

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

Independent Auditor's Report and Financial Statements
June 30, 2020

Independent Auditor's Report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Banco Nacional de Crédito, C.A., Banco Universal (the Bank) as at June 30, 2020 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, 2020;
- the income statement for the six-month period then ended;
- the statement of changes in equity for the six-month period then ended;
- the cash flow statement for the six-month period then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for our opinion

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

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

Independence

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Allowance for losses on loan portfolio The estimate of the allowance for losses on loan portfolio requires management's judgment in the preparation of the financial statements at June 30, 2020.</p> <p>In accordance with the accounting rules and instructions of the SUDEBAN, the Bank maintains a minimum general 1% allowance of the loan portfolio balance, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance, and an additional countercyclical allowance equivalent to 0.75% of the gross loan portfolio balance. The Bank may set aside any additional general allowances deemed necessary.</p> <p>Similarly, a specific provision is determined for debtors with certain characteristics, which is calculated based on SUDEBAN accounting rules and instructions.</p> <p>As indicated in Note 2-e, the Bank performs a monthly review of its loan portfolio and contingent loans to determine the specific allowance for possible losses on each loan. This review takes into account factors such as economic conditions, client credit risk and credit history. Moreover, each month, the Bank calculates an allowance for losses on loans not individually reviewed, equivalent to the risk percentage resulting from the specific review of loans.</p>	<p>Our main audit procedures were focused on gaining an understanding and assessing the process conducted by Bank management to estimate the allowance for losses on loan portfolio.</p> <p>Regarding internal control, we have focused on the design and operability of the following processes:</p> <ul style="list-style-type: none">• We assessed the design and tested the operating effectiveness of key controls associated with the loan portfolio cycle.• We assessed the Bank's methodology used to determine the allowance for losses on loan portfolio, considering SUDEBAN requirements. <p>For the allowance for losses of the assessed loan portfolio we:</p> <ul style="list-style-type: none">• Conducted a detailed review of the 500 largest debtors (99% of total loans at June 30, 2020), including financial and credit quality information of each debtor, and analysis and quality of guarantees granted on loans.• Assessed and recalculated the sufficiency of the countercyclical, general and specific allowances in accordance with SUDEBAN rules and instructions.• Assessed and analyzed the considerations of Bank management regarding Resolution No. 008.20 issued by SUDEBAN on March 23, 2020, in connection with special rules for loans granted before the state of alarm due to the COVID-19 world pandemic. <p>The results of our audit procedures did not reveal any difference or error out of an established reasonable range.</p>

Key audit matter

Information systems

The Bank's financial information is highly dependent on information systems; therefore, adequate control of these systems is key to ensure the correct processing of information.

Bank management has defined an information technology structure responsible for the internal control of operations conducted through the information technology systems.

How our audit addressed the key audit matter

Our work consisted in assessing general controls considered in the areas of technology and information security. We also assessed internal control in connection with automated processing through the use of information systems, servers and applications supporting relevant business processes, with a material impact on the Bank's financial information.

To this end, we conducted internal control procedures related to:

- Access control and segregation of functions on applications and servers that process and generate relevant financial information, as well as segregation of development, testing and production environments.
- Change management and software development.
- Effective operation of the technological infrastructure and assessment of availability, integrity and safeguarding of financial information.
- Assessment of automated controls on relevant processes through control tests and support with computer assisted audit tests (CAAT).

The results of our audit procedures did not reveal any relevant observation on these matters.

Emphasis on matters

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

We draw attention to Note 26 of the accompanying financial statements, indicating that in accordance with the Central Bank of Venezuela (BCV) at June 30, 2020, banks are required to maintain a minimum 93% legal reserve on net obligations and assigned investments. Furthermore, the cost of the deficit maintained by banks on the required legal reserve will be 138%. This measure may limit the Bank's financial intermediation.

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

These matters have no impact on our audit opinion.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Pacheco, Apostólico y Asociados
(PricewaterhouseCoopers)

Reinaldo Emilio Alvarado Ch.
CPC 54341
CP 790
SNV 22

August 18, 2020

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

Balance sheet

June 30, 2020 and December 31, 2019

	June 30, 2020	December 31, 2019
	(In bolivars)	
Assets		
Cash and due from banks	<u>17,194,990,315,044</u>	<u>2,901,981,046,768</u>
Cash (Notes 3 and 4)	8,588,653,125,988	650,367,652,783
Central Bank of Venezuela (Notes 3, 4 and 26)	3,544,001,214,117	1,143,882,269,317
Venezuelan banks and other financial institutions	12,892,551,100	8,017,261,645
Foreign and correspondent banks (Note 4)	5,067,648,930,897	1,089,528,375,016
Pending cash items (Note 3)	1,165,624,445	10,185,488,007
(Provision for cash and due from banks)	(19,371,131,503)	-
Investment securities (Note 5)	<u>1,635,605,352,981</u>	<u>711,979,501,301</u>
Deposits with the BCV and overnight deposits	355,300,000,000	-
Investments in available-for-sale securities	258,590,987	163,152,774,689
Investments in held-to-maturity securities	566,032,819,563	386,577,013,500
Restricted investments	714,010,278,550	162,246,043,140
Investments in other securities	3,663,881	3,669,972
Loan portfolio (Note 6)	<u>4,507,311,042,457</u>	<u>880,651,372,809</u>
Current	4,544,937,926,608	936,300,544,529
Overdue	305,918,601,637	14,057,662,723
(Allowance for losses on loan portfolio)	(343,545,485,788)	(69,706,834,443)
Interest and commissions receivable (Note 7)	<u>32,567,662,523</u>	<u>3,761,907,553</u>
Interest receivable on investment securities	378,248,786,014	70,741,532,425
Interest receivable on loan portfolio	35,081,960,318	5,131,172,003
Commissions receivable	128,231,650	15,419,900
(Provision for interest receivable and other)	(380,891,315,459)	(72,126,216,775)
Investments in affiliates (Note 9)	<u>22,438,720,334</u>	<u>5,103,898,941</u>
Available-for-sale assets	<u>490</u>	<u>659</u>
Property and equipment (Note 10)	<u>299,324,608,049</u>	<u>129,912,075,084</u>
Other assets (Note 11)	<u>1,253,767,633,614</u>	<u>281,786,560,646</u>
Total assets	<u>24,946,005,335,492</u>	<u>4,915,176,363,761</u>
Memorandum accounts (Note 20)		
Contingent debtor accounts	161,428,307,449	38,506,979,448
Assets received in trust	76,276,952,128	18,240,524,452
Debtor accounts from other special trust services	701,228,128	187,043,179
Other debtor memorandum accounts	<u>13,711,418,309,827</u>	<u>3,027,864,904,684</u>
	<u>13,949,824,797,532</u>	<u>3,084,799,451,763</u>

The notes on pages 6 to 64 are an integral part of the financial statements

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

Balance sheet

June 30, 2020 and December 31, 2019

	June 30, 2020	December 31, 2019
	(In bolivars)	
Liabilities and Equity		
Customer deposits (Note 12)	<u>16,713,319,455,211</u>	<u>3,100,538,878,186</u>
Demand deposits	<u>11,656,079,008,373</u>	<u>1,844,076,451,366</u>
Non-interest-bearing checking accounts	2,479,342,033,612	892,714,430,313
Checking accounts as per the free convertibility exchange market system	8,585,997,053,578	791,793,731,467
Interest-bearing checking accounts	493,356,256,143	93,086,089,598
Checking accounts under Exchange Agreement No. 20	778,438,095	45,986,107,367
Demand deposits and certificates	96,605,226,945	20,496,092,621
Other demand deposits	69,699,540,388	22,388,277,328
Savings deposits	4,294,879,204,042	1,211,755,656,231
Time deposits	692,661,702,408	22,318,493,261
Borrowings (Note 13)	<u>191,241,473,127</u>	<u>107,378,930,892</u>
Venezuelan financial institutions, up to one year	154,949,101,157	107,377,418,194
Foreign financial institutions, up to one year	36,292,371,970	1,512,698
Interest and commissions payable (Note 14)	<u>4,860,551,311</u>	<u>1,695,003,938</u>
Expenses payable on customer deposits	4,344,217,978	782,512,243
Expenses payable on borrowings	516,333,333	912,491,695
Accruals and other liabilities (Note 15)	<u>2,149,808,648,511</u>	<u>532,029,100,904</u>
Total liabilities	<u>19,059,230,128,160</u>	<u>3,741,641,913,920</u>
Equity (Note 22)		
Capital stock	57,919	57,919
Contributions pending capitalization	387,162	387,162
Capital reserves	59,999	59,709
Retained earnings	399,421,235,564	98,165,066,305
Adjustment from revaluation of property and equipment	463,334	463,334
Exchange gain from holding foreign currency assets and liabilities	5,261,434,989,438	1,068,825,150,738
Net unrealized loss on investments in available-for-sale securities (Note 5-b)	(6,181,387,325)	(1,010,003,254)
Variation of commercial loans granted through UVCC and UVCP (Note 6)	<u>232,099,401,241</u>	<u>7,553,267,928</u>
Total equity	<u>5,886,775,207,332</u>	<u>1,173,534,449,841</u>
Total liabilities and equity	<u>24,946,005,335,492</u>	<u>4,915,176,363,761</u>

The notes on pages 6 to 64 are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Income statement
Six-month periods ended June 30, 2020 and December 31, 2019

	June 30, 2020	December 31, 2019
	(In bolivars)	
Interest income	<u>758,616,951,788</u>	<u>179,340,671,160</u>
Income from cash and due from banks	460,134,344	1,832,851,729
Income from investment securities (Note 5-a)	151,942,611,008	36,979,018,089
Income from loan portfolio (Note 6)	570,297,596,657	107,930,834,930
Income from other accounts receivable (Notes 12)	35,916,609,779	30,867,019,161
Other interest income	-	1,730,947,251
Interest expense	<u>(155,943,957,707)</u>	<u>(26,667,547,789)</u>
Expenses from customer deposits	(79,458,645,901)	(16,139,947,066)
Expenses from borrowings	(38,892,153,635)	(7,234,054,426)
Other interest expense (Note 26)	(37,593,158,171)	(3,293,546,297)
Gross financial margin	<u>602,672,994,081</u>	<u>152,673,123,371</u>
Income from financial assets recovered (Note 5)	265,276	978,073,591
Expenses from uncollectible loans and other accounts receivable (Notes 6, 7, 11 and 15)	(110,388,714,421)	(15,249,161,910)
Expenses from provision for cash and due from banks	(19,371,131,503)	-
Net financial margin	<u>472,913,413,433</u>	<u>138,402,035,052</u>
Other operating income (Note 17)	734,527,422,221	195,757,771,054
Other operating expenses (Note 18)	(173,890,098,083)	(71,677,280,264)
Financial intermediation margin	<u>1,033,550,737,571</u>	<u>262,482,525,842</u>
Operating expenses	<u>(684,630,579,526)</u>	<u>(169,230,026,644)</u>
Salaries and employee benefits (Note 2-j)	(167,965,734,714)	(39,930,001,239)
General and administrative expenses (Note 19)	(485,971,677,910)	(124,054,281,517)
Fees paid to the Social Bank Deposit Protection Fund (Note 24)	(8,540,248,448)	(1,652,904,305)
Fees paid to the Superintendency of Banking Sector Institutions (Note 25)	(22,152,918,454)	(3,592,839,583)
Gross operating margin	<u>348,920,158,045</u>	<u>93,252,499,198</u>
Sundry operating income	2,770,122,316	2,846,120,022
Expenses from available-for-sale assets	(1,583,106,614)	(123)
Sundry operating expenses (Note 18)	(12,686,027,942)	(18,249,941,172)
Net operating margin	<u>337,421,145,805</u>	<u>77,848,677,925</u>
Extraordinary expenses	(61,155,723)	(48,184,471)
Extraordinary income (Note 10)	54,514,567	63,800,000
Gross income before tax	<u>337,414,504,649</u>	<u>77,864,293,454</u>
Wealth tax (Note 16)	(30,000,000,000)	(1,366,673,416)
Income tax (Note 16)	(6,158,335,100)	(18,675,166,359)
Net income	<u>301,256,169,549</u>	<u>57,822,453,679</u>
Appropriation of net income		
Retained earnings	<u>301,256,169,549</u>	<u>57,822,453,679</u>
Provision for the Antidrug Law (Notes 1 and 18)	<u>3,763,227,362</u>	<u>784,609,226</u>

The notes on pages 6 to 64 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, 2020 and December 31, 2019

	Paid-in capital stock	Share premium and contributions pending capitalization	Capital reserves	Retained earnings				Adjustment from revaluation of property and equipment	Exchange gain from holding foreign currency assets and liabilities	Net unrealized loss on investment securities (Note 5)	Variation of commercial loans granted through UVCC	Total equity	
				Unappropriated surplus	Restricted surplus	Non-distributable surplus	Cumulative loss						Total
Balances at June 30, 2020	57,919	387,162	59,419	3,106,122,999	3,212,981,564	34,025,116,857	(1,608,504)	40,342,612,916	463,334	141,522,022,268	(373,487,421)	-	181,492,115,597
Adjustment of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	-	-	(636,515,833)	-	(636,515,833)
Exchange gain, net (Note 4)	-	-	-	-	-	-	-	-	-	927,303,128,470	-	-	927,303,128,470
Increase resulting from the variation of principal of commercial loans granted through UVCC (Note 6)	-	-	-	-	-	-	-	-	-	-	-	25,963,094,413	25,963,094,413
Income charged to the income statement from the variation of loans collected and granted through UVCC (Note 6)	-	-	-	-	-	-	-	-	-	-	-	(18,409,826,485)	(18,409,826,485)
Net income	-	-	-	57,822,453,679	-	-	-	57,822,453,679	-	-	-	-	57,822,453,679
Creation of the Social Contingency Fund (Note 22)	-	-	290	(290)	-	-	-	(290)	-	-	-	-	-
Reclassification of net income of the Curacao Branch (Notes 8 and 22)	-	-	-	(23,503,046,109)	-	23,503,046,109	-	-	-	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 22)	-	-	-	(17,159,703,785)	17,159,703,785	-	-	-	-	-	-	-	-
Balances at December 31, 2019	57,919	387,162	59,709	20,265,826,494	20,372,685,349	57,528,162,966	(1,608,504)	98,165,066,305	463,334	1,068,825,150,738	(1,010,003,254)	7,553,267,928	1,173,534,449,841
Adjustment of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	-	-	(5,171,384,071)	-	(5,171,384,071)
Exchange gain, net (Note 4)	-	-	-	-	-	-	-	-	-	4,192,809,838,700	-	-	4,192,809,838,700
Increase resulting from the variation of principal of commercial loans granted through UVCC (Note 6)	-	-	-	-	-	-	-	-	-	-	-	626,915,665,524	626,915,665,524
Income charged to the income statement from the variation of loans collected and granted through UVCC (Note 6)	-	-	-	-	-	-	-	-	-	-	-	(402,369,532,211)	(402,369,532,211)
Net income	-	-	-	301,256,169,549 ^a	-	-	-	301,256,169,549 ^a	-	-	-	-	301,256,169,549
Creation of the Social Contingency Fund (Note 22)	-	-	290	(290)	-	-	-	(290)	-	-	-	-	-
Reclassification of net income of the Curacao Branch (Notes 8 and 22)	-	-	-	(16,368,383,862)	-	16,368,383,862	-	-	-	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 22)	-	-	-	(142,443,892,844)	142,443,892,844	-	-	-	-	-	-	-	-
Balances at June 30, 2020	<u>57,919</u>	<u>387,162</u>	<u>59,999</u>	<u>162,709,719,047</u>	<u>162,816,578,193</u>	<u>73,896,546,828</u>	<u>(1,608,504)</u>	<u>399,421,235,564</u>	<u>463,334</u>	<u>5,261,434,989,438</u>	<u>(6,181,387,325)</u>	<u>232,099,401,241</u>	<u>5,886,775,207,332</u>

Net income per share (Note 2-n)

	Six-month periods ended	
	June 30, 2020	December 31, 2019
Weighted average of outstanding shares	5,791,930,372	5,791,930,372
Income per share	<u>52.013</u>	<u>9.983</u>

The notes on pages 6 to 64 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, 2020 and December 31, 2019

	June 30, 2020	December 31, 2019
	(In bolivars)	
Cash flows from operating activities		
Net income	301,256,169,549	57,822,453,679
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Loss on impairment of investment securities (Note 5-b and 5-c)	26,724,841,076	14,929,486,836
Income from amortization of discounts on investments in held-to-maturity securities (Note 5-c)	(35,562,268,911)	(3,677,689,271)
Provision for cash and due from banks	19,371,131,503	-
Allowance for losses on loan portfolio (Note 6)	63,942,944,823	5,088,700,230
Provision for contingent loans (Note 15)	1,104,501,130	326,297,443
Release of allowance for losses on loan portfolio (Note 6)	-	(934,735,998)
Provision for interest receivable (Notes 7 and 11)	45,341,268,468	9,834,164,237
Provision for other assets (Note 11)	-	4,065,853,527
Depreciation of property and equipment (Note 10)	5,589,478,197	1,247,302,591
Amortization of deferred charges (Note 11)	6,482,771,986	1,016,227,548
Accrual for length-of-service benefits	14,290,191,288	1,309,066,542
Transfers to trust fund and payment of length-of-service benefits	(2,489,205,011)	(972,010,769)
Income tax provision (Note 16)	32,136,354,583	14,181,773,688
Deferred income tax (Note 16)	(25,978,019,484)	4,493,392,671
Law on Wealth Tax (Note 16)	30,000,000,000	-
Net change in		
Overnight deposits	(355,300,000,000)	51,427,254,748
Interest and commissions receivable	(59,210,755,637)	8,027,121,992
Other assets	(715,137,577,624)	(277,760,160,531)
Accruals and other liabilities	<u>(600,323,974,237)</u>	<u>270,557,949,174</u>
Net cash provided by (used in) operating activities	<u>(1,247,762,148,301)</u>	<u>160,982,448,337</u>
Cash flows from financing activities		
Net change in		
Customer deposits	5,998,343,626,112	1,037,761,912,666
Borrowings	81,446,026,514	93,564,790,623
Interest and commissions payable	<u>2,931,626,226</u>	<u>1,088,177,109</u>
Net cash provided by financing activities	<u>6,082,721,278,852</u>	<u>1,132,414,880,398</u>
Cash flows from investing activities		
Loans granted during the period	(4,844,928,387,990)	(992,771,655,416)
Loans collected during the period	3,814,816,291,060	517,826,620,971
Net change in		
Investments in available-for-sale securities	271,584,338,416	54,997,976,496
Investments in held-to-maturity securities	1,329,284,077,347	(94,126,291,484)
Restricted investments	(877,473,706)	(620,358,410)
Investments in other securities	6,091	3,195
Investments in affiliates	-	(5,103,898,941)
Property and equipment (Note 10)	<u>(173,069,134,391)</u>	<u>(119,475,424,054)</u>
Net cash provided by (used in) investing activities	<u>396,809,716,827</u>	<u>(639,273,027,643)</u>
Cash and due from banks		
Net change in cash and cash equivalents	5,231,768,847,378	654,124,301,092
Provision for cash and due from banks	(19,371,131,503)	-
Exchange gain	9,080,611,552,401	1,732,431,181,422
At the beginning of the period	<u>2,901,981,046,768</u>	<u>515,425,564,254</u>
At the end of the period	<u>17,194,990,315,044</u>	<u>2,901,981,046,768</u>
Supplementary information on non-cash activities		
Write-off of uncollectible loans (Note 6)	8,182,882	399,741,821
Write-off of uncollectible loans (interest) (Note 7)	1,427,149	176,421
Reclassification of excess in (Notes 6, 7 and 11)		
Interest receivable to allowance for losses on loan portfolio	2,550,499,956	(661,449,398)
Interest receivable to other assets	(3,608,392,288)	18,638,097,530
Change in net unrealized loss on investments in available-for-sale securities (Note 5-b)	(5,171,384,071)	(636,515,833)
Increase from measurement of commercial loans receivable granted through UVCC and UVCP	626,915,665,524	25,963,094,413
Decrease from collection of commercial loans receivable granted through UVCC and UVCP	(402,369,532,211)	(18,409,826,485)
Exchange gain, net, recorded in equity	<u>4,192,609,838,700</u>	<u>927,303,128,470</u>
Cash and due from banks	9,080,611,552,401	1,732,431,181,422
Loan portfolio	2,435,944,384,059	317,543,364,131
Investment securities		
Overnight deposits	-	15,538,976,996
Investments in available-for-sale securities	113,861,538,785	184,992,817,836
Investments in held-to-maturity securities	1,499,902,455,575	264,618,757,119
Restricted investments	550,886,761,704	138,411,167,084
Investments in affiliates	17,334,821,393	-
Interest and commissions receivable	14,936,267,801	2,160,060,137
Other assets	263,326,267,330	3,097,065,526
Property and equipment (Note 10)	1,932,876,771	641,793,764
Customer deposits	(7,614,436,950,913)	(1,573,448,041,723)
Accruals and other liabilities	(2,169,039,699,338)	(158,616,389,574)
Interest and commissions payable	(233,921,147)	(67,624,248)
Borrowings	(2,416,515,721)	-

The notes on pages 6 to 64 are an integral part of the financial statements

Banco Nacional de Crédito, C.A, Banco Universal

Notes to the financial statements

June 30, 2020 and December 31, 2019

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, 2020 and December 31, 2019, the Bank has 153 and 159 agencies and external counters, respectively, a branch in Curacao, a main office, and 2,010 and 2,296 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, 2020 and December 31, 2019 were approved for issue by the Board of Directors on July 8, and January 8, 2020, respectively.

