

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

Independent Auditor's Report and Financial Statements  
June 30, 2021

## **Independent Auditor's Report**

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

### **Our opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Banco Nacional de Crédito, C.A., Banco Universal (the Bank) as at June 30, 2021 and its financial performance and its cash flows for the six-month period then ended, in accordance with the rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN).

### **What we have audited**

The Bank's financial statements comprise:

- The balance sheet as at June 30, 2021;
- the income statement for the six-month period then ended;
- the statement of changes in equity for the six-month period then ended;
- the cash flow statement for the six-month period then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### **Basis for our opinion**

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

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

### **Independence**

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

### **Key audit matters**

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

### Key audit matter

#### 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, 2021.

In accordance with the accounting rules and instructions of the SUDEBAN, the Bank maintains a minimum general 1% allowance of the loan portfolio balance, and an additional countercyclical allowance equivalent to 0.75% of the gross loan portfolio balance. The Bank may set aside any additional general allowances deemed necessary.

Similarly, a specific provision is determined for debtors with certain characteristics, which is calculated based on SUDEBAN accounting rules and instructions.

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.

#### 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 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.

Regarding internal control, we have focused on the design and operability of the following processes:

- 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.

For the allowance for losses of the assessed loan portfolio we:

- Conducted a detailed review of the 500 largest debtors (99% of total loans at June 30, 2021), 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.

The results of our audit procedures did not reveal any difference or error out of an established reasonable range.

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 27 of the accompanying financial statements, indicating that in accordance with the Central Bank of Venezuela (BCV) at June 30, 2021, banks are required to maintain a minimum legal reserve on net obligations and investments assigned. This measure may limit the Bank's financial intermediation.

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

These matters have no impact on our audit opinion.

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

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

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

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

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

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

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

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

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

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

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

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

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

Reinaldo Emilio Alvarado Ch.  
 CPC 54341  
 CP 790  
 SNV 22

August 19, 2021

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

## Balance sheet

June 30, 2021 and December 31, 2020

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Assets</b>		
<b>Cash and due from banks</b>	<u>491,700,161,365,901</u>	<u>134,577,695,899,424</u>
Cash (Notes 3 and 4)	278,047,850,362,784	88,818,603,881,193
Central Bank of Venezuela (Notes 3, 4 and 26)	26,281,322,189,360	14,182,720,964,050
Venezuelan banks and other financial institutions	30,933,759,004	67,348,951,762
Foreign and correspondent banks (Notes 2-p and 4)	187,327,638,274,270	31,489,236,812,716
Pending cash items (Note 3)	12,416,780,483	19,785,289,703
<b>Investment securities (Note 5)</b>	<u>16,900,432,025,205</u>	<u>5,386,582,609,384</u>
Deposits with the BCV and overnight deposits	-	72,090,000,000
Investments in available-for-sale securities	473,283,381	288,728,757
Investments in held-to-maturity securities	5,648,682,022,524	1,446,330,807,814
Restricted investments	11,251,273,068,685	3,867,869,415,816
Investments in other securities	3,650,615	3,656,997
<b>Loan portfolio (Note 6)</b>	<u>129,937,934,494,218</u>	<u>42,831,945,429,406</u>
Current	125,739,295,476,234	43,073,775,237,950
Overdue	9,815,687,344,846	1,656,678,076,717
(Allowance for losses on loan portfolio)	(5,617,048,326,862)	(1,898,507,885,261)
<b>Interest and commissions receivable (Note 7)</b>	<u>547,416,713,689</u>	<u>161,486,347,643</u>
Interest receivable on investment securities	8,064,784,121,901	2,400,937,440,915
Interest receivable on loan portfolio	795,740,146,030	180,187,658,261
Commissions receivable	2,189,083,149	507,745,375
(Provision for interest receivable and other)	(8,315,296,637,391)	(2,420,146,496,908)
<b>Investments in affiliates (Note 9)</b>	<u>373,248,248,965</u>	<u>132,850,060,719</u>
<b>Available-for-sale assets (Note 10)</b>	<u>1,157,782,805,072</u>	<u>303,718,411,746</u>
<b>Property and equipment (Note 11)</b>	<u>9,712,178,085,958</u>	<u>4,547,738,379,444</u>
<b>Other assets (Note 12)</b>	<u>43,169,625,733,015</u>	<u>9,633,687,930,256</u>
<b>Total assets</b>	<u>693,498,779,472,023</u>	<u>197,575,705,068,022</u>
<b>Memorandum accounts (Note 21)</b>		
Contingent debtor accounts	2,305,646,042,516	815,592,463,530
Assets received in trust	1,260,520,942,341	310,239,524,117
Debtor accounts from other special trust services	2,005,499,362	788,960,732
Other debtor memorandum accounts	<u>478,145,184,268,282</u>	<u>129,396,594,463,543</u>
	<u>481,713,356,752,501</u>	<u>130,523,215,411,922</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, 2021 and December 31, 2020

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Liabilities and Equity</b>		
<b>Customer deposits</b> (Note 13)	<u>493,592,866,566,299</u>	<u>136,209,579,630,509</u>
Demand deposits	<u>420,881,520,502,077</u>	<u>104,762,621,339,653</u>
Non-interest-bearing checking accounts	42,413,028,841,358	12,955,777,192,163
Checking accounts as per the free convertibility exchange market system	367,751,403,919,618	89,602,895,601,303
Interest-bearing checking accounts	8,941,802,882,302	1,872,964,194,584
Checking accounts under Exchange Agreement No. 20	12,264,283,133	4,216,296,298
Demand deposits and certificates	1,763,020,575,666	326,768,055,305
Other demand deposits	549,183,599,780	220,509,619,489
Savings deposits	65,437,281,548,817	25,604,745,363,735
Time deposits	4,820,001,256,589	325,985,281,833
Restricted customer deposits	1,904,879,659,036	5,295,718,025,799
<b>Borrowings</b> (Note 14)	<u>1,695,661,991,854</u>	<u>1,898,623,811,486</u>
Venezuelan financial institutions, up to one year	1,525,595,283,580	1,840,091,376,821
Foreign financial institutions, up to one year	170,066,708,274	58,532,434,665
<b>Interest and commissions payable</b> (Note 15)	<u>134,643,370,649</u>	<u>22,503,068,685</u>
Expenses payable on customer deposits	116,666,115,619	9,996,402,018
Expenses payable on borrowings	17,977,255,030	12,506,666,667
<b>Accruals and other liabilities</b> (Note 16)	<u>38,381,016,151,976</u>	<u>17,092,773,615,291</u>
<b>Total liabilities</b>	<u>533,804,188,080,778</u>	<u>155,223,480,125,971</u>
<b>Equity</b> (Note 23)		
Capital stock	28,959,650,000	5,791,930,000
Contributions pending capitalization	321,608	321,608
Capital reserves	29,133,410,041	5,820,891,791
Retained earnings	19,900,556,330,752	3,116,489,536,930
Adjustment from revaluation of property and equipment	-	463,334
Exchange gain from holding foreign currency assets and liabilities	137,693,130,818,653	37,755,177,723,550
Net unrealized loss on investments in available-for-sale securities (Note 5-b)	(1,617,791,015)	(562,946,490)
Variation of commercial loans granted through UVC (Note 6)	<u>2,044,428,651,206</u>	<u>1,469,507,021,328</u>
<b>Total equity</b>	<u>159,694,591,391,245</u>	<u>42,352,224,942,051</u>
<b>Total liabilities and equity</b>	<u>693,498,779,472,023</u>	<u>197,575,705,068,022</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, 2021 and December 31, 2020**

