u>508,680,950</u>	<u>192,620,198</u>	<u>(191,028,477)</u>	<u>510,272,671</u>
Extraordinary expenses	(10,416,002)	-	-	(10,416,002)	(7,006,015)	-	-	(7,006,015)
Extraordinary income	7,237,343	-	-	7,237,343	2,050,084,700	-	-	2,050,084,700
Gross income before tax	<u>42,206,766,433</u>	<u>33,848,751,797</u>	<u>(33,834,087,491)</u>	<u>42,221,430,739</u>	<u>2,551,759,635</u>	<u>192,620,198</u>	<u>(191,028,477)</u>	<u>2,553,351,356</u>
Income tax	(4,239,112,538)	(14,664,306)	-	(4,253,776,844)	(78,261,477)	(1,591,721)	-	(79,853,198)
Net income	<u>37,967,653,895</u>	<u>33,834,087,491</u>	<u>(33,834,087,491)</u>	<u>37,967,653,895</u>	<u>2,473,498,158</u>	<u>191,028,477</u>	<u>(191,028,477)</u>	<u>2,473,498,158</u>