Branch in Curacao

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

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

Trust fund

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

Regulatory environment

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

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

Law of the National Financial System

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

Single National Productive Portfolio

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

Central Bank of Venezuela (BCV)

Deposit and lending rates are regulated by the BCV. The BCV sets maximum and minimum interest rates for deposits and credit operations based on reference rates. In this regard, the annual interest rate for credit card transactions shall range from 17% to 38% at June 30, 2020 and December 31, 2019, the maximum rate to be charged on amounts overdue from cardholders shall be 3% per annum.

At June 30, 2020 and December 31, 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 checking accounts, leasing, international, and credit and debit card transactions.

On September 5, 2019, the BCV issued Resolution No. 19-09-01, to establish that as from October 28, 2019 commercial loans granted by banks in local currency must be expressed only through the use of the Commercial Credit Value Unit (UVCC), which results from dividing the amount in bolivars of the loan settled by the investment index in effect at the settlement date; this index shall be determined by the BCV considering the reference exchange rate variation, and shall be published on a daily basis on its web page.

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Furthermore, the BCV established that banks shall charge their clients for lending operations in local currency through the use of UVCC a minimum and maximum annual interest rate of 4% and 6%, respectively; the flat commission shall not exceed 0.5% of the loan amount. Likewise, if the investment index at the date of loan grant is lower than the one in effect at the settlement date, the amount payable shall be calculated using the investment index in effect at the settlement date.

Excluded from this Resolution are lending operations in respect of credit cards, microcredits, commercial loans in installments to be granted to individuals (payroll loans), and loans granted to employees and directors of banks. Also excluded are financing within regimes regulated by special laws and commercial loans granted prior to the effectiveness of the Resolution, which will be maintained under the conditions agreed upon until full repayment.

On February 20, 2020, the BCV issued Resolution No. 20-02-01, which maintains the aspects of repealed Resolution No. 19-01-01. Under Resolution No. 20-02-01, loans granted by banking institutions within the framework of the single national productive portfolio will be expressed only in terms of the Productive Credit Value Unit (UVCP), which results from dividing the amount in bolivars of the loan settled by the investment index in effect at the settlement date.

This type of loan has a special 20% charge upon loan settlement, which will also be expressed in terms of UVCP, and will be deducted from the debtor balance upon loan settlement.

At June 30, 2020 and December 31, 2019, the official investment index is Bs 989.19/IDI1 and Bs 224.28/IDI1, respectively.

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 period ended June 30, 2020, the Bank recorded expenses in this connection of Bs 2,411 million, 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, 2020 and December 31, 2019, the Bank recorded expenses in this connection of Bs 3,763 million and Bs 785 million, respectively, included under sundry operating expenses (Note 18).

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, 2020 and December 31, 2019, the Bank recorded expenses in this connection of Bs 2,611 million and Bs 350 million, respectively, included within sundry operating expenses (Note 18).

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.

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June 30, 2020 and December 31, 2019

Global pandemic

At the end of 2019, news from China reported a new disease caused by a virus (COVID-19). By the end of that year, a limited number of cases infected by an unknown virus had been reported to the World Health Organization (WHO). In the first months of 2020, the virus spread worldwide, and the WHO declared a global pandemic. This situation has affected economic activities worldwide and locally, representing potential economic impacts on entities' financial statements. Venezuela has also been affected and in March 2020, the Venezuelan government decreed a state of alarm in response to the COVID-19 health emergency. The decree includes restrictions on movement in certain geographical areas within the country and the suspension of work activities, except for those considered essential. The Bank is currently unable to assess the impact that measures taken by local and foreign authorities to contain the spread of COVID-19 may have on its future financial position or results of operations. However, Bank management is aware of the future negative impact that this event may have on its financial statements.

On March 23, 2020, within the framework of the state of alarm in response to the COVID-19 health emergency, the Venezuelan government enacted economic protection measures. These measures include the implementation of a special regime for repayment of current loans in the national banking system that allows debtors to alleviate their financial situation to confront the extraordinary impact resulting from the world crisis generated by the COVID-19 spread. This regime will be developed on the following bases:

- a. It will apply to all types of loans granted by banking sector institutions, current and fully or partially settled at March 13, 2020.
- b. It extends to all payments of principal and interest, restructuring terms and any other clause contained in the loan agreements.
- c. It may order the suspension of payments, which includes the suspension of enforceability of payments and compliance with any other condition related to the suspended payments, for periods of up to 180 days.
- d. Certain special conditions may be established for specific loan categories.
- e. Parties may not establish late payment interest or immediate enforceability of full or partial loan payment at the end of the suspension term.
- f. Loans granted under UVCC or UVCP will maintain their principal calculation method during the suspension term, but will be payable under the new conditions.

SUDEBAN Resolution No. 008.20 establishes the rules in connection with the special conditions for loans granted before the economic measures, taken within the framework of the COVID-19 health emergency, took effect. This resolution establishes:

1. Beneficiaries of current commercial loans, as well as those of the single national productive portfolio, expressed in UVCC and UVCP, respectively, fully or partially settled until March 13, 2020, who are affected by the suspension of their commercial activities and have not generated sufficient income from the sale of goods or provision of services, may request restructuring of principal and interest payments for up to six months as from the issue of this Resolution. Debtors may address to the bank a justified request for debt restructuring, together with a payment plan based on their financial capacity.
2. Loans restructured within the framework of this Resolution may continue to be recorded under current loan portfolio, together with their corresponding interest receivable.

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June 30, 2020 and December 31, 2019

At June 30, 2020, the Bank maintains four loans granted through UVCC for Bs 126,000 million, which were restructured under this regime.

2. Basis of preparation

The accompanying financial statements at June 30, 2020 and December 31, 2019 have been prepared based on the accounting rules and instructions of SUDEBAN included in the Accounting Manual for Banks (the Accounting Manual), which differ in certain material respects from accounting principles generally accepted in Venezuela (VEN NIF) published by the Venezuelan Federation of Public Accountants (FCCPV), of mandatory application in Venezuela as from January 1, 2008. VEN NIF are mainly based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for certain criteria concerning adjustments for inflation, the valuation of foreign currency assets and liabilities and recognition of deferred tax liabilities, among others.

Through Resolution No. 648-10 of December 28, 2010, SUDEBAN deferred the presentation of consolidated or combined financial statements prepared under VEN NIF as supplementary information and established that, until otherwise stated, consolidated or combined financial statements and their notes must continue to be presented as supplementary information in accordance with generally accepted accounting principles in effect at December 31, 2007 (VEN GAAP). Through Circular SIB-II-GGR-GNP-02708 of May 18, 2020, SUDEBAN deferred presentation of the supplementary financial statements at June 30, 2020, prepared under generally accepted accounting principles, effective at December 31, 2007 (PCGA-Ven), and inflation-adjusted financial statements; this supplementary information will be presented for purposes of comparison with the information at the end of the first semester of 2020.

At June 30, 2020 and December 31, 2019, 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

In accordance with the Accounting Manual, the financial statements of banking institutions are shown in nominal bolivars. VEN NIF require that the effects of inflation on the financial statements be recognized, provided that inflation for the year exceeds one digit. SUDEBAN has stipulated that inflation-adjusted financial statements must be provided as supplementary information.

2) Functional and presentation currency

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

3) Other comprehensive income

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

Banco Nacional de Crédito, C.A, Banco Universal

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June 30, 2020 and December 31, 2019

4) Cash equivalents

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

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

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

6) Permanent losses on investment securities

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

7) Investments in other securities

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

8) 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

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

9) 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.

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10) Rescheduled loan portfolio

The Accounting Manual establishes that loans whose original repayment schedule, term, or other conditions have been modified at the request of the debtor must be reclassified within rescheduled loans. In addition, the Accounting Manual establishes that loans classified as overdue must be written off within 24 months after inclusion in this category. Loans in litigation must be fully provided for after 24 months in the in-litigation category. In addition, overdue monthly loan installments that have been repaid must be classified to the category to which they pertained before being classified as overdue. Likewise, when a debtor repays pending loan installments of a loan in litigation, thereby terminating the lawsuit, the loan must be reclassified to the category to which it pertained before being classified as in litigation or overdue. VEN NIF do not establish specific accounting criteria; however, any measurement of expected credit losses from a financial instrument shall reflect: a) an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes; b) the time value of money; and c) reasonable and supportable information, that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

11) 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.

12) 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.

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) Leases

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

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15) 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.

16) 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.

17) Deferred tax

The Bank computes a deferred tax asset or liability in respect of temporary differences between the tax base and carrying amounts in the financial statements, except for provisions for losses on high risk or unrecoverable loans, which generate a deferred tax asset, and surplus from revaluation of property and equipment, exchange gain, and variation of commercial loans granted through UVCC and UVCP, 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.

18) Foreign currency, UVCC and UVCP

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

Under SUDEBAN rules and instructions, gains or losses resulting from official exchange rate fluctuations or the investment index for commercial loans granted through UVCC and UVCP shall be recorded in equity. Under VEN NIF, gains and losses resulting from foreign exchange fluctuations must be recorded in the income statement for the period in which they occur.

19) 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.

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The accounting policies followed by the Bank are:

a) Functional currency and foreign currency transactions

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

	June 30, 2020	December 31, 2019
	(In bolivars)	
US\$1	203,906.65	46,504.28
€1	229,048.34	52,099.21

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

SUDEBAN established that: a) gains resulting from changes in the official exchange rate must be recorded in equity and may only be used, subject to previous approval, to offset losses, create contingency provisions for assets, offset deferred expenses (including goodwill) and increase capital stock (Note 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 203,906.65/US\$1 and Bs 46,504.28/US\$1 at June 30, 2020 and December 31, 2019, respectively (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

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from impairment in the fair value of these investments are recorded in the income statement under other operating expenses for the period in which they occur. Any subsequent recovery in fair value is recognized as an unrealized gain, net of income tax, in equity (Note 5-b).

Investments in held-to-maturity securities

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

The Bank assesses monthly, if circumstances require it, whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment in the fair value of held-to-maturity securities is charged to the results for the period when management considers that it is other than temporary. Certain factors identified as indicators of impairment are: 1) a prolonged period where fair value remains substantially below cost; 2) the financial difficulty of the issuer; 3) a fall in the issuer's credit rating; 4) the disappearance of an active market for the security; and 5) the Bank's intention and ability to hold the investment long enough to allow for recovery of fair value, among others. For the six-month periods ended June 30, 2020 and December 31, 2019, 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.

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

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

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

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

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

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 monthly review of its loan portfolio and contingent loans to determine the specific allowance for possible losses on each loan. This review takes into account factors such as economic conditions, client credit risk and credit history. Moreover, each month the Bank calculates an allowance for losses on loans not individually reviewed, equivalent to the risk percentage resulting from the specific review of loans. In accordance with SUDEBAN rules, the Bank maintains a general 1% allowance of the loan portfolio balance, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance, and an additional countercyclical allowance of the gross loan portfolio balance of 0.75%.

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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 experience and the opinion of its legal advisors. Based on this opinion, management believes that the outcome of legal and tax claims outstanding at June 30, 2020 and December 31, 2019 will be favorable to the Bank (Note 27). However, this opinion is based on events to date; the outcome of these lawsuits could differ from that expected.

f) Available-for-sale assets

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

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

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 July 1, 2020. To date, the Bank is in the process of renewing this agreement.

Accrual for length-of-service benefits

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

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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 June 30, 2020 and December 31, 2019, 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 LOTT. An additional expense and an additional liability were recognized for employees whose benefits in the guarantee fund are less than the amount calculated using the retrospective scheme.

Employees' last salary at termination date and total amounts to be accrued in connection with each employee are all uncertainties at each period end. At June 30, 2020 and December 31, 2019, employee salaries may differ from future salaries due to changes in salaries, bonuses and other payments.

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

At June 30, 2020 and December 31, 2019, the method used by the Bank to calculate length-of-service benefits comply with the provisions set out by SUDEBAN, the LOTT and the prevailing Collective Labor Agreement.

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

Profit sharing

Under the Collective Labor Agreement, the Bank is required to pay a share of its annual profits to its employees of up to 150 days of salary. 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 of every year. During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank recorded expenses of Bs 5,200 million and Bs 2,027 million, respectively, in this connection, shown under salaries and employee benefits. At June 30, 2020, the Bank maintains an accrual of Bs 3,159 million in this connection (Note 15).

Vacation leave and vacation bonus

The LOTT 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, 2020 and December 31, 2019, the Bank recorded expenses of Bs 3,600 million and Bs 953 million, respectively, in this connection, shown under salaries and employee benefits. At June 30, 2020 and December 31, 2019, the Bank maintains accruals of Bs 3,984 million and Bs 723,036 million, respectively, to cover expenses in this connection (Note 15).

k) Recognition of revenue and expenses

The variation of loans granted through UVCC and UVCP is recorded as interest income upon loan collection, considering the rules on application of benefits obtained from increases in principal of commercial loans as a result of the application of the investment index to measure and record operations in UVCC and UVCP (Note 2-d).

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

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

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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 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) Investments in affiliates

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

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

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

m) Assets received in trust

Assets received in trust are valued using the same parameters used by the Bank to value its own assets, except for investment securities, which are shown at cost and subsequently adjusted for amortization of premiums or discounts. Any permanent impairment in the value of these investments is recorded in trust fund results for the period in which it occurs. During the six-month periods ended June 30, 2020 and December 31, 2019, 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, 2020, trust fund assets amount to Bs 76,276 million (Bs 18,240 million at December 31, 2019), 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

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Bank requests fiduciary and mortgage guarantees, and collateral on certificates of deposit and other securities after assessing specific borrower characteristics.

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

	June 30, 2020	December 31, 2019
	(In bolivars)	
AA+	688,692,124,700	152,078,392,887
AA-	-	1,373,584,783
A	20,324,403,357	2,459,333,194
BBB+	1,481,230,239,728	548,088,851,540
BBB	36,303,695,135	1,337,278,649
BBB-	363,100,431,467	2,290,974,116
BB	15,098,848,051	3,318,892,538
BB-	939,328,781,516	2,795,551,222
Unavailable	<u>1,523,570,406,943</u>	<u>375,785,516,087</u>
	<u>5,067,648,930,897</u>	<u>1,089,528,375,016</u>

At June 30, 2020 and December 31, 2019, amounts in foreign and correspondent banks whose credit risk is unavailable includes Bs 1,517,426 million and Bs 363,947 million, respectively, in the related company BNC International Banking Corporation (Note 23).

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 and those established in current regulations. A total of 11% of the Bank's investment securities relates mainly to securities issued or guaranteed by the Bolivarian Republic of Venezuela listed on stock exchanges.

Below is a summary of the impact of increases or decreases in the fair value of investment securities by category at June 30, 2020. The analysis is based on the assumption that fair values will increase or decrease by 5% and 3%, respectively, with all other variables remaining constant and that all investment securities will move in line with the indices:

	Increase by 5%	Decrease by 3%
	(In millions of bolivars)	
Securities issued or guaranteed by the Venezuelan government	72,642	43,585

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.

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

	Increase by 20%	Decrease by 30%
	(In millions of bolivars)	
Financial instruments - assets		
Investment securities, except securities issued or guaranteed by the Venezuelan government	42	25
Loan portfolio	1,463	325
Financial instruments - liabilities		
Customer deposits	208	125
Borrowings	87	129

Liquidity risk

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

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

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

Operational risk

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

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

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3. Cash and due from banks

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

	June 30, 2020	December 31, 2019
	(In bolivars)	
Legal reserve (Note 26)	3,033,424,776,638	959,005,894,012
Banknotes in foreign currency under BCV custody, equivalent to US\$2,481,200 (€3,529,800 at December 31, 2019) (Note 4)	505,933,173,529	183,899,785,457
Other deposits with the BCV, equivalent to US\$21,000 (Notes 4 and 15)	4,282,039,595	976,589,848
Demand deposits	<u>361,224,355</u>	<u>-</u>
	<u>3,544,001,214,117</u>	<u>1,143,882,269,317</u>

At June 30, 2020 and December 31, 2019, the Bank has cash and due from banks under foreign and correspondent banks for US\$3,818 and US\$988,858, equivalent to Bs 778,000 million and Bs 45,986 million, respectively, deposited at BNC International Banking Corporation, in respect of deposits received in accordance with Exchange Agreement No. 20 (Notes 12 and 23).

At June 30, 2020 and December 31, 2019, pending cash items for Bs 1,165 million and Bs 10,185 million, respectively, relate to clearinghouse operations conducted by the BCV and other banks.

On September 5, 2019, the BCV issued Resolution No. 19-09-03, establishing that when deemed pertinent, it may conduct foreign currency sale transactions with financial institutions with a charge to the sole account of these financial institutions with the BCV for the amount of bolivars equivalent to foreign currency sold by the BCV. Furthermore, the total foreign currency amount sold should be used in the trading of foreign currencies that are part of the Exchange Market System, private-sector clients, with the exception of those belonging to banking sectors and the stock market, at the official exchange rate in effect at the date of the transaction. The amount in bolivars, equivalent to the amount of the exchange transaction, will be deducted from the legal reserve as from the transaction date until the last day of the following week. This Resolution also establishes that if banks are unable to use all of the currency sold as a result of exchange transactions, the balance not used in purchase and sale transactions will not be deducted from the legal reserve the following week; banks will be required to pay an annual 138% interest rate for each day of deficit in the reserve. At June 30, 2020 and December 31, 2019, the Bank maintains in custody of the BCV, banknotes for US\$2,481,200 and €3,529,800, respectively (equivalent to Bs 505,933 million and Bs 183,899 million, respectively) sold to its customers through this mechanism; these amounts are also part of customer deposits included in checking accounts as per the free convertibility exchange market system (Note 12). During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank charged commissions to its customers for Bs 17,707 million and Bs 9,171 million, in respect of exchange transactions and transportation of banknotes, respectively (Note 17).

At June 30, 2020, cash in foreign currency amounts to US\$33,556,717 and €7,241,949 (equivalent to Bs 8,501,195 million) (US\$3,814,888 and €7,876,193, equivalent to Bs 587,752 million, at December 31, 2019) mainly in respect of customer deposits, included in checking accounts as per the free convertibility exchange market system (Notes 4 and 12).

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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 on September 7, 2018. This Agreement repeals all previous exchange agreements and establishes the free convertibility of the currency throughout the country based on the following premises:

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

Transactions through the foreign exchange market system

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

At June 30, 2020, foreign currency purchase and sale in-transit operations, shown under accruals and other liabilities, amount to US\$1,715,385 and €109,279 (equivalent to Bs 374,809 million) (US\$112,997 and €83, equivalent to Bs 5,258 million at December 31, 2019), resulting from transactions conducted through foreign exchange desks, and US\$13,040 and €168,865 (equivalent to Bs 41,337 million) (US\$8,100 and €891,990 equivalent to Bs 46,849 million at December 31, 2019) from retail transactions being negotiated with customers (Note 15). In-transit operations were recorded with a charge to other assets. At June 30, 2020, other assets include Bs 374,809 million and Bs 41,337 million in connection with transactions through foreign exchange desks and retail transactions, respectively (Bs 4,498 million and Bs 27,005 million, respectively, at December 31, 2019). During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank recorded income from commissions for transactions through this system of Bs 50,416 million and Bs 6,214 million, respectively (Note 17).

Subsequent events

At July 31, 2020, the prevailing exchange rate published by the BCV was Bs 283,415/US\$1 and Bs 333,611/€1. The accounting effect of measuring foreign currency assets and liabilities at this exchange rate was an increase in equity of Bs 2,073,275 million to be recorded in the Bank's financial statements for the six-month period ending December 31, 2020.

b) Applicable exchange rates

At June 30, 2020 and December 31, 2019, the exchange rate for balances and transactions in U.S. dollars is Bs 203,906.65/US\$1 and Bs 46,504.28/US\$1, respectively, for all transactions. Furthermore, at June 30, 2020 and December 31, 2019, the exchange rate for balances and transactions in euros is Bs 229,048.34/€1 and Bs 52,099.21/€1, respectively.