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Interest income</b>	<u>23,261,944,668,502</u>	<u>4,825,961,459,138</u>
Income from cash and due from banks	2,797,535,731	1,277,125,100
Income from investment securities (Note 5-a and 5-c)	1,522,104,416,994	555,240,972,587
Income from loan portfolio (Note 6)	20,484,607,616,318	3,931,968,301,011
Income from other accounts receivable (Note 13)	1,252,435,099,459	337,475,060,440
<b>Interest expense</b>	<u>(15,585,475,257,215)</u>	<u>(519,529,678,557)</u>
Expenses from customer deposits	(1,468,466,439,729)	(273,100,398,794)
Expenses from borrowings	(2,823,431,190,488)	(204,843,598,389)
Other interest expense (Note 27)	(11,293,577,626,998)	(41,585,681,374)
<b>Gross financial margin</b>	<u>7,676,469,411,287</u>	<u>4,306,431,780,581</u>
Income from financial assets recovered	7,944,036	104,928,146,455
Expenses from uncollectible loans and other accounts receivable (Notes 6, 7, 12 and 16)	(1,392,904,231,071)	(448,998,364,016)
<b>Net financial margin</b>	<u>6,283,573,124,252</u>	<u>3,962,361,563,020</u>
Other operating income (Note 18)	30,924,625,375,229	5,632,000,208,070
Other operating expenses (Note 19)	(3,337,105,255,874)	(911,484,501,681)
<b>Financial intermediation margin</b>	<u>33,871,093,243,607</u>	<u>8,682,877,269,409</u>
<b>Operating expenses</b>	<u>(24,443,621,463,145)</u>	<u>(4,172,687,672,726)</u>
Salaries and employee benefits (Note 2-j)	(3,552,759,039,360)	(996,572,913,526)
General and administrative expenses (Note 20)	(19,829,621,231,120)	(3,033,326,513,908)
Fees paid to the Social Bank Deposit Protection Fund (Note 25)	(126,021,755,544)	(24,959,070,917)
Fees paid to the Superintendency of Banking Sector Institutions (Note 26)	(935,219,437,121)	(117,829,174,375)
<b>Gross operating margin</b>	<u>9,427,471,780,462</u>	<u>4,510,189,596,683</u>
Sundry operating income	171,692,860,949	93,002,639,134
Expenses from available-for-sale assets (Note 10)	(414,604,771,545)	(2,087,531,958)
Sundry operating expenses (Note 19)	(1,975,793,697,025)	(701,592,621,917)
<b>Net operating margin</b>	<u>7,208,766,172,841</u>	<u>3,899,512,081,942</u>
Extraordinary expenses	(574,363,745,824)	(4,285,151,735)
Extraordinary income (Note 11)	13,083,444,287,422	3,254,420,142
<b>Gross income before tax</b>	<u>19,717,846,714,439</u>	<u>3,898,481,350,349</u>
Wealth tax (Note 17)	(341,867,708,480)	(20,000,000,000)
Income tax (Note 17)	<u>(2,545,431,973,887)</u>	<u>(1,149,796,541,864)</u>
<b>Net income</b>	<u>16,830,547,032,072</u>	<u>2,728,684,808,485</u>
<b>Appropriation of net income</b>		
Legal reserve	23,167,720,000	5,791,872,081
Retained earnings	<u>16,807,379,312,072</u>	<u>2,722,892,936,404</u>
	<u>16,830,547,032,072</u>	<u>2,728,684,808,485</u>
Provision for the Antidrug Law (Notes 1 and 19)	<u>72,283,719,640</u>	<u>38,600,000,000</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, 2021 and December 31, 2020

	Paid-in capital stock	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 investments in available- for-sale securities (Note 5-b)	Variation of loans granted through UVC (Note 6)	Total equity
				Unappropriated surplus	Restricted surplus	Non-distributable surplus	Cumulative loss (In bolívares)	Total					
<b>Balances at June 30, 2020</b>	57,919	387,162	59,999	162,709,719,047	162,816,578,193	73,896,546,828	(1,608,504)	399,421,235,564	463,334	5,261,434,989,438	(6,181,387,325)	232,099,401,241	5,886,775,207,332
Capital stock increase (Note 23)	5,791,872,081	(65,554)	-	(3,000,237,000)	(2,791,569,527)	-	-	(5,791,806,527)	-	-	-	-	-
Adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	-	-	5,618,440,835	-	5,618,440,835
Exchange gain, net (Note 4)	-	-	-	-	-	-	-	-	-	32,493,742,734,112	-	-	32,493,742,734,112
Increase resulting from the variation of principal of commercial loans granted through UVCC and UVCP (Note 6)	-	-	-	-	-	-	-	-	-	-	-	3,867,772,748,046	3,867,772,748,046
Income charged to the income statement from the variation of loans collected and granted through UVCC and UVCP (Note 6)	-	-	-	-	-	-	-	-	-	-	-	(2,630,365,127,959)	(2,630,365,127,959)
Payment to shareholder for dividend withdrawal	-	-	-	(3,868,800)	-	-	-	(3,868,800)	-	-	-	-	(3,868,800)
Net income	-	-	-	2,728,684,808,485	-	-	-	2,728,684,808,485	-	-	-	-	2,728,684,808,485
Legal reserve increase	-	-	5,791,872,081	(5,791,872,081)	-	-	-	(5,791,872,081)	-	-	-	-	-
Creation of the Social Contingency Fund (Note 23)	-	-	28,959,711	(28,959,711)	-	-	-	(28,959,711)	-	-	-	-	-
Reclassification of net income of the Curacao Branch (Notes 8 and 23)	-	-	-	(441,841,007,693)	-	441,841,007,693	-	-	-	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 23)	-	-	-	(1,140,525,964,356)	1,140,525,964,356	-	-	-	-	-	-	-	-
<b>Balances at December 31, 2020</b>	5,791,930,000	321,608	5,820,891,791	1,300,202,617,891	1,300,550,973,022	515,737,554,521	(1,608,504)	3,116,489,536,930	463,334	37,755,177,723,550	(562,946,490)	1,469,507,021,328	42,352,224,942,051
Capital stock increase (Note 23)	23,167,720,000	-	-	(17,000,000,000)	(6,167,720,000)	-	-	(23,167,720,000)	-	-	-	-	-
Adjustment of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	-	-	(1,054,844,525)	-	(1,054,844,525)
Exchange gain, net (Note 4)	-	-	-	-	-	-	-	-	-	99,937,953,095,103	-	-	99,937,953,095,103
Increase resulting from the variation of principal of commercial loans granted through UVC (Note 6)	-	-	-	-	-	-	-	-	-	-	-	15,157,090,158,733	15,157,090,158,733
Income charged to the income statement from the variation of loans collected and granted through UVC (Note 6)	-	-	-	-	-	-	-	-	-	-	-	(14,582,168,528,855)	(14,582,168,528,855)
Payment to shareholder for dividend withdrawal	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	16,830,547,032,072	-	-	-	16,830,547,032,072	-	-	-	-	16,830,547,032,072
Legal reserve increase	-	-	23,167,720,000	(23,167,720,000)	-	-	-	(23,167,720,000)	-	-	-	-	-
Disposal Torre Sur	-	-	-	-	-	-	-	-	(463,334)	-	-	-	(463,334)
Creation of the Social Contingency Fund (Note 23)	-	-	144,798,250	(144,798,250)	-	-	-	(144,798,250)	-	-	-	-	-
Reclassification of net income of the Curacao Branch (Notes 8 and 23)	-	-	-	(596,565,999,968)	-	596,565,999,968	-	-	-	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 23)	-	-	-	(8,105,406,656,052)	8,105,406,656,052	-	-	-	-	-	-	-	-
<b>Balances at June 30, 2021</b>	<u>28,959,650,000</u>	<u>321,608</u>	<u>29,133,410,041</u>	<u>9,388,464,475,693</u>	<u>9,399,789,909,074</u>	<u>1,112,303,554,489</u>	<u>(1,608,504)</u>	<u>19,900,556,330,752</u>	<u>=====</u>	<u>137,693,130,818,653</u>	<u>(1,617,791,015)</u>	<u>-2,044,428,651,206</u>	<u>159,694,591,391,245</u>

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

	Six-month periods ended	
	June 30, 2021	December 31, 2020
Weighted average of outstanding shares	<u>16,824,177,619</u>	<u>5,791,930,000</u>
Income per share	<u>1,000.36</u>	<u>471.12</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, 2021 and December 31, 2020