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	December 31, 2019								
	In U.S. dollars				In euros				
	Bank	Curacao Branch	Eliminations	Total	Bank	Curacao Branch	Eliminations	Total	Equivalent in bolivars
Liabilities and Equity									
Liabilities									
Customer deposits (Note 12)	6,292,135	11,618,075	(296,439)	17,613,771	10,464,048	9,789,521	-	20,253,569	1,329,412,927,202
Interest and commissions payable (Note 14)	-	1,736	-	1,736	-	-	-	-	80,731,428
Accruals and other liabilities (Note 15)	<u>3,054,620</u>	<u>112,281</u>	<u>-</u>	<u>3,166,901</u>	<u>11,130,713</u>	<u>-</u>	<u>(10,209,683)</u>	<u>921,030</u>	<u>727,175,777,202</u>
Total liabilities	<u>9,346,755</u>	<u>11,732,092</u>	<u>(296,439)</u>	<u>20,782,408</u>	<u>21,594,761</u>	<u>9,789,521</u>	<u>(10,209,683)</u>	<u>21,174,599</u>	<u>2,056,669,435,832</u>
Equity (Note 22)									
Assigned capital	-	7,599,462	(7,599,462)	-	-	-	-	-	-
Capital reserves	-	8,665	(8,665)	-	-	-	-	-	-
Retained earnings	-	4,035,165	(4,035,165)	-	-	-	-	-	-
Net unrealized loss on available-for-sale securities	-	(22,093)	22,093	-	-	-	-	-	-
Total equity	-	<u>11,621,199</u>	<u>(11,621,199)</u>	-	-	-	-	-	-
Total liabilities and equity	<u>9,346,755</u>	<u>23,353,291</u>	<u>(11,917,638)</u>	<u>20,782,408</u>	<u>21,594,761</u>	<u>9,789,521</u>	<u>(10,209,683)</u>	<u>21,174,599</u>	<u>2,056,669,435,832</u>
Contingent debtor accounts (Note 20)	<u>701,650</u>	-	-	<u>701,650</u>	-	-	-	-	<u>32,630,674,871</u>
Memorandum accounts (Note 20)	<u>22,323,544</u>	<u>22,450,971</u>	-	<u>44,774,515</u>	<u>5,200</u>	-	-	<u>5,200</u>	<u>2,082,477,430,338</u>

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, 2020, the Bank recorded exchange gains and losses of Bs 7,305 million and Bs 4,144, respectively (Bs 973 million and Bs 480 million, respectively, during the six-month period ended December 31, 2019), arising from exchange rate fluctuations of the U.S. dollar with respect to other foreign currencies (Notes 17 and 18).

5. Investment securities

Investment securities comprise the following:

	June 30, 2020	December 31, 2019
		(In bolivars)
Investments		
Deposits with the BCV and overnight deposits	355,300,000,000	-
Available for sale	258,590,987	163,152,774,689
Held to maturity	566,032,819,563	386,577,013,500
Restricted	714,010,278,550	162,246,043,140
Other securities	<u>3,663,881</u>	<u>3,669,972</u>
	<u>1,635,605,352,981</u>	<u>711,979,501,301</u>

a) Deposits with the BCV and overnight deposits

Deposits with the BCV and overnight deposits at June 30, 2020 comprise the following:

	(In bolivars)
Overnight deposits	
Banesco Banco Universal C.A., 180% annual yield, maturing in July 2020	150,000,000,000 (1)
Banco Bicentenario, Banco Universal, annual yield between 130% and 145%, maturing in July 2020	<u>205,300,000,000 (1)</u>
	<u>355,300,000,000</u>

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

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Notes to the financial statements

June 30, 2020 and December 31, 2019

During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank has collected and earned yield from overnight deposits of Bs 98,684 million and Bs 25,380 million, respectively, included in the income statement as part of income from investment securities.

b) Investments in available-for-sale securities

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

	June 30, 2020			December 31, 2019		
	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to market value)	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to market 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\$3,498,613 with a par value of US\$3,500,000, maturing in January 2020 (Note 4)	-	-	-	162,537,930,343	162,519,909	162,700,450,252 (1) - (d) and (e)
Debt securities issued or guaranteed by the Venezuelan government						
Fixed Interest Securities (TIF), with a par value of Bs 21,570, annual yield between 13.25% and 16.5%, maturing between February 2021 and January 2037	23,976	1,236	25,212 (1) - (a)	23,976	2,726	26,702 (1) - (a)
Vebonos, with a par value of Bs 202,243,327, annual yield between 17.14% and 26.19%, maturing between January 2021 and August 2037 (par value of Bs 202,244,232 at December 31, 2019)	202,245,888	37,811,490	240,057,378 (1) - (a)	202,247,029	40,265,061	242,512,090 (1) - (a)
Global Bonds, equivalent to US\$53, with a par value of US\$800, 9.25% annual yield, maturing in September 2027 (equivalent to US\$96 at December 31, 2019) (Note 4)	119,897,109	(109,544,768)	10,352,341	27,344,516	(22,875,455)	4,469,061 (1) - (b)
	<u>322,166,973</u>	<u>(71,732,042)</u>	<u>250,434,931</u>	<u>229,615,521</u>	<u>17,392,332</u>	<u>247,007,853</u>
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) - (f)	196	-	196 (2) - (f)
S.G.R. - SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, 17,500 common shares, with a par value of Bs 0.0001 each, 3.10% owned	2	-	2 (2) - (f)	2	-	2 (2) - (f)
	<u>198</u>	<u>-</u>	<u>198</u>	<u>198</u>	<u>-</u>	<u>198</u>
Debt securities issued by foreign financial private-sector companies						
International Cooperatief UA, equivalent to US\$40 with a par value of US\$100,000, 10.38% annual yield, maturing in September 2020 (equivalent to US\$4,415 at December 31, 2019) (Note 4)	6,117,811,141	(6,109,655,283)	8,155,858 (1) - (c)	1,395,231,881	(1,189,915,495)	205,316,386 (1) - (c)
	<u>6,439,978,312</u>	<u>(6,181,387,325)</u>	<u>258,590,987</u>	<u>164,162,777,943</u>	<u>(1,010,003,254)</u>	<u>163,152,774,689</u>

(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) 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, 2020 and December 31, 2019.

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

	June 30, 2020	December 31, 2019
	(In bolivars)	
Unrealized gain		
Securities issued or guaranteed by the Venezuelan government in local currency	37,812,726	40,267,787
Debt securities issued by foreign non-financial public-sector entities	<u>-</u>	<u>162,519,909</u>
	<u>37,812,726</u>	<u>202,787,696</u>
Unrealized loss		
Securities issued or guaranteed by the Venezuelan government in foreign currency	(109,544,768)	(22,875,455)
Debt securities issued by foreign financial private-sector companies	<u>(6,109,655,283)</u>	<u>(1,189,915,495)</u>
	<u>(6,219,200,051)</u>	<u>(1,212,790,950)</u>
	<u>(6,181,387,325)</u>	<u>(1,010,003,254)</u>

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

	<u>Fair value</u>	
	June 30, 2020	December 31 2019
	(In bolivars)	
Up to 6 months	8,156,057	162,700,450,252
6 months to 1 year	5,965	205,316,386
1 to 5 years	237,939,462	7,699,853
Over 5 years	12,489,503	239,308,000
Without maturity	<u>-</u>	<u>198</u>
	<u>258,590,987</u>	<u>163,152,774,689</u>

During the six-month period ended June 30, 2020, the Bank sold investments in available-for-sale securities for US\$10,096,585, equivalent to Bs 2,059,000 million (US\$34,621,112, equivalent to Bs 1,610,000 million for the six-month period ended December 31, 2019). As a result of these sales, during the six-month period ended June 30, 2020, the Bank recorded gains of Bs 3,164 million (Bs 2,108 million for the six-month period ended December 31, 2019), shown under other operating (Note 17).

c) Investments in held-to-maturity securities

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

	<u>June 30, 2020</u>			<u>December 31, 2019</u>		
	Acquisition cost	Amortized cost	Fair value	Acquisition cost	Amortized cost	Fair Value
	(In bolivars)					
Certificates of deposits in foreign financial institutions						
Banco Do Brasil, S.A., with a par value of US\$1,900,000, 0.63% annual yield, maturing in July 2020 (par value of US\$4,950,000, annual yield between 1.79% and 1.86%, maturing in January 2020 at December 31, 2019) (Note 4)	387,422,630,003	387,422,630,003	387,422,630,003 (2) - (d)	230,196,178,674	230,196,178,674	230,196,178,674 (2) - (d)
Itaú Unibanco, S.A., with a par value of US\$1,500,000, 1.79% annual yield, maturing in January 2020 (Note 4)	-	-	-	69,756,417,500	69,756,417,500	69,756,417,500 (2) - (e)
CAF, Development Bank of Latin America, with a par value of US\$1,000,000, 1.8% annual yield, maturing in January 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,504,278,520</u>	<u>46,504,278,520</u>	<u>46,504,278,520 (2) - (f)</u>
	<u>387,422,630,003</u>	<u>387,422,630,003</u>	<u>387,422,630,003</u>	<u>346,456,874,694</u>	<u>346,456,874,694</u>	<u>346,456,874,694</u>

Banco Nacional de Crédito, C.A, Banco Universal

Notes to the financial statements

June 30, 2020 and December 31, 2019

	June 30, 2020			December 31, 2019		
	Acquisition cost	Amortized cost	Fair value	Acquisition cost	Amortized cost	Fair Value
	(In bolivars)					
Securities issued or guaranteed by the Venezuelan government						
Global Bonds in foreign currency, equivalent to US\$875,138, with a par value of US\$7,125,000, 9.25% annual yield, maturing in September 2027 (US\$861,861 at December 31, 2019) (Note 4)	156,718,316,175	178,446,511,330	92,196,900,389 (1) - (a) y (c)	35,973,268,388	40,070,944,577	39,804,232,723 (1) - (a) y (c)
Vebonos, with a par value of Bs 15,950,118, annual yield between 9.27% and 15.23%, maturing between July 2020 and October 2030 (par value of Bs 15,957,118, annual yield between 14.42% and 20.34%, maturing between June 2020 and October 2030 at December 31, 2019)	15,959,848	15,955,962	21,997,219 (1) - (b)	15,967,557	15,963,187	21,986,522 (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)	15,653,913	18,434,196	1,288,078 (1) - (c)	3,570,133	4,152,137	543,775 (1) - (c)
Fixed Interest Bonds (TIF), with a par value of Bs 7,668, annual yield between 9.88% and 16.25%, maturing between October 2020 and January 2026	10,065	8,676	9,313 (1) - (b)	10,065	8,781	9,824 (1) - (b)
	<u>156,749,940,001</u>	<u>178,480,910,164</u>	<u>92,220,194,999</u>	<u>35,992,816,143</u>	<u>40,091,068,682</u>	<u>39,826,772,844</u>
Bonds and debt securities 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) - (b)	60,868	60,868	60,868 (2) - (b)
PDVSA bonds issued by Petróleos de Venezuela, S.A. equivalent to US\$634 with a par value of US\$900, annual yield between 5.38% and 5.50%, maturing between April 2027 and 2037 (equivalent to US\$624 at December 31, 2019) (Note 4)	92,190,273	129,218,528	5,356,424 (1) - (c)	21,025,514	29,009,256	3,238,093 (1) - (c)
	<u>92,251,141</u>	<u>129,279,396</u>	<u>5,417,292</u>	<u>21,086,382</u>	<u>29,070,124</u>	<u>3,298,961</u>
	<u>544,264,821,145</u>	<u>566,032,819,563</u>	<u>479,648,242,294</u>	<u>382,470,777,219</u>	<u>386,577,013,500</u>	<u>386,286,946,499</u>

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

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

Custodians of investments

- (a) Caja Venezolana de Valores, S.A.
- (b) Central Bank of Venezuela.
- (c) Euroclear Bank, S.A.
- (d) Banco Do Brasil, S.A.
- (e) Itaú Unibanco, S.A.
- (f) CAF - Banca de Desarrollo de América Latina.

During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank recorded expenses of US\$330,985 and US\$876,450, equivalent to Bs 26,724 million and Bs 10,786 million, respectively, 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, 2020 and December 31, 2019, the Bank recorded income from amortization of discounts on held-to-maturity investments of Bs 35,562 million and Bs 3,677 million, respectively (Note 17).

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

	June 30, 2020		December 31, 2019	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In bolivars)			
Less than 1 year	387,422,630,305	387,422,630,318	346,456,874,694	346,456,874,694
1 to 5 years	32,311,577	20,043,740	4,221,786	614,467
5 to 10 years	178,480,092,573	92,200,949,528	40,086,907,764	39,826,219,245
Over 10 years	97,785,108	4,618,708	29,009,256	3,238,093
	<u>566,032,819,563</u>	<u>479,648,242,294</u>	<u>386,577,013,500</u>	<u>386,286,946,499</u>

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

At June 30, 2020 and December 31, 2019, 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 and Morgan Stanley Private Wealth Management only hold securities of the Branch; Banco Do Brasil, S.A., Itaú Unibanco, S.A. and CAF - Banca de Desarrollo de América Latina only hold placements and certificates of deposit.

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At June 30, 2020, the market value of held-to-maturity securities issued or guaranteed by the Bolivarian Republic of Venezuela are below their amortized cost. This decrease is considered temporary since management believes there are legal grounds that allow their recoverability at maturity through payment of taxes. Furthermore, the Bank has the ability and intention to hold these securities to maturity. Accordingly, at June 30, 2020, the Bank has recognized no impairment on these investments.

d) Restricted investments

Restricted investments comprise the following:

	June 30, 2020		December 31, 2019		
	Amortized cost	Fair value	Amortized cost	Fair value	
	(In bolivars)				
Certificates of deposit					
Social Contingency Fund (Note 22)	3,653	3,653	2,193	2,193	(1)
PNC Bank, with a par value of US\$1,825,010 (US\$1,819,171 at December 31, 2019) (Note 4)	372,131,750,095	372,131,750,095	84,599,233,428	84,599,233,428	(1)
JP Morgan Chase Bank, with a par value of US\$1,676,642 (US\$1,669,670 at December 31, 2019) (Note 4)	<u>341,878,524,802</u>	<u>341,878,524,802</u>	<u>77,646,807,519</u>	<u>77,646,807,519</u>	(1)
	<u>714,010,278,550</u>	<u>714,010,278,550</u>	<u>162,246,043,140</u>	<u>162,246,043,140</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, 2020 and December 31, 2019, 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, 2020	December 31, 2019	
	(In bolivars)		
BANDES securities, issued by Banco de Desarrollo Económico y Social de de Venezuela, with a par value of Bs 3,663,881, 10% annual yield, maturing between December 2022 and August 2024 (par value of Bs 3,669,972 at December 31, 2019)	<u>3,663,881</u>	<u>3,669,972</u>	(1)-(a)

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

Custodian of investments

(a) Central Bank of Venezuela

The Bank 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, 2020, the Bank has investment securities issued or guaranteed by the Venezuelan government of Bs 178,731 million, representing 11% of its investment securities portfolio (Bs 40,371 million at June 30, 2019, representing 6%).

Banco Nacional de Crédito, C.A, Banco Universal

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6. Loan portfolio

The loan portfolio is classified as follows:

	June 30, 2020			December 31, 2019		
	Current	Overdue	Total	Current	Overdue	Total
	(In bolivars)					
Economic activity - operations in Venezuela						
Agriculture, fishing and forestry includes US\$3,064,000 (US\$ 390,000 at December 31, 2019) (Note 4)	794,533,571,452	18,630	794,533,590,082	73,997,328,952	-	73,997,328,952
Communal, social and consumer services, includes US\$828,450 and €1,856,400 (US\$ 271,280 at December 31, 2019) (Note 4)	703,454,464,778	52,511,623	703,506,976,401	91,972,012,313	106,371,668	92,078,383,981
Wholesale and retail trade, restaurants and hotels include US\$1,623,333 at June 30, 2020 (Note 4)	600,098,786,740	5,435,084	600,104,221,824	143,263,456,086	262	143,263,456,348
Manufacturing includes US\$367,500 at June 30, 2020 (Note 4)	251,395,482,486	72,027	251,395,554,513	71,214,956,639	-	71,214,956,639
Construction includes US\$100,000 at June 30, 2020 (Note 4)	72,325,345,078	-	72,325,345,078	454,526,718	1,409	454,528,127
Financial businesses, insurance, real estate and services (includes US\$25,000 at December 31, 2019) (Note 4)	35,254,014,795	293,235	35,254,308,030	16,822,230,631	5,834	16,822,236,465
Transportation, warehousing and communications includes US\$45,000 at June 30, 2020 (Note 4)	27,462,841,144	299,938	27,463,141,082	5,959,452,639	-	5,959,452,639
Utilities	-	-	-	98,043,750	-	98,043,750
Mining and oil	-	-	731,645	731,645	-	731,645
	<u>2,484,524,506,473</u>	<u>58,630,537</u>	<u>2,484,583,137,010</u>	<u>403,782,739,373</u>	<u>106,379,173</u>	<u>403,889,118,546</u>
Economic activity - operations in the Curacao Branch						
Agriculture, fishing and forestry, equivalent to US\$4,700,000 (US\$460,000 at December 31, 2019) (Note 4)	958,361,202,198	-	958,361,202,198	21,391,968,121	-	21,391,968,121
Communal, social and consumer services, equivalent to US\$1,855,463 (US\$2,325,000 at December 31, 2019) (Note 4)	317,169,245,440	61,171,994,211	378,341,239,651	94,171,164,010	13,951,283,550	108,122,447,560
Manufacturing equivalent to US\$2,751,206 (US\$5,432,243 at December 31, 2019) (Note 4)	316,301,010,891	244,687,976,889	560,988,987,780	252,622,573,567	-	252,622,573,567
Financial businesses, insurance, real estate and services, equivalent to US\$1,500,000 (Note 4)	305,859,971,057	-	305,859,971,057	-	-	-
Wholesale and retail trade, restaurants and hotels, equivalent to US\$428,022 (US\$2,758,698 at December 31, 2019) (Note 4)	87,276,531,021	-	87,276,531,021	128,291,260,154	-	128,291,260,154
Transportation, warehousing and communications equivalent to US\$220,000 (US\$550,000 at December 31, 2019)	44,859,462,422	-	44,859,462,422	25,577,353,188	-	25,577,353,188
Construction, equivalent to US\$150,000 (US\$225,001 at December 31, 2019) (Note 4)	30,585,997,106	-	30,585,997,106	10,463,486,116	-	10,463,486,116
	<u>2,060,413,420,135</u>	<u>305,859,971,100</u>	<u>2,366,273,391,235</u>	<u>532,517,805,156</u>	<u>13,951,283,550</u>	<u>546,469,088,706</u>
	<u>4,544,937,926,608</u>	<u>305,918,601,637</u>	<u>4,850,856,528,245</u>	<u>936,300,544,529</u>	<u>14,057,662,723</u>	<u>950,358,207,252</u>
Allowance for losses on loan portfolio, includes US\$1,329,910 (US\$1,317,347 at December 31, 2019) (Note 4)			(343,545,485,788)			(69,706,834,443)
			<u>4,507,311,042,457</u>			<u>880,651,372,809</u>
Guarantee - operations in Venezuela						
Endorsement, includes US\$2,828,000 (US\$170,000 at December 31, 2019) (Note 4)	977,209,633,481	-	977,209,633,481	198,048,825,633	-	198,048,825,633
Collateral includes US\$1,955,166	524,845,156,396	-	524,845,156,396	1,750,926,808	-	1,750,926,808
Pledge, includes US\$1,050,000	215,304,099,842	-	215,304,099,842	-	-	-
Real property mortgage	2,788,920,866	-	2,788,920,866	3,517,411,702	-	3,517,411,702
Chattel mortgage	15,468,339	-	15,468,339	15,484,738	-	15,484,738
Non-possessory pledge, equivalent to US\$61,280	-	-	-	2,849,774,815	-	2,849,774,815
Other guarantees	-	-	-	28	-	28
Unsecured, includes US\$195,117 and €1,856,400 (US\$455,000 at December 31, 2019) (Note 4)	764,361,227,549	58,630,537	764,419,858,086	197,600,315,649	106,379,173	197,706,694,822
	<u>2,484,524,506,473</u>	<u>58,630,537</u>	<u>2,484,583,137,010</u>	<u>403,782,739,373</u>	<u>106,379,173</u>	<u>403,889,118,546</u>
Guarantee - operations in the Curacao Branch						
Collateral, equivalent to US\$6,109,814 (US\$347,000 at December 31, 2019) (Note 4)	1,245,831,578,691	-	1,245,831,578,691	16,136,984,648	-	16,136,984,648
Pledge, equivalent to US\$2,150,000 (US\$225,000 at December 31, 2019) (Note 4)	438,399,361,176	-	438,399,361,176	10,463,462,668	-	10,463,462,668
Endorsement, equivalent to US\$1,819,414 (US\$3,513,699 at December 31, 2019) (Note 4)	126,302,428,168	244,687,976,845	370,990,405,013	163,402,031,828	-	163,402,031,828
Mortgage, equivalent to US\$200,000 (Note 4)	40,781,329,474	-	40,781,329,474	-	-	-
Unsecured, equivalent to US\$1,325,463 (US\$7,665,243 at December 31, 2019) (Note 4)	209,098,722,626	61,171,994,255	270,270,716,881	342,515,326,012	13,951,283,550	356,466,609,562
	<u>2,060,413,420,135</u>	<u>305,859,971,100</u>	<u>2,366,273,391,235</u>	<u>532,517,805,156</u>	<u>13,951,283,550</u>	<u>546,469,088,706</u>
	<u>4,544,937,926,608</u>	<u>305,918,601,637</u>	<u>4,850,856,528,245</u>	<u>936,300,544,529</u>	<u>14,057,662,723</u>	<u>950,358,207,252</u>