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Cash flows from operating activities</b>		
Net income	16,830,547,032,072	2,728,684,808,485
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Gain on sale of Torre Sur, San Bernardino	(13,059,297,230,000)	-
Loss on impairment of investment securities (Notes 5-c and 12)	-	33,092,053,679
Income from amortization of discounts on investments in held-to-maturity securities (Notes 5-c and 18)	(989,790,658,390)	(223,475,454,049)
Allowance for losses on loan portfolio (Note 6)	571,405,076,475	203,039,060,467
Provision for contingent loans (Note 16)	-	6,318,526,572
Provision for interest receivable (Notes 7 and 12)	821,499,154,596	206,548,723,298
Provision for other assets (Note 12)	199,004,104,640	20,000,000
Depreciation of property and equipment (Note 11)	149,019,574,013	25,639,483,151
Amortization of deferred charges (Note 12)	171,033,985,535	38,579,874,875
Accrual for length-of-service benefits	219,802,500,874	34,285,555,279
Transfers to trust fund and payment of length-of-service benefits	(22,534,970,116)	(6,899,494,555)
Income tax provision (Note 17)	3,180,164,786,975	779,206,011,985
Deferred income tax (Note 17)	(634,732,813,088)	370,590,529,879
Wealth Tax (Note 1)	341,867,708,480	20,000,000,000
Net change in		
Overnight deposits	72,090,000,000	283,210,000,000
Interest and commissions receivable	(849,198,734,961)	(206,745,435,328)
Other assets	(27,595,462,444,699)	264,834,672,035
Accruals and other liabilities	(15,716,821,115,009)	280,853,368,454
Net cash provided by (used in) operating activities	<u>(36,311,404,042,603)</u>	<u>4,837,782,284,227</u>
<b>Cash flows from financing activities</b>		
Payment of dividends to shareholders	-	(3,868,800)
Net change in		
Customer deposits	113,328,560,733,611	32,655,469,837,343
Borrowings	(980,240,861,163)	1,356,723,574,477
Interest and commissions payable	<u>110,374,949,747</u>	<u>16,783,513,970</u>
Net cash provided by financing activities	<u>112,458,694,822,195</u>	<u>34,028,973,056,990</u>
<b>Cash flows from investing activities</b>		
Loans granted during the period	(42,828,264,851,164)	(64,763,021,830,124)
Loans collected during the period	23,608,777,101,352	54,871,665,879,732
Net change in		
Investments in available-for-sale securities	(1,063,958,868)	(27,432,961,040)
Investments in held-to-maturity securities	41,963,191,458	410,913,949,532
Restricted investments	(304,484,717)	(790,238,111,386)
Investments in other securities	6,382	6,884
Investments in affiliates	8,921,825,417	(5,422,722,589)
Sale price - Torre Sur, San Bernardino	13,059,298,072,110	-
Property and equipment (Note 11)	<u>(5,204,273,194,436)</u>	<u>(4,218,727,918,969)</u>
Net cash used in investing activities	<u>(11,314,946,292,466)</u>	<u>(14,522,263,707,960)</u>
<b>Cash and due from banks</b>		
Net change in cash and cash equivalents	64,832,344,487,126	24,344,491,633,257
Exchange gain	292,290,120,979,351	93,038,213,951,123
At the beginning of the period	<u>134,577,695,899,424</u>	<u>17,194,990,315,044</u>
At the end of the period	<u>491,700,161,365,901</u>	<u>134,577,695,899,424</u>
<b>Supplementary information on non-cash activities</b>		
Write-off of uncollectible loans (Note 6)	(7,508,181)	10,310,252,230
Write-off of uncollectible loans (interest) (Note 7)	16,923,482	4,283,804
Reclassification of excess in		
Interest receivable from allowance for losses on loan portfolio	953,560	6,835,320,903
Interest receivable from other assets	646,966,484,201	5,773,410,893
Interest receivable from contingent loans	2,907,234,325	5,737,674
Loan portfolio to contingent loans	(8,033,936,434)	(6,754,174,546)
Change in net unrealized loss on investments in available-for-sale securities (Note 5-b)	(1,054,844,525)	5,618,440,835
Increase from measurement of commercial loans receivable granted through UVC	15,157,090,158,733	3,867,772,748,046
Decrease from collection of commercial loans receivable granted through UVC	(14,582,168,528,855)	(2,630,365,127,959)
Exchange gain, net, recorded in equity	<u>99,937,953,095,103</u>	<u>32,493,742,734,112</u>
Cash and due from banks	292,290,120,979,351	93,038,213,951,123
Loan portfolio	68,157,318,786,960	27,683,066,636,905
Investment securities		
Investments in available-for-sale securities	175,440,281	70,789,574
Investments in held-to-maturity securities	3,254,523,747,778	1,067,736,483,734
Restricted investments	7,383,099,168,152	2,363,621,025,880
Investments in affiliates	249,320,013,663	104,988,617,796
Interest and commissions receivable	358,230,785,681	128,721,973,090
Other assets	6,310,513,448,235	8,683,354,843,552
Property and equipment (Note 11)	109,187,391,535	55,325,335,577
Available-for-sale assets	579,730,367,963	19,561,651,288
Customer deposits	(244,054,726,202,179)	(86,840,790,337,955)
Accruals and other liabilities	(33,920,496,438,569)	(13,458,610,469,166)
Interest and commissions payable	(1,765,352,217)	(859,003,404)
Borrowings	<u>(777,279,041,531)</u>	<u>(350,658,763,882)</u>

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**

### **December 31 and June 30, 2020**

---

#### **1. Activities and regulatory environment**

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

The Bank is incorporated and domiciled in the Bolivarian Republic of Venezuela and its legal address at June 30, 2021 is Avenida Francisco de Miranda, between Avenida Los Cortijos, Torre BNC, Urbanización Campo Alegre y Los Campos de Golf del Caracas Country Club, Municipio Chacao, Estado Miranda, Caracas (its legal address at December 31, 2020 was Avenida Vollmer, Torre Sur del Centro Empresarial Caracas, Urbanización San Bernardino, Apartado Postal 1010, Caracas).

Most of the Bank's assets are located in the Bolivarian Republic of Venezuela. At June 30, 2021 and December 31, 2020, the Bank has 129 and 149 agencies and external counters, a branch in Curacao, and a main office (Note 11), and 1,532 and 1,543 employees, respectively.

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

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

The Bank's financial statements at June 30, 2021 were approved for issue by the Board of Directors on July 14, 2021. The Bank's financial statements at December 31, 2020 were approved for issue by the Board of Directors and the Shareholders' Meeting on January 13, 2021 and March 17, 2021, respectively.

#### **Branch in Curacao**

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

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

#### **Trust fund**

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

#### **Regulatory environment**

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

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

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

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

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

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

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

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

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

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

Deposit and lending rates are regulated by the BCV. The BCV sets maximum and minimum interest rates for deposits and credit operations based on reference rates. In this regard, the annual interest rate for credit card transactions shall range from 17% to 38% at June 30, 2021 and December 31, 2020, the maximum rate to be charged on amounts overdue from cardholders shall be 3% per annum.

At June 30, 2021, annual interest rates on savings deposits, including liquid asset accounts, shall not fall below 32% (21% at December 31, 2020), calculated on daily balances. Annual interest rates on time deposits and transactions for the issue of certificates of participation shall not fall below 36% (24% at December 31, 2020) (Note 13).

At June 30, 2021, the BCV set at 12% the annual interest rate to be charged on its discount, rediscount and advance operations (10% at December 31, 2020).

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

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

During the six-month period ended December 31, 2020, according to BCV Resolution No. 20-02-01, loans granted by banking institutions in local currency within the framework of the Single National Productive Portfolio were expressed in terms of the Productive Credit Value Unit (UVCP) and were interest free. This type of loan will have 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.

In addition, during the six-month period ended December 31, 2020, commercial loans and microcredits granted in local currency were expressed in terms of the Commercial Credit Value Unit (UVCC). Annual interest rates for UVCC loans did not exceed 6% or fall below 4% per annum; the flat commission did not exceed 0.5%.

At December 31, 2020, the Resolution excluded lending operations in respect of credit cards, microcredits, commercial loans in installments granted to individuals (payroll loans), and loans granted to employees and directors of banks, as well as 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.

#### **Subsequent event**

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

- Loans formerly expressed in terms of UVCC and UVCP shall be expressed in terms of the Credit Value Unit (UVC), thereby unifying the value unit for all loan portfolios (hereinafter, at December 31, 2020, UVC will be used to refer to UVCC and UVCP).
- The annual interest rate for loans granted within the framework of the Single National Productive Portfolio shall be 2% on the resulting balance in UVC.
- Annual interest rates for commercial loans and microcredits shall not exceed 10% or fall below 4%.
- A uniform interest rate is set for loans to employees and directors of banking institutions, which is equivalent to 90% of the credit card interest rate.
- The maximum default rates for UVC loans was increased to 0.8%.
- Consumer and commercial loans in installments granted to individuals (payroll loans and credit cards) below 20,400 UVC are excluded from this resolution.

At June 30, 2021 and December 31, 2020, the official investment index is Bs 15,664.57/IDI1 and Bs 5,324.35/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, 2021, the Bank recorded expenses in this connection of Bs 30,388 million, included under sundry operating expenses (Note 19).

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

#### **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, 2021 and December 31, 2020, the Bank recorded expenses in this connection of Bs 72,284 million and Bs 38,600 million, respectively, included under sundry operating expenses (Note 19).

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

This Law seeks to regulate physical education and the sponsorship, organization and management of sporting activities as public services; companies subject to this Law must contribute 1% of their net or accounting income to the activities contemplated therein. During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded expenses in this connection of Bs 172,882 million and Bs 23,107 million, respectively, included within sundry operating expenses (Note 19).

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

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

#### **Global pandemic**

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

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

#### **Subsequent events**

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

On July 12, 2021, the Bank announced the acquisition of Citibank N.A. (Venezuelan Branch) operations, as per authorization from SUDEBAN dated July 7, 2021 through Notice SIB-II-GGR-GA-05132, which allows the Bank to continue expanding, increase its market share, expand its portfolio of depositors and customers, continue offering quality jobs, create business opportunities and support its customers objectives. To date, the Bank is completing the purchase-sale transaction.

#### **Currency redenomination**

On August 5, 2021, the BCV issued an official notice announcing that the new monetary unit of the Bolivarian Republic of Venezuela would be effective as from October 1, 2021, which eliminates 6 zeros from the currency. Therefore, any monetary amount expressed in local currency at the redenomination date will be divided by one million (1,000,000).