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	June 30, 2020			December 31, 2019		
	Current	Overdue	Total	Current	Overdue	Total
	(In bolivars)					
Maturity - operations in Venezuela						
Overdue	293,032	58,630,537	58,923,569			
Up to 30 days	779,006,083,822	-	779,006,083,822	307,704,538,551	103,347,592	307,807,886,143
31 to 60 days	177,679,854,132	-	177,679,854,132	53,133,874,665	-	53,133,874,665
61 to 90 days	149,206,539,137	-	149,206,539,137	23,695,213,594	-	23,695,213,594
91 to 180 days	560,570,547,097	-	560,570,547,097	633,982	-	633,982
181 to 360 days	258,519,947,083	-	258,519,947,083	8,325,982,853	47,067	8,326,029,920
Over 360 days	559,541,242,170	-	559,541,242,170	10,922,495,828	2,984,514	10,925,480,342
	<u>2,484,524,506,473</u>	<u>58,630,537</u>	<u>2,484,583,137,010</u>	<u>403,782,739,373</u>	<u>106,379,173</u>	<u>403,889,118,546</u>
Maturity - operations in Curacao Branch						
Overdue	-	305,859,971,100	305,859,971,100	11,626,069,631	13,951,283,550	25,577,353,181
Up to 30 days	102,364,136,980	-	102,364,136,980	-	-	-
Up to 60 days	448,594,624,216	-	448,594,624,216	157,832,809,642	-	157,832,809,642
61 to 90 days	262,930,077,239	-	262,930,077,239	139,977,878,356	-	139,977,878,356
91 to 180 days	693,303,195,633	-	693,303,195,633	74,406,845,638	-	74,406,845,638
181 to 360 days	89,328,260,106	-	89,328,260,106	109,145,541,427	-	109,145,541,427
Over 360 days	483,893,125,961	-	483,893,125,961	39,528,660,462	-	39,528,660,462
	<u>2,060,413,420,135</u>	<u>305,859,971,100</u>	<u>2,366,273,391,235</u>	<u>532,517,805,156</u>	<u>13,951,283,550</u>	<u>546,469,088,706</u>
	<u>4,544,937,926,608</u>	<u>305,918,601,637</u>	<u>4,850,856,528,245</u>	<u>936,300,544,529</u>	<u>14,057,662,723</u>	<u>950,358,207,252</u>
Type of loan - operations in Venezuela						
Loans in foreign currency, equivalent to US\$6,028,283 and €1,856,400 (US\$686,280 at December 31, 2019) (Note 4)	1,654,412,380,283	-	1,654,412,380,283	31,914,949,071	-	31,914,949,071
Loans granted through UVCC	783,851,155,051	-	783,851,155,051	213,306,517,872	-	213,306,517,872
Employee loans	16,050,151,381	287,418	16,050,438,799	13,735,463,185	219,349	13,735,682,534
Loans granted through UVCP (Note 1)	12,442,826,209	-	12,442,826,209	-	-	-
Credit cards	11,751,971,337	32,291,323	11,784,262,660	5,307,324,723	2,609,825	5,309,934,548
Tourism	5,417,439,520	-	5,417,439,520	4,512,964,423	-	4,512,964,423
Checking accounts	490,776,854	26,051,796	516,828,650	30,016,284,336	103,549,999	30,119,834,335
Microcredits	87,866,667	-	87,866,667	2,865,301,315	-	2,865,301,315
Mortgage	19,939,171	-	19,939,171	35,012,762	-	35,012,762
Agriculture	-	-	-	35,565,382,259	-	35,565,382,259
Manufacturing	-	-	-	66,523,539,399	-	66,523,539,399
Vehicles	-	-	-	28	-	28
	<u>2,484,524,506,473</u>	<u>58,630,537</u>	<u>2,484,583,137,010</u>	<u>403,782,739,373</u>	<u>106,379,173</u>	<u>403,889,118,546</u>
Type of loan - operations in the Curacao Branch						
Fixed term, equivalent to US\$11,604,691 (US\$11,750,942 at December 31, 2019) (Note 4)	2,060,413,420,135	305,859,971,100	2,366,273,391,235	532,517,805,156	13,951,283,550	546,469,088,706
	<u>4,544,937,926,608</u>	<u>305,918,601,637</u>	<u>4,850,856,528,245</u>	<u>936,300,544,529</u>	<u>14,057,662,723</u>	<u>950,358,207,252</u>

At June 30, 2020 and December 31, 2019, the Bank's loan portfolio includes loans receivable for 792,419,408 UVCC (equivalent to Bs 783,851 million) and 951,072,400 UVCC (equivalent to Bs 213,307 million), respectively. During the six-month periods ended June 30, 2020 and December 31, 2019, net income from variation of principal of these commercial loans amounts to Bs 626,915 million and Bs 25,963 million, respectively, and was recorded in equity. Furthermore, during that same period, the Bank transferred to results for the periods ended June 30, 2020 and December 31, 2019, Bs 402,369 million and Bs 18,409 million, respectively, of the aforementioned net income in respect of commercial loans through the use of UVCC that had already been collected during the six-month period ended June 30, 2020 and December 31, 2019, which are part of income from loan portfolio.

During the six-month period ended June 30, 2020, the Bank was instructed by the Steering Committee for the Single National Productive Portfolio to settle loans through UVCP, as per the Constituent Decree that created the Single National Productive Portfolio, for Bs 294,683 million to 5 possible loan beneficiaries. Of this amount, only Bs 12,053 million was granted to one loan beneficiary, which was the

only beneficiary to accept financing. At June 30, 2020, loans receivable amount to 12,578,803 UVCP (equivalent to Bs 12,443 million) (Note 1).

In accordance with SUDEBAN rules, at June 30, 2020 and December 31, 2019, the Bank maintains a general allowance of Bs 54,425 million and Bs 10,898 million, respectively, for losses on the loan portfolio, and a countercyclical allowance of Bs 36,405 million and Bs 7,128 million, respectively (Note 2-e).

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

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(In bolivars)	
Balance at the beginning of the period	69,706,834,443	13,829,154,162
Provided in the period, includes US\$25,115 at December 31, 2019	63,942,944,823	5,088,700,231
Release of allowance, equivalent to US\$20,099 at December 31, 2019	-	(934,735,998)
Write-offs of uncollectible loans	(8,182,882)	(399,741,821)
Reclassification to provision for interest receivable, include US\$12,565 (US\$14,329, at December 31, 2019) (Note 7)	2,550,499,956	(661,449,398)
Adjustment from exchange differences	<u>207,353,389,448</u>	<u>52,784,907,267</u>
Balance at the end of the period	<u>343,545,485,788</u>	<u>69,706,834,443</u>

At June 30, 2020 overdue loans on which interest is no longer accrued amount to Bs 306,860 million (Bs 14,058 million at December 31, 2019). In addition, at June 30, 2020, memorandum accounts include Bs 5,628 million (Bs 713 million at December 31, 2019), in respect of interest not recognized as income from loans on which interest is no longer accrued (Note 20).

During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank collected commissions on settlement of loans granted to its customers for Bs 10,346 million and Bs 20,781 million, respectively, in connection with procedures for management and documentation of pledged lines of credit. Furthermore, during the six-month periods ended June 30, 2020 and December 31, 2019, the Bank provided financial advisory services to its customers when granting loans and has charged commissions for Bs 15,333 million and Bs 59,092 million, respectively, in this connection (Note 17). Upon SUDEBAN request, received in March 2020, the Bank suspended collection of these commissions.

At June 30, 2020 and December 31, 2019, interest receivable collected in advance from debtors upon loan settlement amounts to Bs 3,278 million and Bs 2,138 million, respectively, which are part of deferred income under accruals and other liabilities. Interest is recorded as income upon collection (Note 15).

Until December 31, 2019, universal banks were required to earmark a minimum nominal percentage to finance loans for agriculture, mortgage, manufacturing and tourism as follows:

Activity	Balances maintained in bolivars	Earmarked %	Required %	Number of debtors	Maximum annual interest rate %	Calculation basis
Agriculture (a)	35,565,382,259	26.12	20	78	17	Gross loan portfolio from previous quarter
Mortgages (b)	35,012,762	0.27	20	224	Between 4.66 and 12.66	Gross loan portfolio from immediate previous year
Tourism (c)	4,512,964,423	27,821.78	5,25	27	Between 2.75 and 15	Gross loan portfolio from immediate previous year
Manufacturing (d)	66,523,539,399	506.99	30	10	22	Gross loan portfolio from immediate previous year

Percentages required in conformity with the following Resolutions and Decrees, which were repealed by the Decree for the creation of the Single National Productive Portfolio of January 29, 2020, issued by the Constituent National Assembly:

- (a) Resolution issued by the Venezuelan government, published in Official Gazette No. 41,637 of May 21, 2019.
- (b) Decree No. 2,271 of the Presidency of the Bolivarian Republic of Venezuela dated February 14, 2017.
- (c) Resolution issued by the Venezuelan government, published in Official Gazette No. 41,393 of May 9, 2018.
- (d) Resolution issued by the Venezuelan government, published in Official Gazette No. 41,438 of July 12, 2018.

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

At June 30, 2020, the Bank's loan portfolio has risk concentration in six individual clients, representing 58% of the loan portfolio (10 individual clients, representing 57% of the loan portfolio at December 31, 2019). At June 30, 2020, the Bank's loan portfolio has risk concentration in three groups of related companies, representing 21% of the loan portfolio (5 groups of related companies, representing 23% of the loan portfolio at December 31, 2019).

7. Interest and commissions receivable

Interest and commissions receivable comprise the following:

	June 30, 2020	December 31, 2019
	(In bolivars)	
Interest receivable on investment securities		
Held to maturity, includes US\$1,844,574 (US\$1,518,159 at December 31, 2019) (Note 4)	377,649,601,513	70,601,068,306
Available for sale, includes US\$2,903 (US\$2,866 at December 31, 2019)	599,083,580	140,363,146
Other securities (Note 4)	<u>100,921</u>	<u>100,973</u>
	<u>378,248,786,014</u>	<u>70,741,532,425</u>
Interest receivable on loan portfolio		
Current, includes US\$85,307 and €55,073 (US\$49,894 at December 31, 2019) (Note 4)	30,295,222,235	3,455,458,818
Overdue, includes US\$23,413 (US\$35,466 at December 31, 2019) (Note 4)	4,786,386,616	1,653,867,116
Microcredits	<u>351,467</u>	<u>21,846,069</u>
	<u>35,081,960,318</u>	<u>5,131,172,003</u>
Commissions receivable		
Trust fund	<u>128,231,650</u>	<u>15,419,900</u>
	413,458,977,982	75,888,124,328
Provision for interest receivable and other, includes US\$1,867,889 (US\$1,550,857 at December 31, 2019) (Note 4)	<u>(380,891,315,459)</u>	<u>(72,126,216,775)</u>
	<u>32,567,662,523</u>	<u>3,761,907,553</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, 2020	December 31, 2019
	(In bolivars)	
Balance at the beginning of the period	72,126,216,775	1,511,307,992
Provided in the period, includes US\$222,363 (US\$206,279 at December 31, 2019)	45,341,268,468	9,126,578,381
Write-offs for uncollectible interest	(1,427,149)	(176,421)
Reclassification, net from (to) provision for other assets, equivalent to US\$5,188 (US\$1,182,390 at December 31, 2019) (Note 11)	(1,042,892,332)	18,638,097,530
Reclassification from (to) allowance for losses on loan portfolio, includes US\$12,565 (US\$14,329 at December 31, 2019) (Note 6)	(2,550,499,956)	661,449,398
Adjustment from exchange rate fluctuation	<u>267,018,649,653</u>	<u>42,188,959,895</u>
Balance at the end of the period	<u>380,891,315,459</u>	<u>72,126,216,775</u>

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At June 30, 2019, the Bank maintained interest receivable on securities with its respective provision under other assets, as these securities are past due. Furthermore, SUDEBAN instructed the Bank to reclassify this amount back to interest and commissions receivable with its respective provision, since securities that earned such interest are not past due. Therefore, in September 2019, the Bank reclassified US\$1,327,316, equivalent to Bs 21,389 million, to interest and commissions receivable (Note 11).

8. Investment in Branch

At June 30, 2020 and December 31, 2019, the Branch has an assigned capital of US\$7,599,462, which results from bank contributions approved by the Board of Directors.

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

Balance sheet

	June 30, 2020		December 31, 2019	
	US\$	Equivalent in bolivars	US\$	Equivalent in bolivars
Assets (Note 4)				
Cash and due from banks	20,996,070	4,281,238,086,905	12,649,667	588,263,649,276
Investment securities	2,034,619	414,872,323,970	11,087,176	515,601,130,250
Loan portfolio	10,274,780	2,095,095,866,539	10,433,597	485,206,881,578
Interest and commissions receivable	42,046	8,573,458,585	48,579	2,259,138,321
Property and equipment	10,832	2,208,716,724	14,092	655,349,919
Other assets	<u>50,512</u>	<u>10,299,732,200</u>	<u>87,478</u>	<u>4,068,131,277</u>
Total assets	<u>33,408,859</u>	<u>6,812,288,184,923</u>	<u>34,320,589</u>	<u>1,596,054,280,621</u>
Liabilities and Equity				
Liabilities (Note 4)				
Customer deposits	21,145,991	4,311,807,974,280	22,585,373	1,050,316,497,757
Borrowings	384,102	78,320,948,237	-	-
Interest and commissions payable	2,945	600,505,054	1,736	80,731,429
Accruals and other liabilities	<u>182,219</u>	<u>37,155,664,034</u>	<u>112,281</u>	<u>5,221,559,204</u>
	<u>21,715,257</u>	<u>4,427,885,091,605</u>	<u>22,699,390</u>	<u>1,055,618,788,390</u>
Equity (Note 4)				
Capital	7,599,462	1,549,580,762,228	7,599,462	353,407,497,477
Voluntary reserves	2,766,551	564,118,118,799	2,766,551	128,656,458,253
Retained earnings	1,357,552	276,813,866,945	1,277,279	59,398,954,783
Unrealized loss on investments in available-for-sale securities	<u>(29,963)</u>	<u>(6,109,654,654)</u>	<u>(22,093)</u>	<u>(1,027,418,282)</u>
Total equity	<u>11,693,602</u>	<u>2,384,403,093,318</u>	<u>11,621,199</u>	<u>540,435,492,231</u>
Total liabilities and equity	<u>33,408,859</u>	<u>6,812,288,184,923</u>	<u>34,320,589</u>	<u>1,596,054,280,621</u>

Income statement

	Six-month periods ended			
	June 30, 2020		December 31, 2019	
	US\$	Equivalent in bolivars	US\$	Equivalent in bolivars
Interest income	620,631	126,550,741,623	1,291,231	60,047,753,010
Interest expense	(10,596)	(2,160,505,116)	(17,776)	(826,652,614)
Income from financial assets recovered	-	-	20,099	934,735,998
Expenses from uncollectible loans	(5,188)	(1,057,765,733)	(30,303)	(1,409,261,471)
Other operating income	51,301	10,460,696,481	66,133	3,075,452,569
Other operating expenses	(245,806)	(50,121,381,535)	(615,951)	(28,644,375,913)
Operating expenses	(324,944)	(66,258,317,079)	(219,536)	(10,209,364,214)
Sundry operating income	-	-	17,812	828,357,461
Sundry operating expenses	-	-	(3,051)	(141,825,028)
Income tax	<u>(5,125)</u>	<u>(1,045,084,779)</u>	<u>(3,264)</u>	<u>(151,773,689)</u>
Net income	<u>80,273</u>	<u>16,368,383,862</u>	<u>505,394</u>	<u>23,503,046,109</u>

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The equivalent amounts in bolivars shown in the above financial statements at June 30, 2020 and December 31, 2019 have been translated at the official exchange rate of Bs 203,906.64/US\$1 and Bs 46,504.28/US\$1, respectively (Note 2-b).

9. Investments in affiliates

At June 30, 2020 and December 31, 2019, the Bank has an investment recorded at cost of €97,965, equivalent to Bs 22,438 million and Bs 5,131 million, respectively, in respect of 22 shares, with a par value of €125, acquired in September 2019 from Society for Worldwide Interbank Financial Telecommunication (SWIFT), an entity domiciled in Belgium, over which the Bank's equity is less than 0.01% of its capital stock; therefore, the Bank's influence over such entity is not significant. The acquisition of these shares was related to the provision of services.

10. Property and equipment

Property and equipment comprises the following:

	Land	Buildings and facilities	Computer hardware	Furniture and equipment	Vehicles	Construction in progress	Other property	Total
	(In bolivars)							
Balances at June 30, 2019								
Cost (include US\$83,164)	61,341	11,069,80	7,315,781,034	753,826,444	86,747,510	3,354,842,447	165	11,522,328,791
Accumulated depreciation (include US\$67,029)	-	(400,12)	(380,962,149)	(90,197,291)	(8,609,342)	-	-	(480,168,934)
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>3,354,842,447</u>	<u>165</u>	<u>11,042,159,857</u>
Movement for the six-month period ended December 31, 2019								
Opening balance	61,341	10,669,698	6,934,818,885	663,629,153	78,138,168	3,354,842,447	165	11,042,159,857
Additions (Note 11)	-	59,270,908,369	8,633,356,835	8,702,478,326	-	42,868,680,524	-	119,475,424,054
Effect of Branch conversion on cost	-	-	2,436,258,149	872,609,871	-	-	-	3,308,868,020
Capitalization	-	43,113,834,175	-	-	-	(43,113,834,175)	-	-
Withdrawals	-	-	-	-	(1,490)	-	-	(1,490)
Effect of Branch conversion on accumulated depreciation	-	-	(2,167,393,803)	(499,680,453)	-	-	-	(2,667,074,256)
Depreciation expense (Note 19)	-	(1,489,338)	(1,132,502,924)	(104,885,780)	(8,424,549)	-	-	(1,247,302,591)
Withdrawals from accumulated depreciation	-	-	-	-	1,490	-	-	1,490
Closing balance	<u>61,341</u>	<u>102,393,922,904</u>	<u>14,704,537,142</u>	<u>9,634,151,117</u>	<u>69,713,619</u>	<u>3,109,688,796</u>	<u>165</u>	<u>129,912,075,084</u>
Balances at December 31, 2019								
Cost (include US\$84,896) (Note 4)	61,341	102,395,812,394	18,385,396,018	10,328,914,641	86,746,020	3,109,688,796	165	134,306,619,375
Accumulated depreciation (include US\$70,804) (Note 4)	-	(1,889,490)	(3,680,858,876)	(694,763,524)	(17,032,401)	-	-	(4,394,544,291)
Net balance	<u>61,341</u>	<u>102,393,922,904</u>	<u>14,704,537,142</u>	<u>9,634,151,117</u>	<u>69,713,619</u>	<u>3,109,688,796</u>	<u>165</u>	<u>129,912,075,084</u>
Movement for the six-month period ended June 30, 2020								
Opening balance	61,341	102,393,922,904	14,704,537,142	9,634,151,117	69,713,619	3,109,688,796	165	129,912,075,084
Additions	-	102,506,451,919	16,888,849,302	11,655,433,123	14,516,000	42,003,884,047	-	173,069,134,391
Effect of Branch conversion on cost	-	-	9,638,061,849	4,078,139,876	-	-	-	13,716,201,725
Withdrawals	-	-	(20)	(19,594,746)	-	-	-	(19,594,766)
Effect of Branch conversion on accumulated depreciation	-	-	(9,356,626,827)	(2,426,698,127)	-	-	-	(11,783,324,954)
Depreciation expense (Note 19)	-	(1,678,129,592)	(2,602,488,841)	(1,293,221,052)	(15,638,712)	-	-	(5,589,478,197)
Withdrawals from accumulated depreciation	-	-	20	19,594,746	-	-	-	19,594,766
Closing balance	<u>61,341</u>	<u>203,222,245,231</u>	<u>29,272,332,625</u>	<u>21,647,804,937</u>	<u>68,590,907</u>	<u>45,113,572,843</u>	<u>165</u>	<u>299,324,608,049</u>
Balances at June 30, 2020								
Cost (include US\$86,629) (Note 4)	61,341	204,902,134,768	44,820,392,804	25,495,625,388	101,262,020	45,113,572,843	165	320,433,049,329
Accumulated depreciation (include US\$75,797) (Note 4)	-	(1,679,889,537)	(15,548,060,179)	(3,847,820,451)	(32,671,113)	-	-	(21,108,441,280)
Net balance	<u>61,341</u>	<u>203,222,245,231</u>	<u>29,272,332,625</u>	<u>21,647,804,937</u>	<u>68,590,907</u>	<u>45,113,572,843</u>	<u>165</u>	<u>299,324,608,049</u>

During the six-month periods ended June 30, 2020 and December 31, 2019, additions relate mainly to the acquisition and conditioning of the Bank's Corporate Office (El Rosal) located in Avenida Francisco de Miranda, Chacao, Miranda State, which began operations in December 2019.

At June 30, 2020 and December 31, 2019, the balance of construction in progress is in respect of

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construction and remodeling work to the Bank's main office and to existing and new agencies, which is in compliance with the Accounting Manual.