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

## **2. Basis of preparation**

The accompanying financial statements at June 30, 2021 and December 31, 2020 have been prepared based on the accounting rules and instructions of SUDEBAN included in the Accounting Manual for Banks (the Accounting Manual), which differ in certain material respects from accounting principles generally accepted in Venezuela (VEN NIF) published by the Venezuelan Federation of Public Accountants (FCCPV), of mandatory application in Venezuela as from January 1, 2008. VEN NIF are mainly based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for certain criteria concerning adjustments for inflation, the valuation of foreign currency assets and liabilities and recognition of deferred tax liabilities, among others.

Through Resolution No. 648-10 of December 28, 2010, SUDEBAN deferred the presentation of consolidated or combined financial statements prepared under VEN NIF as supplementary information and established that, until otherwise stated, consolidated or combined financial statements and their notes must continue to be presented as supplementary information in accordance with generally accepted accounting principles in effect until December 31, 2007 (VEN GAAP). Through Circular SIB-II-GGR-GNP-05850 of July 26, 2021, SUDEBAN deferred presentation of the supplementary financial statements at June 30, 2021, prepared under generally accepted accounting principles, effective at December 31, 2007 (VEN GAAP), and inflation-adjusted financial statements; this supplementary information will be presented for purposes of comparison with the information at the end of the second semester of 2021.

At June 30, 2021 and December 31, 2020, the main differences identified by management between the accounting rules and instructions of SUDEBAN and VEN NIF that affect the Bank are the following:

### **1) Functional and presentation currency**

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

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

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

### **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.

### **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.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

---

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

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

**6) Permanent losses on investment securities**

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

**7) Investments in other securities**

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

**8) Investments in matured securities**

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

**9) Valuation of reclassified securities**

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

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

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

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

**10) Overdue loan portfolio**

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



**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

---

amount, in which case interest income shall be recognized in the income statement, taking into account the effective interest rate applied to future cash flows for determining impairment losses.

**11) Rescheduled loan portfolio**

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

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

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

**13) Commissions collected and deferred income**

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

**14) Property and equipment**

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

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

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

---

**15) Leases**

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

**16) Leasehold improvements**

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

**17) Provisions**

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

**18) Deferred tax**

The Bank computes a deferred tax asset or liability in respect of temporary differences between the tax base and carrying amounts in the financial statements, except for provisions for losses on high risk or unrecoverable loans, which generate a deferred tax asset, and surplus from revaluation of property and equipment, exchange gain, and variation of commercial loans granted through UVC, recorded in equity, since they are recorded according to SUDEBAN rules and instructions. A deferred tax asset is not recognized for any amount exceeding future taxable income. In accordance with VEN NIF, a deferred tax asset is recognized in respect of any deductible temporary difference between the carrying amount of assets and liabilities and their tax bases, provided that its realization is assured beyond any reasonable doubt. Furthermore, a deferred tax liability is recognized in respect of any taxable temporary difference, unless such difference arises from:

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

**19) Foreign currency and UVC**

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

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

Under SUDEBAN rules and instructions, gains or losses resulting from official exchange rate fluctuations or the investment index for loans expressed in terms of UVC upon measurement at period end shall be recorded in equity. Under VEN NIF, gains and losses resulting from foreign exchange fluctuations must be recorded in the income statement for the period in which they occur.

#### **20) Reconciling items**

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

The accounting policies followed by the Bank are:

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

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(In bolivars)	
US\$1	3,212,546.86	1,104,430.59
€1	3,810,016.32	1,356,097.18

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

SUDEBAN established that: a) gains resulting from changes in the official exchange rate must be recorded in equity and may only be used, subject to previous approval, to offset losses, create contingency provisions for assets, offset deferred expenses (including goodwill) and increase capital stock (Note 23), and b) exchange gains and losses arising from exchange fluctuations of the U.S. dollar with respect to other foreign currencies are recorded in net results for the period (Notes 18 and 19).

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

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

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

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

---

**c) Investment securities**

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

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

**Deposits with the BCV and overnight deposits**

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

**Investments in available-for-sale securities**

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

**Investments in held-to-maturity securities**

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

The Bank assesses monthly, if circumstances require it, whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment in the fair value of held-to-maturity securities is charged to the results for the period when management considers that it is other than temporary. Certain factors identified as indicators of impairment are: 1) a prolonged period where fair value remains substantially below cost; 2) the financial difficulty of the issuer; 3) a fall in the issuer's credit rating; 4) the disappearance of an active market for the security; and 5) the Bank's intention and ability to hold the investment long enough to allow for recovery of fair value, among others. For the six-month periods ended June 30, 2021 and December 31, 2020, the Bank has identified no unrecorded permanent impairment in the fair value of its investments (Note 5-c).

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

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

#### **Restricted investments**

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

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

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

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

#### **d) Loan portfolio**

Commercial loans and term, mortgage and credit card loan installments are classified as overdue if repayment is more than 30 days past due. Furthermore, when any related installment is more than 120 days past due, the entire principal balance is classified as overdue.

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

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

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

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

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

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

---

**e) Use of estimates in the preparation of financial statements**

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

**Investment securities**

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

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

**Allowance for losses on loan portfolio**

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

**Provision for other assets**

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

**Provision for legal and tax claims**

The Bank sets aside a provision for legal and tax claims considered sufficient and reasonably quantifiable based on experience and the opinion of its legal advisors. Based on this opinion, management believes that the outcome of legal and tax claims outstanding at June 30, 2021 and December 31, 2020 will be favorable to the Bank (Note 28). However, this opinion is based on events to date; the outcome of these lawsuits could differ from that expected.

**f) Available-for-sale assets**

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

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

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

---

**g) Property and equipment**

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

**h) Deferred expenses**

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

**i) Income tax**

The Bank's tax year ends on December 31. The Bank records a deferred tax asset when, in the opinion of management, there is reasonable expectation that future tax results will allow its realization. In addition, according to the Accounting Manual, the amount by which the deferred tax asset exceeds tax expense for the year is not recognized. The Bank records deferred tax liability when credit items are maintained resulting from the tax effect of discrepancies regarding the time of recognition of results (temporary differences), according to accounting and tax criteria, except for the allowance for losses on loan portfolio, for which only the provisions for losses on high risk or unrecoverable loans generate a deferred tax asset and surplus from revaluation of property and equipment, exchange gain, and variation of commercial loans granted through UVC, recorded in equity (Note 17).

**j) Employee benefits**

The Collective Labor Agreement was renewed on November 13, 2020, which was effective until July 1, 2020, with the review and extension of the clauses of the previously approved collective agreement; this agreement will be effective until a new agreement is entered into between the parties. The Collective Labor Agreement was renewed on July 23, 2021, with the review of the clauses of the previous agreement; this agreement will be effective for 3 years as from July 1, 2021.

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

Based on the provisions of the LOTTT and the Bank's Collective Labor Agreement, length-of-service benefits are a vested right of employees. Under the LOTTT, the Bank transfers guaranteed length-of-service benefits monthly to a trust fund on behalf of each employee. In addition, the LOTTT establishes that length-of-service benefits will be calculated retrospectively upon termination of employment considering the last salary earned by the employee and length of service. The LOTTT requires the payment to employees at employment termination of the higher of retrospective length-of-service benefits and total amounts accrued in the employee's trust fund. During the six-month periods ended June 30, 2021 and December 31, 2020, the effect of the retrospective scheme was determined using a non-actuarial calculation, which consisted in determining length-of-service benefits according to Article No. 142 b) of the LOTTT. An additional expense and an additional liability were recognized for employees whose benefits in the guarantee fund are less than the amount calculated using the retrospective scheme.

Employees' last salary at termination date and total amounts to be accrued in connection with each employee are all uncertainties at each period end. At June 30, 2021 and December 31, 2020, employee salaries may differ from future salaries due to changes in salaries, bonuses and other payments.

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

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

At June 30, 2021 and December 31, 2020, the method used by the Bank to calculate length-of-service benefits comply with the provisions set out by SUDEBAN, the LOTTT and the prevailing Collective Labor Agreement.

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

#### **Profit sharing**

Under the Collective Labor Agreement, the Bank is required to pay a share of its annual profits to its employees of up to 150 days of salary. Expenses incurred in this connection during the first six-month period of each year are paid in April and July, and the remaining amount in November of every year. During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded expenses of Bs 173,219 million and Bs 50,139 million, respectively, in this connection, shown under salaries and employee benefits. At June 30, 2021, the Bank has an accrual of Bs 56,265 million in this connection. The share of annual profits was paid to employees at December 31, 2020; therefore, at that date there are no liabilities in this connection (Note 16).

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

According to the LOTTT and the Collective Labor Agreement, the Bank grants each employee a minimum of 15 days of vacation leave each year and a vacation bonus of 23 days of salary based on length of service. For the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded expenses of Bs 118,677 million and Bs 27,155 million, respectively, in this connection, shown under salaries and employee benefits. At June 30, 2021 and December 31, 2020, the Bank maintains accruals of Bs 145,957 million and Bs 27,209 million, respectively, to cover expenses in this connection (Note 16).