Below are the useful lives by type of asset:

	Useful life	Average remaining useful life	
		June 30, 2020	December 31, 2019
		(Years)	
Buildings and facilities	40	39.70	39.94
Computer hardware	4	3.48	3.69
Furniture and equipment	8-10	9.52	9.08
Vehicles	5	3.11	1.09

11. Other assets

Other assets comprise the following:

	June 30, 2020	December 31, 2019
	(In bolivars)	
Deferred expenses		
Licenses	15,875,047,069	6,607,945,480
Leasehold improvements, net of amortization, includes US\$8,761 (US\$13,540 at December 31, 2019) (Note 4)	4,059,651,637	2,905,691,945
Operating system (software)	852,999,382	1,876,496,019
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	<u>2,713</u>	<u>2,943</u>
	<u>20,787,700,801</u>	<u>11,390,136,387</u>
Pending items, include US\$830 and €200	884,136,460,116	151,101,703,702
Matured financial instruments receivable, equivalent to US\$1,462,552 (US\$1,457,364 at December 31, 2019) (Note 4)	298,223,917,960	67,773,648,776
Advances to suppliers	104,198,592,070	32,003,961,333
Advances on purchase options on premises owned by the Bank	67,101,461,482	34,829,961,483
Other prepaid expenses	49,617,849,543	10,258,907,305
International credit card transactions (Note 15)	40,437,573,458	13,708,891,160
Prepaid taxes and subscriptions, includes US\$24 at June 30, 2020 (Notes 4 and 16)	24,506,385,695	4,443,034,575
Deferred income tax (Note 16)	22,000,000,000	-
Other sundry accounts receivable, includes €21,913 at December 31, 2019 (Note 4)	12,613,459,307	3,644,227,880
Bank insurance, includes US\$12,928 (US\$19,797 at December 31, 2019) (Note 4)	9,825,568,196	3,757,125,150
Prepaid advertising	6,361,817,267	11,140,482,930
Accounts receivable in foreign currency, equivalent to US\$25,466 (US\$49,466 at December 31, 2019) (Note 4)	5,192,727,464	2,300,389,941
Stationery and sundry supplies	4,999,684,494	1,196,232,184
Guarantee deposits, includes US\$3,333 (US\$4,675 at December 31, 2019) (Note 4)	868,800,351	406,655,324
Credit card-related accounts receivable and balance offsettings	683,086,221	427,489,731
Accounts receivable from employees, includes US\$23,000 at December 31, 2019 (Note 4)	431,786,596	1,198,389,428
Inventories of chip credit and debit cards	<u>45,682,251</u>	<u>4,973,830</u>
	<u>1,531,244,852,471</u>	<u>338,196,074,732</u>
	1,552,032,553,272	349,586,211,119
Provision for other assets, includes US\$1,462,552 (US\$1,457,364 at December 31, 2019) (Note 4)	<u>(298,264,919,658)</u>	<u>(67,799,650,473)</u>
	<u>1,253,767,633,614</u>	<u>281,786,560,646</u>

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The balance of pending items comprises the following:

	June 30, 2020	December 31, 2019
	(In bolivars)	
Pending items		
Interbank mobile payment transactions receivable	466,784,330,348	119,282,280,994
Exchange desk transactions (Note 4)	374,808,548,128	4,497,645,534
Retail transactions (Note 4)	41,337,190,110	27,005,088,240
Sale of foreign currency - exporters	701,438,867	-
Internet deposit remittances, includes US\$620 at June 30, 2020	126,422,121	-
MasterCard credit card	-	297,442,271
Cash shortages, includes US\$210 and €200 at June 30, 2020	89,335,988	49,460
Teller machines and remittances in foreign currency	25,975,762	18,446,132
Other pending items	<u>263,218,792</u>	<u>751,071</u>
	<u>884,136,460,116</u>	<u>151,101,703,702</u>

In-transit operations of the interbank mobile payment system relate to cash transfers by Bank customers from deposits to accounts in other financial institutions. In-transit operations payable in connection with interbank mobile payment transactions relate to cash transfers by Bank customers to accounts in other financial institutions, and are recorded under accruals and other liabilities (Note 15). These transactions clear the week following period closing. At June 30, 2020, the Bank has operations receivable and payable of Bs 446,784 million and Bs 418,286 million, respectively (Bs 119,282 million and Bs 110,695, respectively, at December 31, 2019) in connection with interbank mobile payment transactions (Note 15). During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank recorded income from commissions charged to clients of Bs 31,122 million and Bs 6,507 million, respectively, in connection with transactions through this system (Note 17).

At June 30, 2020 and December 31, 2019, matured financial instruments receivable comprise mainly the Sovereign Bond issued by the Bolivarian Republic of Venezuela, which matured on October 13, 2019, and is recorded at par value of US\$1,287,000, equivalent to Bs 262,427 million and Bs 59,851 million, respectively. This account also includes overdue interest receivable for US\$149,614 in respect of this bond, equivalent to Bs 30,507 million and Bs 6,958 million at June 30, 2020 and December 31, 2019, respectively. The Bank has set aside a provision for the full amount of these financial instruments under other assets. At the date of maturity of this bond, equity included unrealized losses on investments in available-for-sale securities for Bs 4,142 million, which were adjusted with a charge to net income for the six-month period ended December 31, 2019 as loss on write-down of matured securities (Note 18).

At June 30, 2020 and December 31, 2019, advances for purchase of premises owned by the Bank include Bs 67,101 million and Bs 34,600 million, respectively, for future purchase and sale commitments of administrative offices in Centro Empresarial Boleíta, Sucre Municipality, Miranda State. During the six-month period ended December 31, 2019, the Bank capitalized advances for purchase of premises owned by the Bank for Bs 59,271 million, since the acquisition of the corporate office at El Rosal and administrative offices at Torre BNC, Avenida Francisco de Miranda, Chacao, Miranda State, was completed (Note 10).

In-transit operations in respect of the international credit card correspond to the use of Banks' points of sale by customers from other foreign financial institutions. Most of these transactions clear in the month following period closing (Note 15).

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

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The balance of other prepaid expenses comprises the following:

	June 30, 2020	December 31, 2019
	(In bolivars)	
Licenses maturing within one year	20,506,763,663	4,456,583,875
Insurance	16,024,852,361	1,526,112,146
Improvements to agencies	5,476,301,053	3,672,007,698
Swift service	4,419,954,285	-
Bloomberg service	2,521,838,052	565,327,101
Per diems paid to employees	658,746,485	38,876,485
Prepaid subscriptions	<u>9,393,644</u>	<u>-</u>
	<u>49,617,849,543</u>	<u>10,258,907,305</u>

Deferred expenses comprise the following:

	<u>June 30, 2020</u>			<u>December 31, 2019</u>		
	Cost	Accumulated amortization	Book value	Cost	Accumulated amortization	Book value
	(In bolivars)					
Licenses	21,943,917,252	(6,068,870,183)	15,875,047,069	7,387,952,368	(780,006,888)	6,607,945,480
Leasehold improvements	4,066,484,316	(6,832,679)	4,059,651,637	2,909,675,143	(3,983,198)	2,905,691,945
Operating system (software)	2,046,993,276	(1,193,993,894)	852,999,382	2,248,228,329	(371,732,310)	1,876,496,019
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	<u>4,586</u>	<u>(1,873)</u>	<u>2,713</u>	<u>4,586</u>	<u>(1,643)</u>	<u>2,943</u>
	<u>28,057,399,430</u>	<u>(7,269,698,629)</u>	<u>20,787,700,801</u>	<u>12,545,860,426</u>	<u>(1,155,724,039)</u>	<u>11,390,136,387</u>

During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank recorded amortization of deferred expenses of Bs 6,482 million and Bs 1,016 million, respectively, shown in the income statement under general and administrative expenses (Note 19).

Below is the movement in the provision for other assets:

	<u>Six-month periods ended</u>	
	<u>June 30, 2020</u>	<u>December 31, 2019</u>
	(In bolivars)	
Balance at the beginning of the period	67,799,650,473	6,746,629,122
Provision for other uncollectible assets (Note 18)	15,000,000	4,065,853,527
Provision for uncollectible financial instruments	-	707,585,855
Provision for sovereign bond matured on October 13, 2019, with a charge to matured financial instrument receivable	-	21,862,838,350
Reclassification from (to) interest receivable, equivalent to US\$5,188 (US\$1,182,390 at December 31, 2019) (Note 7)	1,042,892,332	(18,638,097,530)
Adjustment from exchange rate fluctuation	<u>229,407,376,853</u>	<u>53,054,841,149</u>
Balance at the end of the period	<u>298,264,919,658</u>	<u>67,799,650,473</u>

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12. Customer deposits

Customer deposits comprise the following:

	June 30, 2020	December 31, 2019
	(In bolivars)	
Checking account deposits and certificates		
Non-interest-bearing checking accounts	2,479,342,033,612	892,714,430,313
Checking accounts as per the free convertibility exchange market system, equivalent to US\$33,049,724 and €8,063,532 (includes US\$15,349 and €2,499 for trust fund deposits) (US\$5,303,277 and €10,464,048 and includes €5,200 for trust fund deposits at December 31, 2019) (Notes 4 and 20)	8,585,997,053,578	791,793,731,467
Interest-bearing checking accounts	493,356,256,143	93,086,089,598
Checking accounts under Exchange Agreement No. 20 equivalent to US\$3,818 (US\$988,858 at December 31, 2019) (Notes 3 and 4)	778,438,095	45,986,107,367
Demand deposits and certificates		
Non-negotiable demand deposits, bearing annual interest at between 1% and 9%	64,693,112,747	11,165,404,414
Public, State and Municipal Administration	<u>31,912,114,198</u>	<u>9,330,688,207</u>
	<u>11,656,079,008,373</u>	<u>1,844,076,451,366</u>
Other demand deposits		
Cashier's checks	53,914,185,683	15,897,812,954
Trust fund liabilities (Note 20)	15,349,982,421	6,387,781,552
Advance collections from credit card holders	409,590,943	92,000,644
Housing Savings Fund liabilities (Note 20)	<u>25,781,341</u>	<u>10,682,178</u>
	<u>69,699,540,388</u>	<u>22,388,277,328</u>
Savings deposits, bearing 21% annual interest for saving deposits for individuals and 0.125% for deposits in foreign currency, includes US\$10,067,091 and €6,840,591 (US\$10,845,606 and €9,789,521 at December 31, 2019) (Note 4)	<u>4,294,879,204,042</u>	<u>1,211,755,656,231</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\$3,395,000 (US\$476,030 at December 31, 2019) with the following maturities (Note 4):		
Overdue	60,152,461,073	-
Up to 30 days	611,939,942,113	38,728,066
31 to 60 days	20,523,664,737	103,624,000
61 to 90 days	-	15,607,642,698
91 to 180 days	45,634,485	6,558,498,400
181 to 360 days	-	10,000,097
	<u>692,661,702,408</u>	<u>22,318,493,261</u>
	<u>16,713,319,455,211</u>	<u>3,100,538,878,186</u>

At June 30, 2020 and December 31, 2019, checking accounts as per the free convertibility exchange market system correspond to customer deposits in foreign currency, opened in Venezuela, in accordance with Exchange Agreement No. 1 (Note 4). In addition, the Bank charges its clients 2% of the cash amount in foreign currency withdrawn from agencies and counters. During the six-month period ended June 30, 2020 and December 31, 2019, income in this connection amounted to Bs 270,399 million and 18,772 million, respectively (Note 17).

During the six-month periods ended June 30, 2020 and December 31, 2019, the Branch has charged its clients commissions on transfers to other foreign banks for US\$121,795 and US\$520,703, respectively (equivalent to Bs 24,835 million and Bs 24,215 million, respectively), which are part of income from other accounts receivable. During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank has paid its foreign correspondent banks US\$225,453 and US\$451,255, respectively (equivalent to Bs 45,971 million and Bs 20,985 million, respectively) (Note 18).

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

	June 30, 2020	December 31, 2019
	(In bolivars)	
Non-interest-bearing checking accounts	210,509,958,245	67,552,375,603
Non-negotiable demand deposits	187,344,622,143	15,743,204,543
Interest-bearing checking accounts, at 0.25% annual interest	29,667,804,081	5,570,640,361
Savings deposits at 12.5% annual interest	31,912,114,198	9,330,688,207
Time deposits at 14.5% annual interest	-	17,900,000
	<u>459,434,498,667</u>	<u>98,214,808,714</u>

13. Borrowings

Borrowings comprise the following:

	June 30, 2020	December 31, 2019
	(In bolivars)	
Borrowings from Venezuelan financial institutions, up to one year		
Overnight deposits at		
Banco Venezolano de Crédito S.A., 120% annual yield, maturing in July 2020 (70% annual yield, maturing in January 2020 at December 31, 2019)	139,000,000,000	27,000,000,000
Banco del Sur, Banco Universal, 120% annual yield, maturing in July 2020	10,100,000,000	-
Citibank N.A., Sucursal Venezuela, 120% annual yield, maturing in July 2020 (42.5% annual yield, maturing in January 2020, at December 31, 2019)	5,800,000,000	1,300,000,000
Banesco, Banco Universal S.A., 180% annual yield, maturing in January 2020	-	78,476,000,000
	<u>154,900,000,000</u>	<u>106,776,000,000</u>
Demand deposits, non-interest-bearing checking accounts with		
Bancrecer, Banco Microfinanciero, C.A.	48,952,922	36,380,541
Mi Banco, Banco Microfinanciero, C.A.	111,098	56,149
Banplus, Banco Universal, C.A.	37,137	37,137
Banco del Comercio Exterior C.A.	-	504,281,379
Banco Agrícola de Venezuela C.A.	-	60,662,988
	<u>49,101,157</u>	<u>601,418,194</u>
	<u>154,949,101,157</u>	<u>107,377,418,194</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
Demand deposits, non-interest bearing checking accounts with		
BNC International Bank, N.V., equivalent to US\$124,997 (Note 4)	25,487,107,585	-
BNC International Banking Corporation, equivalent to US\$52,984 (Notes 4 and 23)	10,802,974,178	-
Arca International Bank, Inc.	2,283,475	1,505,863
Bancaribe Curacao Bank, N.V.	6,732	6,732
	<u>36,292,371,970</u>	<u>1,512,698</u>
	<u>191,241,473,127</u>	<u>107,378,930,892</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, 2020 and December 31, 2019, the Bank complies with the requirements of this Resolution.

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14. Interest and commissions payable

Interest and commissions payable comprise the following:

	June 30, 2020	December 31, 2019
	(In bolivars)	
Expenses payable on customer deposits		
Non-negotiable demand deposits	3,736,657,558	698,208,945
Time deposits, includes US\$2,945 (US\$1,736 at December 31, 2019) (Note 4)	<u>607,560,420</u>	<u>84,303,298</u>
	4,344,217,978	782,512,243
Expenses payable on borrowings		
Interest payable on overnight deposits	<u>516,333,333</u>	<u>912,491,695</u>
Total expenses payable	<u>4,860,551,311</u>	<u>1,695,003,938</u>

15. Accruals and other liabilities

Accruals and other liabilities comprise the following:

	June 30, 2020	December 31, 2019
	(In bolivars)	
Pending items, includes US\$1,769,624 and €278,144 (US\$200,695 and €892,073 at December 31, 2019) (Note 4)	1,335,812,918,194	324,949,644,244
Accounts payable in foreign currency, equivalent to US\$2,522,515 and €13,064 (US\$2,601,612 and €28,957 at December 31, 2019) (Note 4)	517,349,862,605	122,494,785,532
Suppliers and other sundry payables, includes US\$107,701 (US\$34,515 at December 31, 2019) (Note 4)	50,489,837,921	10,787,738,033
International credit card transactions, equivalent to US\$201,754 (US\$294,788 at December 31, 2019) (Notes 4 and 11)	40,437,573,458	13,708,891,160
Income tax provision, includes US\$5,004 (US\$5,441 at December 31, 2019) (Notes 4 and 16)	32,020,283,613	19,069,023,179
Provision for wealth tax (Note 16)	30,000,000,000	-
Bank insurance policies, equivalent to US\$131,207 (Note 4)	26,753,926,470	-
Withholding tax	22,804,857,035	8,509,858,926
Commissions on credit and debit card services	15,382,751,395	2,986,966,173
Other provisions	14,907,483,028	14,003,501,521
Accrual for length-of-service benefits (Note 2-j)	12,854,485,227	1,053,498,950
Tax on economic activities and other taxes payable (Note 16)	12,524,268,311	2,928,387,494
Leases	6,156,600,102	792,102,687
Other personnel expenses	4,669,297,044	758,987,009
Cashier's checks	4,411,617,968	74,598,164
Professional fees payable, includes US\$10,720 (US\$6,996 at December 31, 2019) (Note 4)	4,198,510,366	744,423,306
Vacations and vacation bonus payable, includes US\$3,517 (US\$1,599 at December 31, 2019) (Notes 2-j and 4)	3,984,080,043	723,036,247
Contribution for the prevention of money laundering and terrorism financing	3,866,005,184	1,303,510,695
Deferred interest income, includes US\$6,301 (US\$21,255 at December 31, 2019) (Notes 4 and 6)	3,278,926,906	2,138,974,941
Profit sharing payable, includes US\$577 (Notes 2-j and 4)	3,159,808,827	-
Sports and Physical Education Law	2,534,364,419	390,336,273
Provision for contingent loans (Note 21)	1,430,807,879	326,306,749
Labor contributions and withholdings payable	780,382,516	298,532,112
Deferred tax liability (Note 16)	-	3,978,019,484
Ezequiel Zamora Fund withholdings	-	7,978,025
	<u>2,149,808,648,511</u>	<u>532,029,100,904</u>

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The balance of pending items comprises the following:

	June 30, 2020	December 31, 2019
	(In bolivars)	
Interbank mobile transactions payable (Note 11)	418,286,958,472	100,695,853,403
Exchange desk transactions, include US\$1,715,385 and €109,279 (US\$112,997 and €83 at December 31, 2019) (Note 4)	374,808,548,128	5,258,197,343
Electronic transfer pending offsetting (US\$42,399 at December 31, 2019) (Note 4)	307,825,270,465	95,095,259,327
Point-of-sale transactions payable	173,367,985,590	67,946,493,453
Retail transactions, include US\$13,040 and €168,865 (US\$8,100 and €891,990 at December 31, 2019) (Note 4)	41,337,190,110	46,848,657,467
Collection of government and municipal taxes	6,184,867,845	7,172,996,730
Commissions to the Central Bank of Venezuela	5,188,800,072	143,971,256
Other pending items, include US\$18,399 (US\$55 at December 31, 2019) (Note 4)	4,164,246,342	60,876,155
Transactions through SICAD, equivalent to US\$21,000 (Notes 3 and 4)	4,282,039,595	976,589,849
Free convertibility in-transit transactions, include US\$1,800 (US\$16,144 at December 31, 2019) (Note 4)	<u>367,011,575</u>	<u>750,749,261</u>
	<u>1,335,812,918,194</u>	<u>324,949,644,244</u>

At June 30, 2020 and December 31, 2019, electronic transfers pending offsetting correspond to transfer made by Bank customers to other financial institutions during the last days of June 2020 and December 2019, respectively, which cleared the first days of July and January 2020, respectively. They also include at December 31, 2019, US\$42,399 equivalent to Bs 1,972 million, in connection with transfers made by Branch customers to other foreign financial institutions pending clearance by the correspondent bank. During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank charged commissions on interbank electronic transfers for Bs 34,399 million and Bs 9,260 million, respectively, included under other operating income (Note 17).

At June 30, 2020 and December 31, 2019, 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, 2020, the Bank recorded income and expenses of Bs 177,111 million and Bs 40,645 million, 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 44,581 million and Bs 10,083 million, respectively, for the six-month period ended December 31, 2019) (Notes 17 and 18). Furthermore, during the six-month periods ended June 30, 2020 and December 31, 2019, the Bank charged commissions for Bs 30,538 million and Bs 2,702 million, respectively, on reimbursement of point-of sale operation costs to stores (Note 17).

At June 30, 2020 and December 31, 2019, collection of government and municipal taxes includes national and municipal taxes paid by individuals and corporations to the Tax Authorities between July 3 and 9, 2020, and on January 3 and 7, 2020, respectively.

At June 30, 2020 and December 31, 2019, 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.

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At June 30, 2020 and December 31, 2019, withheld taxes relate mainly to withholdings from third parties in connection with:

	June 30, 2020	December 31, 2019
	(In bolivars)	
Tax on large financial transactions	9,310,777,039	2,909,211,062
Income tax	8,564,255,486	3,195,088,169
Value added tax	3,976,565,013	1,799,689,405
Stamp duty	923,767,372	602,436,660
Other taxes	<u>29,492,125</u>	<u>3,433,630</u>
	<u>22,804,857,035</u>	<u>8,509,858,926</u>

At June 30, 2020 and December 31, 2019, management maintains other provisions of Bs 14,907 million and Bs 14,003 million, respectively, mainly in connection with possible contingent losses. During the six-month period ended December 31, 2019, the Bank recorded expenses of Bs 10,629 million, shown in the income statement within sundry operating expenses (Note 18).

At June 30, 2020 and December 31, 2019, suppliers and other sundry payables correspond mainly to accounts payable of Bs 45,461 million and Bs 8,125 million, respectively, for contracted services.