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

The variation of commercial loans and the Single National Productive Portfolio granted and expressed in terms of UVC is recorded as interest income upon loan collection, considering the increases in principal of commercial loans as a result of the variation of the investment index (Note 2-d). Interest on loans, investments and accounts receivable is recorded as income when earned by the effective interest method, except: a) interest receivable more than 30 days overdue; b) interest on loans overdue or in litigation, or loans classified as real risk, high risk or unrecoverable; and c) overdue interest, all of which is recorded as income when collected.

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

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

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

Service fees are recorded as income or expense when collected or paid, respectively, at the transaction date, and are shown within other operating income and other operating expenses, respectively (Notes 18 and 19).

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

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



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

## Notes to the financial statements

### December 31 and June 30, 2020

---

#### 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, 2021 and December 31, 2020, no permanent losses were identified.

The Bank acts as custodian, administrator and manager of third-party investments. As a result, in certain cases, the Bank purchases and sells a wide range of financial instruments. These assets received in trust are not included in the Bank's assets. At June 30, 2021, assets received in trust amount to Bs 1,260,521 million (Bs 310,240 million at December 31, 2020), shown under memorandum accounts (Note 21).

#### n) Net income per share

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

#### o) Cash flows

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

#### p) Financial risk management

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

##### Credit risk

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

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

	June 30, 2021	December 31, 2020
	(In bolivars)	
AA+	10,660,722,053,194	3,697,908,917,702
A	55,652,330,604	53,499,755,199
BBB	29,709,846,984,006	8,943,668,293,375
BBB-	19,785,513,629,031	2,863,240,149,277
BB-	31,783,979,461,977	6,281,405,747,359
Unavailable	<u>95,331,923,815,458</u>	<u>9,649,513,949,804</u>
	<u>187,327,638,274,270</u>	<u>31,489,236,812,716</u>

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

At June 30, 2021 and December 31, 2020, amounts in foreign and correspondent banks whose credit risk is unavailable includes Bs 89,569,319 million and Bs 9,397,845 million, respectively, in the related company BNC International Banking Corporation (Note 24).

#### **Market risk**

The Bank assumes exposure to market risk. Market risk arises from open positions in interest 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. At June 30, 2021, 33% of the Bank's investment securities relates mainly to securities issued or guaranteed by the Bolivarian Republic of Venezuela listed on stock exchanges (27% at December 31, 2020).

Below is a summary of the impact of increases or decreases in the fair value of investment securities by category at June 30, 2021. The analysis is based on the assumption that fair values will increase or decrease by 5% and 3%, respectively, with all other variables remaining constant and that all investment securities will move in line with the indices:

	<b>Increase by 5%</b>	<b>Decrease by 3%</b>
	(In millions of bolivars)	
Securities issued or guaranteed by the Venezuelan government	1,224,669	684,023

##### **2) Foreign exchange risk**

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

##### **3) Interest rate risk**

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

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

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

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

## Notes to the financial statements

### December 31 and June 30, 2020

---

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)	
<b>Financial instruments - assets</b>		
Investment securities, except securities issued or guaranteed by the Venezuelan government	42	53
Loan portfolio	82,223	103,400
<b>Financial instruments - liabilities</b>		
Customer deposits	17,093	28,500
Borrowings	1,240	1,971

#### Liquidity risk

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

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

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

#### Operational risk

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

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

### 3. Cash and due from banks

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

	June 30, 2021	December 31, 2020
	(In bolivars)	
Legal reserve (Note 27)	17,832,296,903,436	13,335,366,730,060
Banknotes in foreign currency under BCV custody, equivalent to US\$1,058,800 and €971,004 (US\$736,400 at December 31, 2020) (Note 4)	7,100,985,701,042	813,302,684,267
Other deposits with the BCV, equivalent to US\$21,000 (Notes 4 and 16)	67,463,484,003	23,193,042,327
Demand deposits	1,280,576,100,879	10,858,507,396
	<u>26,281,322,189,360</u>	<u>14,182,720,964,050</u>

At June 30, 2021 and December 31, 2020, the Bank has cash and due from banks under foreign and correspondent banks for US\$3,818, equivalent to Bs 12,264 million and Bs 4,216 million, respectively, deposited at BNC International Banking Corporation, in respect of deposits received in accordance with Exchange Agreement No. 20 (Notes 13 and 24).

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

At June 30, 2021 and December 31, 2020, pending cash items for Bs 12,417 million and Bs 19,785 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, 2021, the Bank maintains in custody of the BCV banknotes for US\$1,058,800 and €971,004, equivalent to Bs 7,100,986 million (US\$736,400 at December 31, 2020, equivalent to Bs 813,303 million). During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank charged commissions to its customers for Bs 876,039 million and Bs 237,810 million, in respect of exchange transactions and transportation of banknotes, respectively, recorded under other operating income (Note 18).

In addition, at June 30, 2021 and December 31, 2020, the Bank maintains cash in foreign currency mainly in connection with customer deposits, included in checking accounts as per the free convertibility exchange market system (Notes 4 and 13), as shown below:

	In U.S. dollars	In euros	Total in millions of bolivars
<b>Cash in foreign currency</b>			
June 30, 2021	61,388,656	20,869,773	276,728,110
December 31, 2020	64,346,361	13,046,287	88,758,123

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

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

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

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

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

## Notes to the financial statements

### December 31 and June 30, 2020

#### 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, 2021 and December 31, 2020, the Bank maintains foreign currency purchase and sale in-transit operations under accruals and other liabilities (Note 16), resulting from transactions conducted through foreign exchange desks and from retail transactions being negotiated with customers, as follows:

	In U.S. dollars	In euros	Total in millions of bolivars
<b>Exchange desk transactions</b>			
June 30, 2021	801	330,492	1,261,753
December 31, 2020	2,020,597	60,388	2,313,499
<b>Retail transactions</b>			
June 30, 2021	102,523	1,483,594	5,981,880
December 31, 2020	64,075	958,390	1,370,436

These transactions were recorded with a charge to other assets (Note 12).

During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded income from commissions of Bs 4,488,115 million and Bs 666,006 million, respectively, for transactions through this system, shown under other operating income (Note 18).

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

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

	June 30, 2021								
	In U.S. dollars				In euros				Equivalent in bolivars
	Bank	Curacao Branch	Eliminations	Total	Bank	Curacao Branch	Eliminations	Total	
Assets									
Cash and due from banks									
Cash (Note 3)	61,388,656	-	-	61,388,656	20,869,773	-	-	20,869,773	276,728,110,309,097
Central Bank of Venezuela (Note 3)	1,079,800	-	-	1,079,800	971,004	-	-	971,004	7,168,449,185,045
Foreign and correspondent banks	36,949,587	6,577,991	(793,725)	42,733,853	13,118,934	3,915,633	(3,899,943)	13,134,624	187,327,638,274,270
Investment securities (Note 5)	5,126,050	134,625	-	5,260,675	-	-	-	-	16,900,164,938,616
Loan portfolio (Note 6)									
Gross loan portfolio	14,661,929	21,548,250	-	36,210,179	-	-	-	-	116,326,896,749,336
(Allowance for losses on loan portfolio)	(256,584)	(1,383,150)	-	(1,639,734)	-	-	-	-	(5,267,722,308,536)
Interest and commissions receivable (Note 7)									
Gross interest and commissions receivable	2,617,223	138,955	-	2,756,178	-	-	-	-	8,854,350,972,106
(Provision for interest receivable and other) (Note 7)	(2,510,400)	(77,946)	-	(2,588,346)	-	-	-	-	(8,315,296,637,391)
Investments in subsidiaries, affiliates and branches (Note 8)	12,309,326	-	(12,309,326)	-	97,966	-	-	97,966	373,248,248,965
Available-for-sale assets (Note 10)	-	360,394	-	360,394	-	-	-	-	1,157,782,805,072
Property and equipment (Note 11)	-	40,711	-	40,711	-	-	-	-	130,785,995,217
Other assets (Note 12)									
Other gross assets	3,182,159	200,429	-	3,382,588	3,300,286	-	-	3,300,286	23,440,865,975,741
(Provision for other assets)	(69,625)	(131,125)	-	(200,750)	-	-	-	-	(644,917,978,466)
Total assets	134,478,121	27,409,134	(13,103,051)	148,784,204	38,357,963	3,915,633	(3,899,943)	38,373,653	624,180,356,529,072

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

## Notes to the financial statements

### December 31 and June 30, 2020

June 30, 2021								
	In U.S. dollars				In euros			
	Bank	Curacao Branch	Eliminations	Total	Bank	Curacao Branch	Eliminations	Equivalent in bolivars
<b>Liabilities and Equity</b>								
<b>Liabilities</b>								
Customer deposits (Note 13)	84,013,549	15,263,006	(464,446)	98,812,109	26,860,359	3,356,110	(782,187)	429,583,625,074,480
Borrowings (Note 14)	-	382,219	(329,280)	52,939	-	-	-	170,066,708,273
Interest and commissions payable (Note 15)	-	745	-	745	-	-	-	2,393,347,409
Accruals and other liabilities (Note 16)	<u>3,742,758</u>	<u>117,463</u>	<u>-</u>	<u>3,860,221</u>	<u>4,962,371</u>	<u>-</u>	<u>(3,117,756)</u>	<u>19,429,154,099,612</u>
Total liabilities	<u>87,756,307</u>	<u>15,763,433</u>	<u>(793,726)</u>	<u>102,726,014</u>	<u>31,822,730</u>	<u>3,356,110</u>	<u>(3,899,943)</u>	<u>449,185,239,229,774</u>
<b>Equity (Note 23)</b>								
Assigned capital	-	7,599,462	(7,599,462)	-	-	-	-	-
Capital reserves	-	2,766,551	(2,766,551)	-	-	-	-	-
Retained earnings	-	1,943,312	(1,943,312)	-	-	-	-	-
Net unrealized loss on available-for-sale securities	<u>(504)</u>	<u>-</u>	<u>-</u>	<u>(504)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,619,123,616)</u>
Total equity	<u>(504)</u>	<u>12,309,325</u>	<u>(12,309,325)</u>	<u>(504)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,619,123,616)</u>
Total liabilities and equity	<u>87,755,803</u>	<u>28,072,758</u>	<u>(13,103,051)</u>	<u>102,725,510</u>	<u>31,822,730</u>	<u>3,356,110</u>	<u>(3,899,943)</u>	<u>449,183,620,106,158</u>
Contingent accounts (Note 21)	701,650	-	-	701,650	-	-	-	2,254,318,310,365
Assets received in trust (Note 21)	25,790	-	-	25,790	2,345	-	-	91,786,071,725
Memorandum accounts (Note 21)	85,220,903	57,233,635	-	142,454,538	-	1,549,346	-	463,544,913,619,896
December 31, 2020								
	In U.S. dollars				In euros			
	Bank	Curacao Branch	Eliminations	Total	Bank	Curacao Branch	Eliminations	Equivalent in bolivars
<b>Assets</b>								
Cash and due from banks								
Cash (Note 3)	64,346,361	-	-	64,346,361	13,046,287	-	-	88,758,122,608,860
Central Bank of Venezuela (Note 3)	757,400	-	-	757,400	-	-	-	836,495,726,594
Foreign and correspondent banks	11,864,782	13,463,773	(7,378,498)	17,950,057	8,585,937	6,124,075	(6,108,383)	31,489,236,812,716
Investment securities (Note 5)	4,677,159	134,615	-	4,811,774	-	-	-	5,314,270,383,530
Loan portfolio (Note 6)								
Gross loan portfolio	15,138,789	18,856,679	-	33,995,468	-	-	-	37,545,634,679,982
(Allowance for losses on loan portfolio)	(264,929)	(1,336,099)	-	(1,601,028)	-	-	-	(1,768,224,293,909)
Interest and commissions receivable (Note 7)								
Gross interest and commissions receivable	2,232,571	102,475	-	2,335,046	-	-	-	2,578,896,224,548
(Provision for interest receivable and other)	(2,173,454)	(17,843)	-	(2,191,297)	-	-	-	(2,420,135,432,092)
Investments in subsidiaries, affiliates and branches (Notes 8 and 9)	12,123,627	-	(12,123,627)	-	97,966	-	-	132,850,060,719
Property and equipment (Note 11)	-	44,838	-	44,838	-	-	-	49,520,458,661
Available-for-sale assets (Note 10)	-	275,000	-	275,000	-	-	-	303,718,411,746
Other assets (Note 12)								
Other gross assets	2,607,569	190,112	-	2,797,681	1,023,686	-	-	3,914,760,667,370
(Provision for other assets)	-	(131,125)	-	(131,125)	-	-	-	(144,818,460,727)
Total assets	<u>111,309,875</u>	<u>31,582,425</u>	<u>(19,502,125)</u>	<u>123,390,175</u>	<u>22,753,876</u>	<u>6,124,075</u>	<u>(6,108,383)</u>	<u>166,590,327,847,998</u>
December 31, 2020								
	In U.S. dollars				In euros			
	Bank	Curacao Branch	Eliminations	Total	Bank	Curacao Branch	Eliminations	Equivalent in bolivars
<b>Liabilities and Equity</b>								
<b>Liabilities</b>								
Customer deposits (Note 13)	73,155,528	18,706,414	(7,061,999)	84,799,943	12,531,639	5,564,563	(282,224)	125,359,224,498,204
Interest and commissions payable (Note 15)	-	843	-	843	-	-	-	931,034,985
Accruals and other liabilities (Note 16)	5,768,520	1,069,053	-	6,837,573	6,857,732	-	(5,826,159)	8,950,538,003,657
Borrowings (Note 14)	<u>-</u>	<u>369,496</u>	<u>(316,499)</u>	<u>52,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,531,596,175</u>
Total liabilities	<u>78,924,048</u>	<u>20,145,806</u>	<u>(7,378,498)</u>	<u>91,691,356</u>	<u>19,389,371</u>	<u>5,564,563</u>	<u>(6,108,383)</u>	<u>134,369,225,133,021</u>
<b>Equity (Note 23)</b>								
Assigned capital	-	7,599,462	(7,599,462)	-	-	-	-	-
Capital reserves	-	2,766,551	(2,766,551)	-	-	-	-	-
Retained earnings	-	1,757,614	(1,757,614)	-	-	-	-	-
Net unrealized loss on available-for-sale securities	<u>(510)</u>	<u>-</u>	<u>-</u>	<u>(510)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(563,259,599)</u>
Total equity	<u>(510)</u>	<u>12,123,627</u>	<u>(12,123,627)</u>	<u>(510)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(563,259,599)</u>
Total liabilities and equity	<u>78,923,538</u>	<u>32,269,433</u>	<u>(19,502,125)</u>	<u>91,960,846</u>	<u>19,389,371</u>	<u>5,564,563</u>	<u>(6,108,383)</u>	<u>134,368,661,873,422</u>
Contingent accounts (Note 21)	701,650	-	-	701,650	-	-	-	774,923,721,397
Assets received in trust (Note 21)	2,739	-	-	2,739	864	-	-	12,091,341,199
Memorandum accounts (Note 21)	59,977,042	52,389,505	-	112,366,547	419,364	-	-	124,669,749,806,857

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.

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

## Notes to the financial statements

### December 31 and June 30, 2020

---

During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded exchange gains of Bs 99,937,953 million and Bs 32,493,743 million, respectively, arising mainly from the variation in the official exchange rate of the U.S. dollar and the euro, which were included in equity under exchange gain from holding foreign currency assets and liabilities.

During the six-month period ended June 30, 2021, the Bank recorded exchange gains and losses of Bs 86,165 million and Bs 164,620 million, respectively (Bs 60,275 million and Bs 11,754 million, respectively, during the six-month period ended December 31, 2020), arising from exchange rate fluctuations of the U.S. dollar with respect to other foreign currencies (Notes 18 and 19).

#### Subsequent event

At August 16, 2021, the prevailing exchange rate published by the BCV was Bs 4,110,498/US\$1 and Bs 4,843,564/€1. The accounting effect of measuring foreign currency assets and liabilities, maintained by the Bank at June 30, 2021, at this exchange rate would be an increase in equity of Bs 48,691,227 million that would be recorded in the Bank's financial statements for the six-month period ending December 31, 2021.

## 5. Investment securities

Investment securities comprise the following:

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Investments</b>		
Deposits with the BCV and overnight deposits	-	72,090,000,000
Available for sale	473,283,381	288,728,757
Held to maturity	5,648,682,022,524	1,446,330,807,814
Restricted	11,251,273,068,685	3,867,869,415,816
Other securities	<u>3,650,615</u>	<u>3,656,997</u>
	<u>16,900,432,025,205</u>	<u>5,386,582,609,384</u>

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

Deposits with the BCV and overnight deposits at December 31, 2020 comprised the following:

(In bolivars)

#### Overnight deposits

Banco Plaza, C.A., Banco Universal, 125% annual yield,  
maturing in January 2021

72,090,000,000 (1)

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

During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank has collected and earned yield from overnight deposits of Bs 770,509 million and Bs 382,283 million, respectively, included in the income statement as part of income from investment securities.