Below is the movement in the provision for contingent loans:

	<u>Six-month periods ended</u>	
	June 30, 2020	December 31, 2019
	(In bolivars)	
Balance at the beginning of the period	326,306,749	9,306
Provided for the period	<u>1,104,501,130</u>	<u>326,297,443</u>
Balance at the end of the period	<u>1,430,807,879</u>	<u>326,306,749</u>

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

Income tax advance regime

On August 21, 2018, the Venezuelan government published a Constituent Decree to establish a temporary regime for the payment of income tax advances applicable to special taxpayers engaged in economic activities other than exploitation of mines, hydrocarbons and related activities, who do not receive royalties from such exploitations. The advance referred to in this Decree shall be determined based on gross income from the sale of goods and services obtained in the tax period of the previous

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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.

During the six-month period ended June 30, 2020, the Branch recorded estimated income tax expense of US\$5,125, equivalent to Bs 1,045 million (US\$3,264, equivalent to Bs 152 million, during the six-month period ended December 31, 2019). On June 27, 2019, the Curacao Tax Authorities approved Tax Ruling No. UR 19-0115 until December 31, 2021. According to this Ruling, the Branch must calculate tax payable on the basis of 7% of the costs of its activities since the commencement of Branch operations, except for disbursement costs and interest on debt. Disbursements include costs of services provided by third parties which are not considered part of the Branch's activities, except for service fees, office and equipment leasing and telecommunication expenses, among others (Note 8).

At June 30, 2020 and December 31, 2019, the Bank maintains an income tax provision of Bs 32,020 million and Bs 19,069 million, respectively, which includes US\$5,004 and US\$5,441, respectively, in connection with the Branch (Note 15). In addition, at June 30, 2020 and December 31, 2019, the Bank has prepaid income tax amounting to Bs 24,506 million and Bs 4,443 million, respectively, which are part of other assets and are shown within prepaid taxes and subscriptions (Note 11).

The tax expense comprises the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(In bolivars)	
Income tax		
Current	(32,136,354,584)	(14,181,773,688)
Deferred asset (liability)	<u>25,978,019,484</u>	<u>(4,493,392,671)</u>
	<u>(6,158,335,100)</u>	<u>(18,675,166,359)</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, 2020 and December 31, 2019, relate to the provision for high-risk and uncollectible loans, prepaid expenses, provision for other assets, and sundry provisions. At June 30, 2020, the Bank has net deferred tax assets of Bs 22,000 million as part of other assets (Note 11) (net deferred tax liabilities of Bs 3,978 million as part of accruals and other liabilities at December 31, 2019) (Note 15).

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

	June 30, 2020	December 31, 2019
	(In bolivars)	
Assets		
Provision for matured financial instruments	23,618,506,968	6,229,825
Other provisions and accruals	<u>3,121,890,563</u>	<u>663,829,532</u>
	<u>26,740,397,531</u>	<u>670,059,357</u>
Liabilities		
Actuarial obligation for length-of-service benefits	-	81,518,127
Prepaid expenses	<u>4,740,397,531</u>	<u>4,566,560,714</u>
	<u>4,740,397,531</u>	<u>4,648,078,841</u>
Deferred income tax asset (liability)	<u>22,000,000,000</u>	<u>(3,978,019,484)</u>

The movements in the deferred income tax liability accounts for the six-month periods ended June 30, 2020 and December 31, 2019, are summarized below:

	Other provisions and accruals	Provision for matured financial instruments	Prepaid expenses	Actuarial obligation for length-of- service benefits	Total deferred tax asset (liability)
	(In bolivars)				
At June 30, 2019	287,262,752	645,164,964	(335,536,402)	(81,518,127)	515,373,187
Charged (credited) to the income statement	<u>376,566,780</u>	<u>(638,935,139)</u>	<u>(4,231,024,312)</u>	-	<u>(4,493,392,671)</u>
At December 31, 2019	663,829,532	6,229,825	(4,566,560,714)	(81,518,127)	(3,978,019,484)
Charged (credited) to the income statement	<u>2,458,061,031</u>	<u>23,612,277,143</u>	<u>(173,836,817)</u>	<u>81,518,127</u>	<u>25,978,019,484</u>
At June 30, 2020	<u>3,121,890,563</u>	<u>23,618,506,968</u>	<u>(4,740,397,531)</u>	-	<u>22,000,000,000</u>

c) Transfer pricing

According to transfer-pricing regulations, taxpayers that conduct transactions with related parties abroad are required to calculate income, costs and deductions applying the methodology set out in the Law. The Bank conducts transactions with related parties abroad. At December 31, 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. Bank management expects no impact on taxable income for the six-month period ended June 30, 2020 and the year ended December 31, 2019, since there have been no changes in the operating conditions with its related company abroad.

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, 2020 and December 31, 2019, the Bank recorded a tax expense of Bs 31,574 million and Bs 7,223 million, respectively, in connection with the economic activities conducted in its offices nationwide, shown under general and administrative expenses (Note 19). At June 30, 2020, the balance pending payment in this connection amounts to Bs 12,524 million (Bs 2,928 million at December 31, 2019), and is shown under accruals and other liabilities within tax on economic activities and other taxes payable (Note 15).

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e) Law on Tax on Large Financial Transactions

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

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

During the six-month period ended June 30, 2020, the Bank recorded expenses of Bs 17,696 million in this connection, shown under general and administrative expenses (Bs 6,466 million during the six-month period ended December 31, 2019) (Note 19).

f) Law on Wealth Tax

The Law on Wealth Tax was published in Official Gazette No. 41,667 on July 3, 2019. This law establishes that special taxpayers whose wealth is equal to or greater than 36,000,000 tax units for individuals and 100,000,000 tax units for corporations are required to pay between 0.25% and 1.50% for the portion of net 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. During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank recorded expenses of Bs 30,000 million and 1,366 million, respectively, in this connection, shown in the net results for the period.

g) Master Tax Code

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

In addition, on March 13, 2020, SENIAT published in the Official Gazette the adjustment of the tax unit from Bs 50 to Bs 1,500.

These decrees became effective after their publication in the Official Gazette, as set out in the regulations; therefore, management has adapted its information systems to comply with the reforms.

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17. Other operating income

Other operating income comprises the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(In bolivars)	
Service fees	323,633,879,603	74,918,277,674
Commission on withdrawal of cash in foreign currency (Note 12)	270,399,815,061	18,772,078,237
Commission on transactions through the foreign exchange system (Note 4)	50,416,534,693	6,214,533,112
Income from amortization of discount on held-to-maturity investments (Note 5-c)	35,562,268,911	3,677,689,271
Commission on exchange transactions (Note 3)	17,707,497,546	9,171,274,679
Commission on financial advisory (Note 6)	15,333,657,012	59,091,947,065
Commission for documentation of promissory notes and lines of credit (Note 6)	10,346,812,431	20,781,370,407
Exchange gain (Note 4)	7,305,402,916	973,202,925
Gain on sale of investment securities (Note 5-b)	3,164,398,153	2,108,335,875
Commissions on trust funds (Note 20)	<u>657,155,895</u>	<u>49,061,809</u>
	<u>734,527,422,221</u>	<u>195,757,771,054</u>

Service fees comprise the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(In bolivars)	
Point-of-sale transactions (Note 15)	177,111,418,685	44,581,582,342
Interbank transfers (Note 15)	34,339,968,040	9,260,968,669
Interbank mobile payment (Note 11)	31,122,553,503	6,597,889,441
Reimbursement of point-of-sale operation costs to stores (Note 15)	30,538,743,452	2,702,461,384
Commission on high-value bank transfers	11,228,101,686	312,667,154
Commission on P2P SUICHE 7B service	7,907,658,589	1,635,571,204
Services to social security pensioners	7,596,434,513	3,577,957,867
Commission MasterCard	5,889,944,784	802,548,955
Commission on phone recharge	3,852,709,352	867,968,614
Other non-financial commissions	3,412,958,429	1,073,058,602
Payroll account affiliation	2,710,262,939	523,662,551
Commission on checking account overdraft	2,525,368,891	679,893,983
Issue of cashier's checks	488,493,355	779,262,176
Returned checks	417,919,394	153,623,566
Minimum balances of customer deposits	327,190,325	313,561,995
Other	<u>4,164,153,666</u>	<u>1,055,599,171</u>
	<u>323,633,879,603</u>	<u>74,918,277,674</u>

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18. Other operating expenses

Other operating expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(In bolivars)	
Service fees (Notes 2-k and 15)	143,020,901,095	56,268,114,771
Loss on impairment of investment securities (Note 5-c)	26,724,841,076	10,786,852,840
Exchange loss (Note 4)	4,144,308,811	479,664,660
Loss on write-down of matured securities (Note 11)	-	4,142,633,996
Other	<u>47,101</u>	<u>13,997</u>
	<u>173,890,098,083</u>	<u>71,677,280,264</u>

Service fees comprise the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(In bolivars)	
Transfers through correspondent banks (Note 12)	45,971,440,822	20,985,310,048
Pont-of-sale transactions (Note 15)	40,645,123,818	10,083,297,156
Commissions to credit card processor vendors (VISA and MasterCard)	41,333,005,306	22,805,241,246
Interbank mobile payment	7,000,707,152	1,456,770,367
Other expenses for service fees	<u>8,070,623,997</u>	<u>937,495,954</u>
	<u>143,020,901,095</u>	<u>56,268,114,771</u>

Sundry operating expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(In bolivars)	
Contribution to the National Fund for Communal Councils	3,884,845,218	2,110,338,322
Contribution for the Antidrug Law (Note 1)	3,763,227,362	784,609,226
Contribution for the Sports and Physical Education Law (Note 1)	2,610,979,901	349,743,003
Contribution for the Law for the Advancement of Science, Technology and Innovation (Note 1)	2,411,450,110	-
Provision for other assets (Note 11)	15,000,000	4,065,853,527
Possible contingent losses (Note 15)	-	10,629,146,558
Other	<u>525,351</u>	<u>310,250,536</u>
	<u>12,686,027,942</u>	<u>18,249,941,172</u>

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19. General and administrative expenses

General and administrative expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(In bolivars)	
Maintenance and repairs	83,258,454,600	27,536,955,158
Transportation and communication expenses	74,127,542,747	19,677,061,718
Transportation of valuables and surveillance	51,361,544,419	11,484,110,469
Consulting and external audit	49,366,712,884	10,728,769,423
Outsourced services	47,615,234,792	10,260,240,251
Leases	48,258,398,800	9,406,828,727
Tax on economic activities (Note 16)	31,574,972,140	7,223,986,974
Sundry general expenses	21,349,939,904	6,691,202,124
Tax on large financial transactions (Note 16)	17,696,775,083	6,466,946,842
Insurance	20,366,513,562	5,198,482,911
Legal advice	5,896,362,068	2,641,403,057
Advertising	9,423,618,613	1,957,819,563
Amortization of deferred expenses (Note 11)	6,482,771,986	1,016,227,548
Depreciation and impairment of property and equipment (Note 10)	5,589,478,197	1,247,302,591
Infrastructure expenses	1,908,746,216	1,001,786,925
Stationery and office supplies	3,197,168,920	299,413,462
Legal expenses	1,553,720,658	373,283,023
Utilities	1,949,707,346	324,631,286
Other taxes and contributions	605,294,570	142,665,241
Public relations	378,803,930	130,695,741
Other	<u>4,009,916,475</u>	<u>244,468,483</u>
	<u>485,971,677,910</u>	<u>124,054,281,517</u>

20. Memorandum accounts

Memorandum accounts comprise the following:

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(In bolivars)	
Contingent debtor accounts		
Guarantees granted, equivalent to US\$701,650 (Note 21)	143,080,789,710	32,630,674,871
Credit card lines of credit (Note 21)	18,345,320,838	5,875,039,258
Lines of credit for discounts and factoring (Note 21)	<u>2,196,901</u>	<u>1,265,319</u>
	<u>161,428,307,449</u>	<u>38,506,979,448</u>
Assets received in trust, includes US\$15,349 and €2,400 (€5,200 at December 31, 2019) (Notes 2-m and 4)	<u>76,276,952,128</u>	<u>18,240,524,452</u>
Debtor accounts from other special trust services (Housing Loan System)	<u>701,228,128</u>	<u>187,043,179</u>

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	June 30, 2020	December 31, 2019
	(In bolivars)	
Other debtor memorandum accounts		
Guarantees received, includes US\$35,143,665 and €327,000 (US\$21,506,329 at December 31, 2019) (Note 4)	7,900,960,749,395	1,370,675,521,240
Assets held in custody, includes US\$10,950,796 (Note 4)	2,255,647,848,605	513,925,501,321
Securities held by other financial institutions, includes US\$9,746,800 (Note 4)	1,987,437,310,878	453,267,901,684
Lines of credit available but not negotiated	1,183,130,591,394	602,442,021,104
Collections in foreign currency, equivalent to US\$1,664,007 (Note 4)	339,302,082,503	77,383,443,559
Debt reconciling and written off items, includes US\$168,606 (Note 4)	34,380,058,581	7,840,940,978
Deferred interest receivable on loans overdue and in litigation, includes US\$27,562 (US\$15,327 at December 31, 2019) (Notes 4 and 6)	5,628,161,108	713,003,955
Currency awarded through SICAD, equivalent to US\$21,000 (Note 4)	4,282,039,595	976,589,849
Uncollectible accounts written off	409,494,549	400,007,777
Performance bonds from suppliers	4,888	4,888
Personal and real property written off	117	117
Taxes receivable	16	16
Guarantees on collateral granted	4	4
Other	<u>239,968,194</u>	<u>239,968,192</u>
	<u>13,711,418,309,827</u>	<u>3,027,864,904,684</u>
	<u>13,949,824,797,532</u>	<u>3,084,799,451,763</u>

At June 30, 2020 and December 31, 2019, securities in custody of other financial institutions are held in Euroclear Bank, Pershing LLC, and Morgan Stanley Smith Barney, respectively.

a) Assets received in trust

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

	June 30, 2020	December 31, 2019
	(In bolivars)	
Assets		
Cash and due from banks, includes US\$15,349 and €2,400 (€5,200 at December 31, 2019) (Note 12)	19,029,481,953	6,658,697,436
Investment securities	28,039,631,502	6,666,416,161
Loan portfolio	19,134,696,830	4,440,663,933
Interest receivable on investment securities	1,829,944,545	474,745,542
Other assets	<u>8,243,197,298</u>	<u>1,380</u>
Total assets	<u>76,276,952,128</u>	<u>18,240,524,452</u>
Liabilities and Equity		
Liabilities		
Other liabilities	<u>519,371,158</u>	<u>15,471,779</u>
Equity		
Capital assigned to trusts	63,763,057,519	16,446,238,734
Retained earnings	<u>11,994,523,451</u>	<u>1,778,813,939</u>
Total equity	<u>75,757,580,970</u>	<u>18,225,052,673</u>
Total liabilities and equity	<u>76,276,952,128</u>	<u>18,240,524,452</u>

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Below is a breakdown of assets received in trust:

	June 30, 2020	December 31, 2019
	(In bolivars)	
Assets received in trust		
Length-of-service benefits	61,760,027,486	18,186,033,960
Administration	14,470,508,286	17,443,880
Investment	<u>46,416,356</u>	<u>37,046,612</u>
	<u>76,276,952,128</u>	<u>18,240,524,452</u>

At June 30, 2020, cash and due from banks comprises Bs 15,350 million, and includes US\$15,349 and €2,400 (equivalent to Bs 3,680 million) (Bs 6,388 million and €5,200, equivalent to Bs 271 million at December 31, 2019), in connection with funds received from trust fund operations that are managed through checking accounts with the Bank and are used to receive or pay all funds; they earn 6% annual interest (Note 12).

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

	June 30, 2020			December 31, 2019		
	Acquisition cost	Amortized cost	Fair value	Acquisition cost	Amortized cost	Fair Value
	(In bolivars)					
Time deposits with Venezuelan financial private-sector companies						
Del Sur Banco Universal, C.A., annual yield between 80% and 85%, maturing in July 2020 (annual yield between 90% and 100%, maturing in January 2020 at December 31, 2019)	2,898,484,680	2,898,484,680	2,898,484,680 (1)-(a)	730,000,000	730,000,000	730,000,000 (1) - (a)
Banco Exterior, C.A., Banco Universal, annual yield between 80% and 120%, maturing in July 2020 (100% annual yield, maturing in January 2020 at December 31, 2019)	2,800,892,811	2,800,892,811	2,800,892,811 (1)-(a)	975,000,000	975,000,000	975,000,000 (1) - (a)
Banco Caroní, C.A., Banco Universal, annual yield between 80% and 93%, maturing in July 2020 (88% annual yield, maturing in January 2020 at December 31, 2019)	<u>2,174,321,147</u>	<u>2,174,321,147</u>	<u>2,174,321,147 (1)-(a)</u>	<u>600,000,000</u>	<u>600,000,000</u>	<u>600,000,000 (1) - (a)</u>
	<u>7,873,698,638</u>	<u>7,873,698,638</u>	<u>7,873,698,638</u>	<u>2,305,000,000</u>	<u>2,305,000,000</u>	<u>2,305,000,000</u>
Debt securities issued by Venezuelan non-financial private-sector companies						
Commercial paper						
Calox International C.A., with a par value of Bs 5,000,000,000, 85% annual yield, maturing in November 2020	4,268,000,000	4,434,733,331	4,434,733,331 (1)-(b)	-	-	-
Automercados Plaza's, C.A., with a par value of Bs 3,000,000,000, 85% annual yield, maturing in September 2020 (par value of Bs 250,000,000, 75% annual yield, maturing in February 2020 at December 31, 2019)	2,460,000,000	2,490,000,000	2,490,000,000 (1)-(b)	225,000,000	234,433,962	234,433,962 (1)-(b)
Dayco Telecom, C.A., with a par value of Bs 2,500,000,000, 85% annual yield, maturing between September and December 2020 (par value of Bs 350,000,000, 75% annual yield, maturing in May 2020 at December 31, 2019)	2,031,850,000	2,212,412,302	2,212,412,302 (1)-(b)	307,125,000	317,367,361	317,367,361 (1)-(b)
Papeles Venezolanos, C.A., with a par value of Bs 2,000,000,000, 85% annual yield, maturing in November 2020	1,780,000,000	1,787,534,247	1,787,534,247 (1)-(b)	-	-	-
Galaxia Médica, C.A., with a par value of Bs 2,000,000,000, 85% annual yield, maturing in August 2020	1,701,800,000	1,844,273,333	1,844,273,333 (1)-(b)	-	-	-
Cargill de Venezuela, C.A., with a par value of Bs 1,000,000,000, 85% annual yield, maturing in October 2020 (par value of Bs 300,000,000, 75% annual yield, maturing in April 2020 at December 31, 2019)	888,250,000	912,079,044	912,079,044 (1)-(b)	262,966,200	269,406,861	269,406,861 (1)-(b)
Coca Cola Femsa, C.A., with a par value of Bs 1,000,000,000, 80% annual yield, maturing in October 2020	871,300,000	931,311,798	931,311,798 (1)-(b)	-	-	-
Taurel & Cia. Sucursal, C.A., with a par value of Bs 1,000,000,000, 85% annual yield, maturing in July 2020	869,600,000	964,436,364	964,436,364 (1)-(b)	-	-	-
S.A. Nacional Farmacéutica (SANFAR), with a par value of Bs 1,000,000,000, 88% annual yield, maturing in July 2020 (par value of Bs 300,000,000, 75% annual yield, maturing in February 2020 at December 31, 2019)	850,000,000	930,555,556	930,555,556 (1)-(b)	264,000,000	276,413,792	276,413,792 (1)-(b)
Pasteurizadora Táchira, C.A., with a par value of Bs 1,000,000,000, 85% annual yield, maturing in August 2020 (par value of Bs 50,000,000, 40% annual yield, maturing in April 2020 at December 31, 2019)	849,400,000	899,600,000	899,600,000 (1)-(b)	50,000,000	50,000,000	50,000,000 (1)-(b)
Netuno, C.A., with a par value of Bs 400,000,000, 85% annual yield, maturing in July 2020 (par value of Bs 350,000,000, annual yield between 60% and 75%, maturing between January and February 2020 at December 31, 2019)	334,482,800	384,712,653	384,712,653 (1)-(b)	318,083,850	342,648,357	342,648,357 (1)-(b)
Genia Care, C.A., with a par value of Bs 250,000,000, 85% annual yield, maturing in September 2020	202,500,000	205,892,857	205,892,857 (1)-(b)	-	-	-
Charcutería Venezolana, C.A., with a par value of Bs 150,000,000, 42% annual yield, maturing in July 2020	150,000,000	150,000,000	150,000,000 (1)-(b)	150,000,000	150,000,000	150,000,000 (1)-(b)
Alice Neumáticos de Venezuela, with a par value of Bs 150,000,000, 40% annual yield, maturing in July 2020	150,000,000	150,000,000	150,000,000 (1)-(b)	150,000,000	150,000,000	150,000,000 (1)-(b)
Inversiones Simbi, C.A., with a par value of Bs 500,000,000, annual yield between 40% and 75%, maturing between February and June 2020	-	-	-	<u>454,500,000</u>	<u>482,145,570</u>	<u>482,145,570 (1)-(b)</u>
Carried forward	17,407,182,800	18,297,541,485	18,297,541,485	2,181,675,050	2,272,415,903	2,272,415,903

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	June 30, 2020			December 31, 2019		
	Acquisition cost	Amortized cost	Fair value	Acquisition cost	Amortized cost	Fair Value
	(In bolivars)					
Brought forward	17,407,182,800	18,297,541,485	18,297,541,485	2,181,675,050	2,272,415,903	2,272,415,903
Alimentos Difresca, with a par value of Bs 400,000,000, 75% annual yield, maturing in February 2020	-	-	-	354,813,300	380,477,911	380,477,911 (1)-(b)
Dominguez & Cia, S.A., with a par value of Bs 400,000,000, 75% annual yield, maturing in March 2020	-	-	-	352,645,200	363,920,152	363,920,152 (1)-(b)
Inversiones Selva, C.A., with a par value of Bs 400,000,000, 75% annual yield, maturing in March 2020	-	-	-	349,120,000	360,553,709	360,553,709 (1)-(b)
Central Madeirense, C.A., with a par value of Bs 300,000,000, 75% annual yield, maturing in January 2020	-	-	-	270,000,000	288,545,455	288,545,455 (1)-(b)
Agribands Purina Venezuela, S.A., with a par value of Bs 300,000,000, 75% annual yield, maturing in April 2020	-	-	-	262,966,200	269,406,861	269,406,861 (1)-(b)
Preparados Alimenticios Interna, with a par value of Bs 200,000,000, 75% annual yield, maturing in January 2020	-	-	-	173,799,000	194,342,966	194,342,966 (1)-(b)
	<u>17,407,182,800</u>	<u>18,297,541,485</u>	<u>18,297,541,485</u>	<u>3,945,018,750</u>	<u>4,129,662,957</u>	<u>4,129,662,957</u>
Asset-backed securities						
Titularizadora Nuevovalor, C.A., with a par value of Bs 2,000,000,000, 85% annual yield, maturing in March 2021	1,275,000,000	1,313,915,864	1,313,915,864 (1)-(b)	-	-	-
Inversiones Tivalca, C.A., with a par value of Bs 201,000,000, 33.80% annual yield, maturing in March 2021 (27.27% annual yield at December 31, 2019)	<u>157,965,000</u>	<u>180,738,701</u>	<u>180,738,701 (1)-(b)</u>	<u>157,965,000</u>	<u>166,150,565</u>	<u>166,150,565 (1)-(b)</u>
	<u>1,432,965,000</u>	<u>1,494,654,565</u>	<u>1,494,654,565</u>	<u>157,965,000</u>	<u>166,150,565</u>	<u>166,150,565</u>
Debenture bonds						
Venezolana de Proyectos Integrados Vepica, C.A., with a par value of Bs 500,000,000, 85% annual yield, maturing in May 2021	300,000,000	317,008,798	317,008,798 (1)-(b)	-	-	-
Alimentación Balanceada Alibal, C.A., with a par value of Bs 26,250,000, 26.50% annual yield, maturing in January 2021 (par value of Bs 35,000,000 at December 31, 2019)	26,250,000	26,250,000	26,250,000 (1)-(b)	35,000,000	35,000,000	35,000,000 (1) - (b)
Automercados Plaza's, C.A., with a par value of Bs 2,400,000, 22.79% annual yield, maturing in August 2020 (annual yield between 25.20% and 26.34%, maturing between March and August 2020 at December 31, 2019)	2,400,000	2,400,000	2,400,000 (1)-(b)	2,402,000	2,402,000	2,402,000 (1) - (b)
F.V.I. Fondo de Valores Inmobiliarios, S.A.C.A., with a par value of Bs 2,000,000, 22% annual yield, maturing in December 2021	2,000,000	2,000,000	2,000,000 (1) - (b)	2,000,000	2,000,000	2,000,000 (1) - (b)
Compañía Venezolana de Cerámica, C.A., with a par value of Bs 1,500,000, 25% annual yield, maturing in December 2021	1,500,000	1,500,000	1,500,000 (1) - (b)	1,500,000	1,500,000	1,500,000 (1) - (b)
Alice Neumáticos de Venezuela, C.A., with a par value of Bs 30,000, 26% annual yield, maturing in May 2021	30,000	30,000	30,000 (1) - (b)	30,000	30,000	30,000 (1) - (b)
Cerámica Carabobo, S.A.C.A., with a par value of Bs 30,000, 25% annual yield, maturing in June 2021	30,000	30,000	30,000 (1) - (b)	30,000	30,000	30,000 (1) - (b)
Inversiones Selva, C.A., with a par value of Bs 10,000, 20.70% annual yield, maturing in March 2021 (29.35% annual yield at December 31, 2019)	10,000	10,000	10,000 (1) - (b)	10,000	10,000	10,000 (1) - (b)
Desarrollo Forestales San Carlos II, C.A., with a par value of Bs 6,000, 24.50% annual yield, maturing in March 2021 (par value of Bs 10,000 at December 31, 2019)	6,000	6,000	6,000 (1) - (b)	10,000	10,000	10,000 (1) - (b)
Corporación Grupo Químico, C.A., with a par value of Bs 3,600, 23.50% annual yield, maturing in November 2020	3,600	3,600	3,600 (1) - (b)	3,600	3,600	3,600 (1) - (b)
La Montserratina, C.A., with a par value of Bs 3,750, 21% annual yield, maturing in May 2021 (par value of Bs 5,000 at December 31, 2019)	3,750	3,750	3,750 (1) - (b)	5,000	5,000	5,000 (1) - (b)
Agropecuaria INSA de Venezuela AGROINSA, C.A., with a par value of Bs 5,000, 26.5% annual yield, maturing in September 2021	3,334	3,334	3,334 (1) - (b)	3,334	3,334	3,334 (1) - (b)
Venezolana de Frutas, C.A., with a par value of Bs 3,000, 22.5% annual yield, maturing in October 2020	3,000	3,000	3,000 (1) - (b)	3,000	3,000	3,000 (1) - (b)
Dominguez & Cia., S.A., with a par value of Bs 64,000, 29.29% annual yield, maturing in August 2021	-	-	- (1)-(b)	64,000	64,000	64,000
C.A. Ron Santa Teresa, 25% annual yield, maturing in December 2020	-	-	- (1)-(b)	24,000	24,000	24,000 (1) - (b)
Inelectra, S.A.C.A., with a par value of Bs 10,000, 29.35% annual yield, maturing in June 2021 (24% annual yield)	-	-	-	10,000	10,000	10,000 (1) - (b)
Montana Gráfica, C.A., with a par value of Bs 5,770, 19.55% annual yield, maturing in June 2020	-	-	- (1)-(b)	5,770	5,770	5,770 (1) - (b)
	<u>332,239,684</u>	<u>349,248,482</u>	<u>349,248,482</u>	<u>41,100,704</u>	<u>41,100,704</u>	<u>41,100,704</u>
Sundry obligations						
Netuno, C.A., with a par value of Bs 1,500, 22% annual yield, maturing in July 2020 (par value of Bs 10,000, annual yield between 22% and 24%, maturing between July and November 2020 at December 31, 2019)	1,500	1,500	1,500 (1) - (b)	10,000	10,000	10,000 (1) - (b)
C.A. Ron Santa Teresa, with a par value of Bs 4,000, 22% annual yield, maturing in February 2021	-	-	- (1) - (b)	4,000	4,000	4,000 (1) - (b)
	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>
	<u>19,172,388,984</u>	<u>20,141,446,032</u>	<u>20,141,446,032</u>	<u>4,144,090,454</u>	<u>4,336,928,226</u>	<u>4,336,928,226</u>
Securities issued or guaranteed by the Venezuelan government						
Vebonos, with a par value of Bs 24,401,998, annual yield between 13.44 and 26.19%, maturing between January 2021 and August 2037 (par value of Bs 24,402,806 at December 31, 2019)	24,404,879	24,403,888	24,403,888 (2)-(c)	24,405,755	24,404,830	24,404,830 (2) - (c)
Fixed Interest Bonds (TIF), with a par value of Bs 83,937, annual yield between 8.25% and 16.50%, maturing between February 2021 and January 2037	<u>83,937</u>	<u>82,944</u>	<u>82,944 (2)-(c)</u>	<u>83,937</u>	<u>83,105</u>	<u>74,241 (2) - (c)</u>
	<u>24,488,816</u>	<u>24,486,832</u>	<u>24,486,832</u>	<u>24,489,692</u>	<u>24,487,935</u>	<u>24,479,071</u>
	<u>27,070,576,438</u>	<u>28,039,631,502</u>	<u>28,039,631,502</u>	<u>6,473,580,146</u>	<u>6,666,416,161</u>	<u>6,666,407,297</u>

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

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Below is the classification of investment securities according to maturity:

	<u>June 30, 2020</u>		<u>December 31, 2019</u>	
	<u>Amortized cost</u>	<u>Fair value</u>	<u>Amortized cost</u>	<u>Fair value</u>
	(In bolivars)			
Up to 6 months	26,173,497,144	26,173,497,144	5,652,523,157	5,652,523,157
6 months to 1 year	1,838,147,087	1,838,147,087	784,588,170	784,588,170
1 to 5 years	3,517,490	3,517,490	204,816,899	204,816,899
Over 5 years	<u>24,469,781</u>	<u>24,469,781</u>	<u>24,487,935</u>	<u>24,479,071</u>
	<u>28,039,631,502</u>	<u>28,039,631,502</u>	<u>6,666,416,161</u>	<u>6,666,407,297</u>

At June 30, 2020, interest receivable on investment securities amounts to Bs 1,830 million (Bs 475 million at December 31, 2019).

At June 30, 2020 and December 31, 2019, 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, 2020, loans and advances to beneficiaries of length-of-service benefits recorded in the loan portfolio include Bs 258 million from Bank employees (Bs 103 million at December 31, 2019); Bs 16,550 million from private length-of-service benefit trust funds; and Bs 2,327 million from government agencies (Bs 4,603 million and Bs 275 million, respectively, at December 31, 2019).

Advances to beneficiaries of works relate to advances granted to suppliers contracted mainly by the Carabobo State government, in conformity with the Public Works Contract Law, which will be amortized in each appraisal submitted for payment, until work completion. These advances relate to administration trust funds, are executed within one year and do not represent a loan granted; they are not included under the loan portfolio, which imply a third-party obligation for future payment and collection of interest on the amount borrowed, as there is no commitment by the beneficiary to reimburse the funds granted or pay interest thereon.

At June 30, 2020, length-of-service benefit trust funds in favor of Bank employees amount to Bs 2,767 million (Bs 847 million at December 31, 2019).

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, 2020 and December 31, 2019, 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.

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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, 2020	December 31, 2019
	(In bolivars)	
Assets		
Cash and due from banks (Note 12)	25,781,341	10,682,178
Investment securities	675,446,781	176,360,996
Other assets	<u>6</u>	<u>5</u>
Total assets	<u>701,228,128</u>	<u>187,043,179</u>
Liabilities		
Contributions to the Housing Savings Fund	701,225,106	187,040,157
Liabilities to BANAVIH	<u>2,437</u>	<u>2,437</u>
Total liabilities	<u>701,227,543</u>	<u>187,042,594</u>
Income	<u>585</u>	<u>585</u>
Total liabilities and income	<u>701,228,128</u>	<u>187,043,179</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, 2020, the Bank has an investment trust in BANAVIH for Bs 675 million (Bs 176 million at December 31, 2019), 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.

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, 2020 and December 31, 2019, these guarantees earned annual commissions of 5%.

At June 30, 2020 and December 31, 2019, amounts guaranteed by the Bank are Bs 143,080 million and Bs 32,630 million (Note 20). The Bank maintains a provision for contingent loans equivalent to 1% of guaranteed amounts under accruals and other liabilities (Note 15).

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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, 2020 and December 31, 2019, the Bank has no negotiated lines of credit unused by customers.

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

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

22. Equity

a) Capital stock and authorized capital

At June 30, 2020 and December 31, 2019, the Bank's paid-in capital amounts to Bs 57,919, represented by 5,791,930,372 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.

Below are the capital increases approved at 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	-
December 20, 2017	Premium capitalization on capital contributions	65,555	With a charge to share premiums pending capitalization	-
March 18, 2018	Stock dividends	195,000	With a charge to unappropriated surplus	-
September 26, 2018	Stock dividends	3,110,000	With a charge to unappropriated surplus	-
March 20, 2019	Stock dividends	1,141,000,000	With a charge to unappropriated surplus	-
September 25, 2019	Stock dividends	3,900,000,000	76.92% with a charge to unappropriated surplus and 23.08% with a charge to restricted surplus	SNV
March 18, 2020	Capital increase	747,445,526	With a charge to restricted surplus	SUDEBAN and SNV

At a Regular Shareholders' Meeting of 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. On November 6, 2019, through Notice SIB-II-GGR-GA-12488, SUDEBAN authorized this capital increase through dividends declared. The SNV authorized this capital increase through Resolution No. 006 of January 17, 2020.

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At a Special Shareholders' Meeting of 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. On September 13, 2019, through Notice SIB-II-GGR-GA-10329, SUDEBAN authorized this capital increase. The SNV authorized this capital increase through Resolution No. 007 of January 17, 2020.

At a Regular Shareholders' Meeting of 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. On November 7, 2019, through Notice SIB-II-GGR-GA-12590, SUDEBAN authorized this capital increase through dividends declared. The SNV authorized this capital increase through Resolution No. 004 of January 17, 2020.

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 unappropriated surplus. On November 6, 2019, through Notice SIB-II-GGR-GA-12487, SUDEBAN authorized this capital increase through dividends declared. The SNV authorized this capital increase through Resolution No. 008 of January 17, 2020.

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 114,100,000,000,000 non-convertible common shares of the same class with a par value of Bs 0.00001, payable with a charge to unappropriated surplus. On November 6, 2019, through Notice SIB-II-GGR-GA-12489, SUDEBAN authorized this capital increase through dividends declared. The SNV authorized this capital increase through Resolution No. 005 of January 17, 2020.

At a Regular Shareholders' Meeting of September 25, 2019, it was resolved to declare dividends of Bs 3,900,000,000 fully payable in shares through the distribution of 390,000,000,000,000 non-convertible common shares of the same class with a par value of Bs 0.00001; Bs 3,000,000,000 payable with a charge to unappropriated surplus and Bs 900,000,000 with a charge to restricted surplus. Through Notice SIB-II-GGR-GA-0283 of May 28, 2020, SUDEBAN authorized the Bank to increase capital stock by the aforementioned amount. To date, the Bank is awaiting authorization from the SNV.

At a Special Shareholders' Meeting of March 18, 2020, it was resolved to:

- Increase capital stock by Bs 747,445,526 to be fully paid in shares through the distribution of 74,744,552,600,000 non-convertible common shares of the same class with a par value of Bs 0.00001, payable with a charge to restricted surplus.
- Increase the par value of shares to Bs 1 by proportionally reducing the number of outstanding shares issued, fully subscribed and paid-in, upon completion of the capitalization process.
- Carry out the capitalization process of all authorized capital increases, as well as those pending approval, provided that they are authorized, so as to take the Bank's capital stock to Bs 5,791,930,000, and the increase of the par value of shares to Bs 1, simultaneously, on the same date and act.

To date, the Bank is awaiting for SUDEBAN and SNV to authorize capital restructuring approved at the Special Shareholders' Meeting.

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Shares subscribed by shareholders for the six-month periods ended June 30, 2020 and December 31, 2019, are identified as non-convertible common shares as follows:

	<u>June 30, 2020</u>		<u>December 31, 2019</u>	
	<u>Number of shares</u>	<u>Equity %</u>	<u>Number of shares</u>	<u>Equity %</u>
Shareholders				
Nogueroles García, Jorge Luis	564,313,138	9.74	564,313,138	9.74
Valores Torre Casa, C.A.	416,041,332	7.18	416,041,332	7.18
Halabi Harb, Anuar	349,899,089	6.04	349,899,089	6.04
Sociedad Financiera Intercontinental, Ltd.	306,404,593	5.29	306,404,593	5.29
Alintio International, S.L.	287,134,247	4.96	287,134,247	4.96
Curbelo Pérez, Juan Ramón	228,690,908	3.95	228,690,908	3.95
Zasuma Inversiones, C.A.	222,456,886	3.84	222,456,886	3.84
Castellana Investments Fund Limited, S.C.C.	180,416,502	3.11	180,368,740	3.11
Inversiones Clatal, C.A.	178,721,058	3.09	178,721,058	3.09
Corporación Friport, C.A.	177,978,958	3.07	177,978,958	3.07
Osio Montiel, Carmen Inés	150,440,008	2.60	150,440,008	2.60
Inversiones Grial, C.A.	124,459,223	2.15	124,459,223	2.15
Kozma Solymosy, Nicolás A.	124,068,420	2.14	124,068,420	2.14
Inversiones Tosuman, C.A.	107,999,164	1.86	107,999,164	1.86
Tamayo Degwitz, Carlos Enrique	106,636,886	1.84	106,806,886	1.84
Teleacción A.C., C.A.	103,756,963	1.79	103,756,963	1.79
García Arroyo, Sagrario	99,183,005	1.71	99,183,005	1.71
Somoza Mosquera, David	93,311,011	1.61	93,311,011	1.61
Puig Miret, Jaime	80,887,215	1.40	80,887,215	1.40
Consorcio Toyomarca, S.A. (Toyomarca, S.A.)	80,766,467	1.39	80,766,467	1.39
Nogueroles López, José María	80,000,000	1.38	80,000,000	1.38
Pembrokepines Investments LLC Sucursal Venezuela	75,865,684	1.31	48,933,231	0.84
Kozma Ingenuo, Alejandro Nicolás	73,342,454	1.27	73,342,454	1.27
Kozma Ingenuo, Carolina María	73,342,454	1.27	73,342,454	1.27
Chaar, Mouada	65,881,714	1.14	65,881,714	1.14
Nogueroles García, María Monstserrat	63,922,281	1.10	63,922,281	1.10
Eurobuilding Internacional, C.A.	54,913,775	0.95	54,913,775	0.95
Valores Agropecuarios La Florida, C.A.	53,604,655	0.93	53,604,655	0.93
Tracto Agro Valencia, C.A.	53,183,574	0.92	53,183,574	0.92
Benacerraf Herrera, Mercedes Cecilia	44,949,782	0.78	44,949,782	0.78
Other	<u>1,169,358,926</u>	<u>20.19</u>	<u>1,196,169,141</u>	<u>20.66</u>
	<u>5,791,930,372</u>	<u>100.00</u>	<u>5,791,930,372</u>	<u>100.00</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, 2020 and December 31, 2019, capital reserves include Bs 57,919 in connection with the legal reserve.

2) Social Contingency Fund

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

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

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At June 30, 2020 and December 31, 2019, the Bank recorded the Social Contingency Fund of Bs 290 for both periods, which includes capital and interest, with a charge to unappropriated surplus and a credit to capital reserves. At June 30, 2020 and December 31, 2019, capital reserves include Bs 2,070 and Bs 1,780, in respect of the Social Contingency Fund (Note 5-d).

3) Voluntary reserves

At June 30, 2020 and December 31, 2019, capital reserves include Bs 10 in respect of voluntary reserves.

c) Retained earnings

1) Non-distributable surplus

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

2) Restricted surplus

In compliance with SUDEBAN Resolution No. 329-99, during the six-month period ended June 30, 2020, the Bank reclassified Bs 142,443 million (Bs 17,159 million during the six-month period ended December 31, 2019) 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, 2020 and December 31, 2019, restricted surplus amounts to Bs 162,709 million and Bs 20,265 million, respectively. These amounts may be used for capital stock increase, but not for cash dividend distribution.

d) Risk-based capital ratio

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

	Required %	Maintained %	
		June 30, 2020	December 31, 2019
Total risk-based capital	12	71.48	54.88
Equity-to-total assets	9	27.80	30.33

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

At June 30, 2020 and December 31, 2019, 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 its related company BNC International Banking Corporation, an entity domiciled in Puerto Rico, the effects of which are included in the financial statements. Because of those relationships, certain transactions may have taken place on terms other than those that would characterize transactions between unrelated companies.

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

	June 30, 2020	December 31, 2019
	(In bolivars)	
Assets		
Cash and due from banks		
Foreign and correspondent banks for US\$7,437,949 (US\$6,837,246 at December 31, 2019)	1,516,647,254,171	317,961,173,578
Exchange Agreement No. 20 for US\$3,818 (US\$988,858 December 31, 2019) (Note 3)	<u>778,438,095</u>	<u>45,986,107,367</u>
	<u>1,517,425,692,266</u>	<u>363,947,280,945</u>
Liabilities		
Borrowings from BNC International Banking Corporation		
Non-interest bearing demand deposits of US\$52,980 (Note 13)	10,802,974,178	-
Interest-bearing checking accounts at 0.25% annual interest (Note 13)	<u>-</u>	<u>103</u>
	<u>10,802,974,281</u>	<u>103</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.

For the six-month periods ended June 30, 2020 and December 31, 2019, SUDEBAN set the fee at 0.1% of the average of the Bank's assets for the two months prior to the bimonthly period when payment is due. This fee is shown under operating expenses.

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.

Resolution No. 19-09-02 of September 5, 2019, requires the creation of a minimum reserve of 57% of net liabilities and 100% of the regular reserve for marginal increases, deposited at the BCV, and calculated on the basis of all 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

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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.

Subsequently, the BCV, through Resolution No. 20-03-01 of March 29, 2020, which repeals Resolution No. 19-09-02 of September 5, 2019, establishes that banks are required to maintain a minimum legal reserve of 93% on net obligations and investments assigned. Furthermore, the minimum interest rate to be paid by banks with legal reserve deficit was set at 138% per annum.