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

## Notes to the financial statements

### December 31 and June 30, 2020

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

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

	June 30, 2021			December 31, 2020		
	Acquisition cost	Net unrealized loss	Book value (equivalent to market value)	Acquisition cost	Net unrealized loss	Book value (equivalent to market value)
(In bolivars)						
<b>Securities issued or guaranteed by the Venezuelan government</b>						
Fixed Interest Securities (TIF), with a par value of Bs 18,045, annual yield between 13.25% and 16.25%, maturing between March 2022 and January 2037 (par value of Bs 21,570, maturing between February 2021 and January 2037 at December 31, 2020)	19,503	(1,458)	18,045 (1) - (a)	23,976	(2,406)	21,570 (1) - (a)
Veponos, with a par value of Bs 202,074,782, annual yield between 17.14% and 26.19%, maturing between December 2021 and August 2037 (par value of Bs 202,243,327, maturing between January 2021 and August 2037 at December 31, 2020)	202,077,143	(2,361)	202,074,782 (1) - (a)	202,245,888	(2,561)	202,243,327 (1) - (a)
Global Bonds, equivalent to US\$84, with a par value of US\$800, 9.25% annual yield, maturing in September 2027 (equivalent to US\$78 at December 31, 2020) (Note 4)	<u>1,888,977,552</u>	<u>(1,617,787,196)</u>	<u>271,190,356</u> (1) - (b)	<u>649,405,185</u>	<u>(562,941,523)</u>	<u>86,463,662</u> (1) - (b)
	<u>2,091,074,198</u>	<u>(1,617,791,015)</u>	<u>473,283,183</u>	<u>851,675,049</u>	<u>(562,946,490)</u>	<u>288,728,559</u>
<b>Equity in Venezuelan non-financial private-sector companies</b>						
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) - (c)	196	-	196 (2) - (c)
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	<u>2</u>	<u>-</u>	<u>2</u> (2) - (c)	<u>2</u>	<u>-</u>	<u>2</u> (2) - (c)
	<u>198</u>	<u>-</u>	<u>198</u>	<u>198</u>	<u>-</u>	<u>198</u>
	<u>2,091,074,396</u>	<u>(1,617,791,015)</u>	<u>473,283,381</u>	<u>851,675,247</u>	<u>(562,946,490)</u>	<u>288,728,757</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) 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, 2021 and December 31, 2020.

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, 2021	December 31, 2020
(In bolivars)		
<b>Unrealized loss</b>		
Securities issued or guaranteed by the Venezuelan government in foreign currency	(1,617,787,196)	(562,941,524)
Securities issued or guaranteed by the Venezuelan government in local currency	<u>(3,819)</u>	<u>(4,966)</u>
	<u>(1,617,791,015)</u>	<u>(562,946,490)</u>



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

## Notes to the financial statements

### December 31 and June 30, 2020

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

	Fair value	
	June 30, 2021	December 31, 2020
	(In bolivars)	
Up to 6 months	271,191,858	86,471,274
6 months to 1 year	5,458	1,502
1 to 5 years	202,058,991	200,722,355
Over 5 years	27,074	1,533,626
	<u>473,283,381</u>	<u>288,728,757</u>

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

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

	June 30, 2021				December 31, 2020			
	Acquisition cost	Amortized cost	Fair value		Acquisition cost	Amortized cost	Fair value	
	(In bolivars)							
<b>Securities issued or guaranteed by the Venezuelan government</b>								
Global Bonds in foreign currency, equivalent to US\$1,757,568, with a par value of US\$7,225,000, 9.25% annual yield, maturing in September 2027 (equivalent to US\$1,308,824 at December 31, 2020) (Note 4)	2,502,826,989,902	5,646,268,927,272	2,449,187,898,162	(1) - (a) and (c)	848,841,880,018	1,445,502,850,941	770,066,987,862	(1) - (a) and (c)
Vebonos, with a par value of Bs 15,839,703, annual yield between 14.42% and 20.34%, maturing between December 2023 and October 2030 (par value of Bs 15,950,814, maturing between March 2022 and October 2030 at December 31, 2020)	15,848,702	15,843,488	15,950,815	(1) - (b)	15,959,848	15,955,289	15,950,814	(1) - (b)
Sovereign Bonds, equivalent to US\$93, with a par value of US\$100, 8.25% annual yield, maturing in October 2024 (equivalent to US\$89 at December 31, 2020) (Note 4)	246,613,087	297,631,316	32,125,469	(1) - (c)	84,787,136	101,087,786	10,823,420	(1) - (c)
Fixed Interest Bonds (TIF), with a par value of Bs 7,368, annual yield between 15% and 16.25%, maturing between March 2022 and January 2026	9,657	8,172	7,368	(1) - (b)	9,657	8,272	7,368	(1) - (b)
	2,503,089,461,348	5,646,582,410,248	2,449,235,981,814		848,942,636,659	1,445,619,902,288	770,093,769,464	
<b>Bonds and debt securities issued by Venezuelan non-financial institutions</b>								
Dematerialized Participation Certificates, issued by Fondo Simón Bolívar para la 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\$654, with a par value of US\$900, annual yield between 5.38% and 5.50%, maturing in April 2037 (equivalent to US\$644 at December 31, 2020) (Note 4)	1,452,456,685	2,099,551,408	118,864,234	(1) - (c)	499,335,157	710,844,658	38,206,672	(1) - (c)
	1,452,517,553	2,099,612,276	118,925,102		499,396,025	710,905,526	38,267,540	
	2,504,541,978,901	5,648,682,022,524	2,449,354,906,916		849,442,032,684	1,446,330,807,814	770,132,037,004	

(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.
- (b) Central Bank of Venezuela.
- (c) Euroclear Bank, S.A.

During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded interest income on Global Bonds in foreign currency maturing in September 2027 for Bs 751,083 million and Bs 169,802 million, respectively, included in the income statement as part of income from investment securities.

During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded income from amortization of discounts on held-to-maturity investments of Bs 989,791 million and Bs 223,475 million, respectively (Note 18).

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

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

	June 30, 2021		December 31, 2020	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In bolivars)			
Less than 1 month	-	-	115,655,049	25,386,502
1 month to 5 years	312,204,642	46,694,519	176,200,173	29,759,328
5 to 10 years	5,646,789,235,270	2,449,215,048,538	1,446,038,952,592	770,076,891,174
Over 10 years	<u>1,580,582,612</u>	<u>93,163,859</u>	-	-
	<u>5,648,682,022,524</u>	<u>2,449,354,906,916</u>	<u>1,446,330,807,814</u>	<u>770,132,037,004</u>

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

At June 30, 2021 and December 31, 2020, the Bank has an account in the name of the BCV at the Euroclear Bank to hold in custody all foreign currency securities held in other foreign financial institutions, as set out in Article No. 51 of the Law on Banking Sector Institutions.

At June 30, 2021, the market value of held-to-maturity securities issued or guaranteed by the Bolivarian Republic of Venezuela are below their amortized cost. This decrease is considered temporary since management believes there are legal grounds that allow their recoverability at maturity through payment of taxes. Furthermore, the Bank has the ability and intention to hold these securities to maturity. Accordingly, at June 30, 2021 and December 31, 2020, the Bank has recognized no impairment on these investments.

**d) Restricted investments**

Restricted investments comprise the following:

	June 30, 2021		December 31, 2020	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In bolivars)			
<b>Certificates of deposit</b>				
Social Contingency Fund (Note 23)	45,640,963	45,640,963	6,380	6,380 (1)
PNC Bank, with a par value of US\$1,825,634 (US\$1,825,497 at December 31, 2020) (Note 4)	5,864,935,251,162	5,864,935,251,162	2,016,134,292,549	2,016,134,292,549 (1)
JP Morgan Chase Bank, with a par value of US\$1,676,642 (Note 4)	<u>5,386,292,176,560</u>	<u>5,386,292,176,560</u>	<u>1,851,735,116,887</u>	<u>1,851,735,116,887</u> (1)
	<u>11,251,273,068,685</u>	<u>11,251,273,068,685</u>	<u>3,867,869,415,816</u>	<u>3,867,869,415,816</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, 2021 and December 31, 2020, 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.

During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank paid commissions for Bs 1,634,235 million and Bs 496,213 million, respectively, for the use of trademarks and its technology platform to process VISA and Mastercard credit cards (Note 19). Furthermore, to date, Bank management is making the necessary administrative arrangements to obtain Mastercard International's authorization to use the trademark and technology platform in the Branch. At June 30, 2021 and December 31, 2020, the Branch has not granted credit cards to its customers.

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

## Notes to the financial statements

### December 31 and June 30, 2020

#### e) Investments in other securities

Investments in other securities comprise the following:

	June 30, 2021	December 31, 2020	
	(In bolivars)		
BANDES securities, issued by Banco de Desarrollo Económico y Social de Venezuela, with a par value of Bs 3,603,683, 10% annual yield, maturing between August 2022 and 2024	3,603,683	3,603,683	(1) - (a)
Valores Bolivarianos para la Vivienda, issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 46,932, annual yield between 4.66% and 6.48%, maturing between December 2021 and February 2028 (par value of Bs 53,314, maturing between February 2021 and 2028 at December 31, 2020)	<u>46,932</u>	<u>53,314</u>	
	<u>3,650,615</u>	<u>3,656,997</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, 2021, the Bank has investment securities issued or guaranteed by the Venezuelan government of Bs 5,649,339 million, representing 33% of its investment securities portfolio (Bs 1,445,619 million at December 31, 2020, representing 27%).