During the six-month periods ended June 30, 2020 and December 31, 2019, the Bank paid interest on reserve deficit to the BCV of Bs 37,593 million and Bs 3,293 million, respectively, shown as part of net income under other interest expense.

The legal reserve must be maintained in legal tender, regardless of the currency of the transactions from which it originated. At June 30, 2020 and December 31, 2019, the legal reserve required is Bs 3,033,425 million and Bs 994,974 million, respectively (Note 3).

27. Contingencies

At June 30, 2020 and December 31, 2019, 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, 2020							Total
	December 31, 2020	June 30, 2021	December 31, 2021	June 30, 2022	December 31, 2022	June 30, 2023	Beyond to June 30, 2023	
	Maturity							
	(In bolivars)							
Assets								
Cash and due from banks	17,194,990,315,044	-	-	-	-	-	-	17,194,990,315,044
Investment securities	1,456,741,065,681	9,024	2,588	12,750	3,609,323	5,983	178,860,647,632	1,635,605,352,981
Loan portfolio	3,479,534,461,349	327,848,651,529	472,729,320,642	570,744,094,725	-	-	-	4,850,856,528,245
Interest and commissions receivable	413,458,977,982	-	-	-	-	-	-	413,458,977,982
	<u>22,544,724,820,056</u>	<u>327,848,660,553</u>	<u>472,729,323,230</u>	<u>570,744,107,475</u>	<u>3,609,323</u>	<u>5,983</u>	<u>178,860,647,632</u>	<u>24,094,911,174,252</u>
Liabilities								
Customer deposits	16,713,319,455,211	-	-	-	-	-	-	16,713,319,455,211
Borrowings	191,241,473,127	-	-	-	-	-	-	191,241,473,127
Interest and commissions payable	4,860,551,311	-	-	-	-	-	-	4,860,551,311
	<u>16,909,421,479,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,909,421,479,649</u>

	December 31, 2019							Total
	June 30, 2020	December 31, 2020	June 30, 2021	December 31, 2021	June 30, 2022	December 31, 2022	Beyond to December 31, 2022	
	Maturity							
	(In bolivars)							
Assets								
Cash and due from banks	2,901,981,046,768	-	-	-	-	-	-	2,901,981,046,768
Investment securities	509,157,332,538	205,317,700	24,415	252,571	-	-	202,616,574,077	711,979,501,301
Loan portfolio	768,481,211,552	131,422,855,173	10,682,545,950	2,332,094,768	303,878,043	35,574,824	37,100,046,942	950,358,207,252
Interest and commissions receivable	75,888,124,328	-	-	-	-	-	-	75,888,124,328
	<u>4,255,507,715,186</u>	<u>131,628,172,873</u>	<u>10,682,570,365</u>	<u>2,332,347,339</u>	<u>303,878,043</u>	<u>35,574,824</u>	<u>239,716,621,019</u>	<u>6,440,206,879,649</u>
Liabilities								
Customer deposits	3,100,528,878,089	10,000,097	-	-	-	-	-	3,100,538,878,186
Borrowings	107,378,930,892	-	-	-	-	-	-	107,378,930,892
Interest and commissions payable	1,695,003,938	-	-	-	-	-	-	1,695,003,938
	<u>3,209,602,812,919</u>	<u>10,000,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,209,612,813,016</u>

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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, 2020		December 31, 2019	
	Book value	Estimated fair value	Book value	Estimated fair value
	(In bolivars)			
Assets				
Cash and due from banks	17,194,990,315,044	17,194,990,315,044	2,901,981,046,768	2,901,981,046,768
Investment securities	1,635,605,352,981	1,549,220,775,712	711,979,501,301	711,399,367,299
Loan portfolio	4,507,311,042,457	4,507,311,042,457	880,651,372,809	880,651,372,809
Interest and commissions receivable	32,567,662,523	32,567,662,523	3,761,907,553	3,761,907,553
	<u>23,370,474,373,005</u>	<u>23,284,089,795,736</u>	<u>4,498,373,828,431</u>	<u>4,497,793,694,429</u>
Liabilities				
Customer deposits	16,713,319,455,211	16,713,319,455,211	3,100,538,878,186	3,100,538,878,186
Borrowings	191,241,473,127	191,241,473,127	107,378,930,892	107,378,930,892
Interest and commissions payable	4,860,551,311	4,860,551,311	1,695,003,938	1,695,003,938
	<u>16,909,421,479,649</u>	<u>16,909,421,479,649</u>	<u>3,209,612,813,016</u>	<u>3,209,612,813,016</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.

Customer deposits, long-term liabilities and borrowings

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

30. Investments and loans granted in excess of legal limits

At June 30, 2020 and December 31, 2019 (except for two loans of US\$2,734,000, equivalent to Bs 127,143 million maintained by the Branch with a client at December 31, 2019), the Bank does not have loans with other debtors that individually exceed 10% of its equity or with economic groups exceeding 20% of the Bank's equity, and does not maintain investments or loans exceeding the limits established in the Law on Banking Sector Institutions.

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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 Bank 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, 2020 and December 31, 2019

	June 30, 2020			Total Bank, including Branch operations (In bolivars)	December 31, 2019			Total Bank, including Branch operations
	Operations in Venezuela	Branch Operations in Curacao	Elimination entry		Operations in Venezuela	Branch operations in Curacao	Elimination entry	
Assets								
Cash and due from banks	15,206,175,302,669	4,281,238,086,905	(2,292,423,074,530)	17,194,990,315,044	2,859,419,491,867	(588,263,649,276)	2,901,981,046,768	
Cash	8,588,653,125,988	-	-	8,588,653,125,988	650,367,652,783	-	650,367,652,783	
Central Bank of Venezuela	3,544,001,214,117	-	-	3,544,001,214,117	1,143,882,269,317	-	1,143,882,269,317	
Venezuelan banks and other financial institutions	12,892,551,100	-	-	12,892,551,100	8,017,261,645	-	8,017,261,645	
Foreign and correspondent banks	3,078,833,918,522	4,281,238,086,905	(2,292,423,074,530)	5,067,648,930,897	1,046,966,820,115	(588,263,649,276)	1,089,528,375,016	
Pending cash items	1,165,624,445	-	-	1,165,624,445	10,185,488,007	-	10,185,488,007	
(Provision for cash and due from banks)	(19,371,131,503)	-	-	(19,371,131,503)	-	-	-	
Investment securities	1,220,733,029,011	414,872,323,970	-	1,635,605,352,981	196,378,371,051	515,601,130,250	711,979,501,301	
Deposits with the BCV and overnight deposits	355,300,000,000	-	-	355,300,000,000	-	-	-	
Investments in available-for-sale securities	250,434,721	8,156,266	-	258,590,987	247,008,235	162,905,766,454	163,152,774,689	
Investments in held-to-maturity securities	178,610,269,809	387,422,549,754	-	566,032,819,563	40,120,138,675	346,456,874,825	386,577,013,500	
Restricted investments	686,568,660,600	27,441,617,950	-	714,010,278,550	156,007,554,169	6,238,488,971	162,246,043,140	
Investments in other securities	3,663,881	-	-	3,663,881	3,669,972	-	3,669,972	
Loan portfolio	2,412,215,175,918	2,095,095,866,539	-	4,507,311,042,457	395,444,491,231	485,206,881,578	880,651,372,809	
Current	2,484,524,464,241	2,060,413,462,367	-	4,544,937,926,608	403,782,739,373	532,517,805,156	936,300,544,529	
Overdue	58,630,537	305,859,971,100	-	305,918,601,637	106,379,173	13,951,283,550	14,057,662,723	
(Allowance for losses on loan portfolio)	(72,367,918,860)	(271,177,566,928)	-	(343,545,485,788)	(8,444,627,315)	(61,262,207,128)	(69,706,834,443)	
Interest and commissions receivable	23,994,203,938	8,573,458,585	-	32,567,662,523	1,502,769,232	2,259,138,321	3,761,907,553	
Interest receivable on investment securities	377,510,625,599	738,160,415	-	378,248,786,014	70,426,912,845	314,619,580	70,741,532,425	
Interest receivable on loan portfolio	22,346,387,794	12,735,572,524	-	35,081,960,318	1,484,749,203	3,646,422,800	5,131,172,003	
Commissions receivable	128,231,650	-	-	128,231,650	15,419,900	-	15,419,900	
(Provision for interest receivable and other)	(375,991,041,105)	(4,900,274,354)	-	(380,891,315,459)	(70,424,312,716)	(1,701,904,059)	(72,126,216,775)	
Investments in subsidiaries, affiliates and branches	2,406,841,987,864	-	(2,384,403,267,530)	22,438,720,334	545,539,374,671	(540,435,475,730)	5,103,898,941	
Available-for-sale assets	490	-	-	490	659	-	659	
Property and equipment	297,115,891,325	2,208,716,724	-	299,324,608,049	129,256,725,165	655,349,919	129,912,075,084	
Other assets	1,243,467,901,414	10,299,732,200	-	1,253,767,633,614	277,718,429,369	4,068,131,277	281,786,560,646	
Total assets	22,810,543,492,629	6,812,288,184,923	(4,676,826,342,060)	24,946,005,335,492	4,405,259,653,245	(1,086,137,570,105)	4,915,176,363,761	
Memorandum accounts								
Contingent debtor accounts	161,428,307,449	-	-	161,428,307,449	38,506,979,448	-	38,506,979,448	
Assets received in trust	76,276,952,128	-	-	76,276,952,128	18,240,524,452	-	18,240,524,452	
Debtor accounts from other special trust services	701,228,128	-	-	701,228,128	187,043,179	-	187,043,179	
Other debtor memorandum accounts	7,256,004,498,436	6,455,413,811,391	-	13,711,418,309,827	1,983,798,698,100	1,044,066,206,584	3,027,864,904,684	
	<u>7,494,410,986,141</u>	<u>6,455,413,811,391</u>	<u>-</u>	<u>13,949,824,797,532</u>	<u>2,040,733,245,179</u>	<u>1,044,066,206,584</u>	<u>3,084,799,451,763</u>	

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Integration schedule - Balance sheet

June 30, 2020 and December 31, 2019

	June 30, 2020				December 31, 2019			
	Operations in Venezuela	Branch operations in Curacao	Elimination Entry	Total Bank, including Branch operations (In bolivars)	Operations in Venezuela	Branch operations in Curacao	Elimination entry	Total Bank, including Branch operations
Liabilities and Equity								
Customer deposits	13,080,399,547,201	4,311,807,974,280	(678,888,066,270)	16,713,319,455,211	2,064,008,064,569	1,050,316,497,757	(13,785,684,140)	3,100,538,878,186
Demand deposits	12,334,967,074,643	-	(678,888,066,270)	11,656,079,008,373	1,844,076,451,366	-	-	1,844,076,451,366
Non-interest-bearing checking accounts	2,479,342,033,612	-	-	2,479,342,033,612	892,714,430,313	-	-	892,714,430,313
Checking accounts as per the free convertibility exchange market system	9,264,885,119,848	-	(678,888,066,270)	8,585,997,053,578	791,793,731,467	-	-	791,793,731,467
Interest-bearing checking accounts	493,356,256,143	-	-	493,356,256,143	93,086,089,598	-	-	93,086,089,598
Checking accounts under Exchange Agreement No. 20	778,438,095	-	-	778,438,095	45,986,107,367	-	-	45,986,107,367
Demand deposits and certificates	96,605,226,945	-	-	96,605,226,945	20,496,092,621	-	-	20,496,092,621
Other demand deposits	69,699,540,388	-	-	69,699,540,388	22,388,277,328	-	-	22,388,277,328
Savings deposits	675,334,297,685	3,619,544,906,357	-	4,294,879,204,042	197,362,274,309	1,028,179,066,062	(13,785,684,140)	1,211,755,656,231
Time deposits	398,634,485	692,263,067,923	-	692,661,702,408	181,061,566	22,137,431,695	-	22,318,493,261
Borrowings	154,950,007,542	78,320,948,237	(42,029,482,652)	191,241,473,127	107,378,930,892	-	-	107,378,930,892
Venezuelan financial institutions, up to one year	154,949,101,157	-	-	154,949,101,157	107,377,418,194	-	-	107,377,418,194
Foreign financial institutions, up to one year	906,385	78,320,948,237	(42,029,482,652)	36,292,371,970	1,512,698	-	-	1,512,698
Interest and commissions payable	4,260,046,257	600,505,054	-	4,860,551,311	1,614,272,509	80,731,429	-	1,695,003,938
Expenses payable on customer deposits	3,743,712,924	600,505,054	-	4,344,217,978	701,780,814	80,731,429	-	782,512,243
Expenses payable on borrowings	516,333,333	-	-	516,333,333	912,491,695	-	-	912,491,695
Accruals and other liabilities	3,684,158,684,297	37,155,664,034	(1,571,505,699,820)	2,149,808,648,511	1,058,723,935,434	5,221,559,204	(531,916,393,734)	532,029,100,904
Total liabilities	16,923,768,285,297	4,427,885,091,605	(2,292,423,248,742)	19,059,230,128,160	3,231,725,203,404	1,055,618,788,390	(545,702,077,874)	3,741,641,913,920
Equity								
Capital stock	57,919	1,549,580,762,228	(1,549,580,762,228)	57,919	57,919	353,407,497,477	(353,407,497,477)	57,919
Contributions pending capitalization	387,162	-	-	387,162	387,162	-	-	387,162
Capital reserves	59,999	564,118,118,799	(564,118,118,799)	59,999	59,709	128,656,458,253	(128,656,458,253)	59,709
Retained earnings	399,421,235,564	276,813,866,945	(276,813,866,945)	399,421,235,564	98,165,066,305	59,398,954,783	(59,398,954,783)	98,165,066,305
Adjustment from revaluation of property and equipment	463,334	-	-	463,334	463,334	-	-	463,334
Exchange gain from holding foreign currency assets and liabilities	5,261,434,989,438	-	-	5,261,434,989,438	1,068,825,150,738	-	-	1,068,825,150,738
Gain from exchange fluctuation UVCC and UVCP	232,099,401,241	-	-	232,099,401,241	7,553,267,928	-	-	7,553,267,928
Net unrealized loss on investments in available-for-sale securities	(6,181,387,325)	(6,109,654,654)	6,109,654,654	(6,181,387,325)	(1,010,003,254)	(1,027,418,282)	1,027,418,282	(1,010,003,254)
Total equity	5,886,775,207,332	2,384,403,093,318	(2,384,403,093,318)	5,886,775,207,332	1,173,534,449,841	540,435,492,231	(540,435,492,231)	1,173,534,449,841
Total liabilities and equity	22,810,543,492,629	6,812,288,184,923	(4,676,826,342,060)	24,946,005,335,492	4,405,259,653,245	1,596,054,280,621	(1,086,137,570,105)	4,915,176,363,761

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Integration schedule - Income statement

Six-month periods ended June 30, 2020 and December 31, 2019

	June 30, 2020				December 31, 2019			
	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>632,066,210,165</u>	<u>126,550,741,623</u>	-	<u>758,616,951,788</u>	<u>119,292,918,150</u>	<u>60,047,753,010</u>	-	<u>179,340,671,160</u>
Income from cash and due from banks	33,516,778	426,617,566	-	460,134,344	24,088,279	1,808,763,450	-	1,832,851,729
Income from investment securities	139,590,042,144	12,352,568,864	-	151,942,611,008	33,951,743,488	3,027,274,801	-	36,979,018,089
Income from loan portfolio	492,441,589,437	77,856,007,220	-	570,297,596,657	81,907,027,660	26,023,807,270	-	107,930,834,930
Income from other accounts receivable	1,061,806	35,915,547,973	-	35,916,609,779	1,679,111,472	29,187,907,689	-	30,867,019,161
Other interest income	-	-	-	-	1,730,947,251	-	-	1,730,947,251
Interest expense	<u>(153,783,452,591)</u>	<u>(2,160,505,116)</u>	-	<u>(155,943,957,707)</u>	<u>(25,840,895,175)</u>	<u>(826,652,614)</u>	-	<u>(26,667,547,789)</u>
Expenses from customer deposits	(77,298,140,785)	(2,160,505,116)	-	(79,458,645,901)	(15,313,294,452)	(826,652,614)	-	(16,139,947,066)
Expenses from borrowings	(38,892,153,635)	-	-	(38,892,153,635)	(7,234,054,426)	-	-	(7,234,054,426)
Other interest expense	(37,593,158,171)	-	-	(37,593,158,171)	(3,293,546,297)	-	-	(3,293,546,297)
Gross financial margin	<u>478,282,757,574</u>	<u>124,390,236,507</u>	-	<u>602,672,994,081</u>	<u>93,452,022,975</u>	<u>59,221,100,396</u>	-	<u>152,673,123,371</u>
Income from financial assets recovered	265,276	-	-	265,276	43,337,593	934,735,998	-	978,073,591
Expenses from uncollectible loans and other accounts receivable	(109,330,948,688)	(1,057,765,733)	-	(110,388,714,421)	(13,839,900,439)	(1,409,261,471)	-	(15,249,161,910)
Expenses from provision for cash and due from banks	(19,371,131,503)	-	-	(19,371,131,503)	-	-	-	-
Net financial margin	<u>349,580,942,659</u>	<u>123,332,470,774</u>	-	<u>472,913,413,433</u>	<u>79,655,460,129</u>	<u>58,746,574,923</u>	-	<u>138,402,035,052</u>
Other operating income	861,078,163,844	10,460,696,481	(137,011,438,104)	734,527,422,221	257,568,617,523	3,075,452,569	(64,886,299,038)	195,757,771,054
Other operating expenses	(244,411,770,790)	(50,121,381,535)	120,643,054,242	(173,890,098,083)	(84,416,157,280)	(28,644,375,913)	41,383,252,929	(71,677,280,264)
Financial intermediation margin	<u>966,247,335,713</u>	<u>83,671,785,720</u>	<u>(16,368,383,862)</u>	<u>1,033,550,737,571</u>	<u>252,807,920,372</u>	<u>33,177,651,579</u>	<u>(23,503,046,109)</u>	<u>262,482,525,842</u>
Operating expenses	<u>(618,372,262,447)</u>	<u>(66,258,317,079)</u>	-	<u>(684,630,579,526)</u>	<u>(159,020,662,430)</u>	<u>(10,209,364,214)</u>	-	<u>(169,230,026,644)</u>
Salaries and employee benefits	(132,709,867,565)	(35,255,867,149)	-	(167,965,734,714)	(38,024,583,762)	(1,905,417,477)	-	(39,930,001,239)
General and administrative expenses	(454,969,227,980)	(31,002,449,930)	-	(485,971,677,910)	(115,750,334,780)	(8,303,946,737)	-	(124,054,281,517)
Fees paid to the Social Bank Deposit Protection Fund	(8,540,248,448)	-	-	(8,540,248,448)	(1,652,904,305)	-	-	(1,652,904,305)
Fees paid to the Superintendency of Banking Sector Institutions	(22,152,918,454)	-	-	(22,152,918,454)	(3,592,839,583)	-	-	(3,592,839,583)
Gross operating margin	<u>347,875,073,266</u>	<u>17,413,468,641</u>	<u>(16,368,383,862)</u>	<u>348,920,158,045</u>	<u>93,787,257,942</u>	<u>22,968,287,365</u>	<u>(23,503,046,109)</u>	<u>93,252,499,198</u>
Sundry operating income	2,770,122,316	-	-	2,770,122,316	2,017,762,561	828,357,461	-	2,846,120,022
Expenses from available-for-sale assets	(1,583,106,614)	-	-	(1,583,106,614)	-	(123)	-	(123)
Sundry operating expenses	(12,686,027,942)	-	-	(12,686,027,942)	(18,108,116,144)	(141,825,028)	-	(18,249,941,172)
Net operating margin	<u>336,376,061,026</u>	<u>17,413,468,641</u>	<u>(16,368,383,862)</u>	<u>337,421,145,805</u>	<u>77,696,904,236</u>	<u>23,654,819,798</u>	<u>(23,503,046,109)</u>	<u>77,848,677,925</u>
Extraordinary expenses	(61,155,723)	-	-	(61,155,723)	(48,184,471)	-	-	(48,184,471)
Extraordinary income	54,514,567	-	-	54,514,567	63,800,000	-	-	63,800,000
Gross income before tax	<u>336,369,419,870</u>	<u>17,413,468,641</u>	<u>(16,368,383,862)</u>	<u>337,414,504,649</u>	<u>77,712,519,765</u>	<u>23,654,819,798</u>	<u>(23,503,046,109)</u>	<u>77,864,293,454</u>
Income tax	(5,113,250,321)	(1,045,084,779)	-	(6,158,335,100)	(18,523,392,670)	(151,773,689)	-	(18,675,166,359)
Wealth tax	(30,000,000,000)	-	-	(30,000,000,000)	(1,366,673,416)	-	-	(1,366,673,416)
Net income	<u>301,256,169,549</u>	<u>16,368,383,862</u>	<u>(16,368,383,862)</u>	<u>301,256,169,549</u>	<u>57,822,453,679</u>	<u>23,503,046,109</u>	<u>(23,503,046,109)</u>	<u>57,822,453,679</u>