## 6. Loan portfolio

The loan portfolio is classified as follows:

	June 30, 2021			December 31, 2020		
	Current	Overdue	Total	Current	Overdue	Total
	(In bolivars)					
<b>Economic activity - operations in Venezuela</b>						
Agriculture, fishing and forestry, includes US\$5,555,900 (US\$6,470,913 at December 31, 2020) (Note 4)	18,744,067,769,760	-	18,744,067,769,760	7,886,796,389,825	-	7,886,796,389,825
Manufacturing, includes US\$5,398,766 (US\$4,447,048 at December 31, 2020) (Note 4)	21,542,485,854,153	166,828	21,542,486,020,981	6,452,683,932,199	-	6,452,683,932,199
Wholesale and retail trade, restaurants and hotels, includes US\$2,855,673 (US\$2,111,923 at December 31, 2020) (Note 4)	12,066,881,724,205	1,217,971,444	12,068,099,695,649	4,548,719,776,625	1,889,598	4,548,721,666,223
Financial businesses, insurance, real estate and services, includes US\$537,500 (US\$935,100 at December 31, 2020) (Note 4)	10,178,907,965,379	-	10,178,907,965,379	2,854,812,774,114	-	2,854,812,774,114
Communal, social and consumer services, includes US\$131,340 (US\$379,000 at December 31, 2020) (Note 4)	1,927,796,836,493	138,557,523	1,927,935,394,016	931,101,122,021	30,306,619	931,131,428,640
Transportation, warehousing and communications (US\$116,055 at December 31, 2020) (Note 4)	755,301,083,264	-	755,301,083,264	446,104,490,284	-	446,104,490,284
Construction, includes US\$69,000 (US\$332,500 at December 31, 2020) (Note 4)	747,995,286,830	-	747,995,286,830	401,900,862,607	-	401,900,862,607
Utilities, includes US\$70,000 (US\$250,000 at December 31, 2020)	224,878,280,011	-	224,878,280,011	276,107,822,150	-	276,107,822,150
Mining and oil, includes US\$43,750 (US\$96,250 at December 31, 2020)	<u>140,548,925,006</u>	<u>-</u>	<u>140,548,925,006</u>	<u>106,301,443,999</u>	<u>-</u>	<u>106,301,443,999</u>
	<u>66,328,863,725,101</u>	<u>1,356,695,795</u>	<u>66,330,220,420,896</u>	<u>23,904,528,613,824</u>	<u>32,196,217</u>	<u>23,904,560,810,041</u>

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

## Notes to the financial statements

### December 31 and June 30, 2020

	June 30, 2021			December 31, 2020		
	Current	Overdue	Total	Current	Overdue	Total
	(In bolivars)					
<b>Economic activity - operations in the Curacao Branch</b>						
Manufacturing, equivalent to US\$12,755,500 (US\$11,919,664 at December 31, 2020) (Note 4)	37,122,585,209,727	3,855,056,228,780	40,977,641,438,507	11,839,124,803,689	1,325,316,704,388	13,164,441,508,077
Wholesale and retail trade, restaurants and hotels, equivalent to US\$2,668,109 (US\$2,410,243 at December 31, 2020) (Note 4)	8,571,425,182,929	-	8,571,425,182,929	2,661,946,091,402	-	2,661,946,091,402
Mining and oil, includes US\$1,300,00	-	4,176,310,914,461	4,176,310,914,461	1,435,759,763,154	-	1,435,759,763,154
Communal, social and consumer services, equivalent to US\$2,240,561 (US\$805,939 at December 31, 2020) (Note 4)	2,503,026,553,010	819,199,448,615	3,322,226,001,625	890,103,130,674	-	890,103,130,674
Agriculture, fishing and forestry, equivalent to US\$1,500,000 (US\$500,000 at December 31, 2020) (Note 4)	4,818,820,285,976	-	4,818,820,285,976	552,215,293,521	-	552,215,293,521
Financial businesses, insurance, real estate and services, equivalent to US\$1,658,000 (US\$883,333 at December 31, 2020) (Note 4)	5,326,402,689,433	-	5,326,402,689,433	975,579,983,743	-	975,579,983,743
Utilities, includes US\$307,500 (US\$482,500 at December 31, 2020)	987,858,158,625	-	987,858,158,625	532,887,758,247	-	532,887,758,247
Construction, equivalent to US\$255,000 (Note 4)	-	-	-	281,629,799,696	-	281,629,799,696
Transportation, warehousing and communications, equivalent to US\$325,000 (US\$300,000 at December 31, 2020)	80,313,671,433	963,764,057,195	1,044,077,728,628	-	331,329,176,112	331,329,176,112
	59,410,431,751,133	9,814,330,649,051	69,224,762,400,184	19,169,246,624,126	1,656,645,880,500	20,825,892,504,626
	125,739,295,476,234	9,815,687,344,846	135,554,982,821,080	43,073,775,237,950	1,656,678,076,717	44,730,453,314,667
Allowance for losses on loan portfolio, includes US\$1,639,734 (US\$1,601,028 at December 31, 2020) (Note 4)			(5,617,048,326,862)			(1,898,507,885,261)
			129,937,934,494,218			42,831,945,429,406
<b>Guarantee - operations in Venezuela</b>						
Collateral, includes US\$2,135,846 (US\$7,564,412 at December 31, 2020) (Note 4)	7,552,724,282,156	-	7,552,724,282,156	9,262,328,506,547	-	9,262,328,506,547
Pledge, includes US\$9,406,166 (US\$5,575,347 at December 31, 2020) (Note 4)	32,288,425,699,252	-	32,288,425,699,252	6,316,931,171,802	-	6,316,931,171,802
Unsecured, (includes US\$1,402,780 at December 31, 2020) (Note 4)	7,605,423,594,129	1,356,695,795	7,606,780,289,924	5,193,553,066,096	32,196,217	5,193,585,262,313
Endorsement, includes US\$49,500 (US\$475,000 at December 31, 2020) (Note 4)	8,318,687,272,218	-	8,318,687,272,218	2,920,388,433,718	-	2,920,388,433,718
Chattel mortgage includes US\$83,750 (US\$96,250 at December 31, 2020) (Note 4)	269,050,799,299	-	269,050,799,299	106,301,443,999	-	106,301,443,999
Real property mortgage includes US\$2,986,667 (US\$25,000 at December 31, 2020) (Note 4)	10,294,552,078,047	-	10,294,552,078,047	105,025,991,662	-	105,025,991,662
	66,328,863,725,101	1,356,695,795	66,330,220,420,896	23,904,528,613,824	32,196,217	23,904,560,810,041
<b>Guarantee - operations in the Curacao Branch</b>						
Pledge, equivalent to US\$5,451,750 (US\$8,064,976 at December 31, 2020) (Note 4)	17,514,002,329,378	-	17,514,002,329,378	8,907,207,281,869	-	8,907,207,281,869
Endorsement, equivalent to US\$6,450,000 (US\$4,642,743 at December 31, 2020) (Note 4)	16,865,871,000,915	3,855,056,228,780	20,720,927,229,695	3,802,270,672,522	1,325,316,704,388	5,127,587,376,910
Collateral, equivalent to US\$5,791,858 (US\$3,024,688 at December 31, 2020) (Note 4)	13,611,104,852,799	4,995,510,363,128	18,606,615,215,927	3,340,557,943,457	-	3,340,557,943,457
Unsecured, equivalent to US\$3,854,642 (US\$2,494,272 at December 31, 2020) (Note 4)	11,419,453,568,041	963,764,057,143	12,383,217,625,184	2,423,421,113,088	331,329,176,112	2,754,750,289,200
Other guarantees, equivalent to US\$630,000	-	-	-	695,789,613,190	-	695,789,613,190
	59,410,431,751,133	9,814,330,649,051	69,224,762,400,184	19,169,246,624,126	1,656,645,880,500	20,825,892,504,626
	125,739,295,476,234	9,815,687,344,846	135,554,982,821,080	43,073,775,237,950	1,656,678,076,717	44,730,453,314,667
<b>Maturity - operations in Venezuela</b>						
Overdue	1,108,258	1,143,043	2,251,301	5,774,754	4,291,260	10,066,014
Up to 30 days	16,921,891,734,011	1,218,981,998	16,923,110,716,009	4,890,482,626,126	5,359,833	4,890,487,985,959
31 to 60 days	22,488,615,362,839	-	22,488,615,362,839	5,976,173,385,731	2,441	5,976,173,388,172
61 to 90 days	4,776,029,516,581	-	4,776,029,516,581	3,309,461,121,775	-	3,309,461,121,775
91 to 180 days	11,091,712,529,011	-	11,091,712,529,011	3,515,618,936,408	6,217	3,515,618,942,625
181 to 360 days	8,571,523,205,613	-	8,571,523,205,613	5,660,732,495,960	-	5,660,732,495,960
Over 360 days	2,479,090,268,788	136,570,754	2,479,226,839,542	552,054,273,070	22,536,466	552,076,809,536
	66,328,863,725,101	1,356,695,795	66,330,220,420,896	23,904,528,613,824	32,196,217	23,904,560,810,041
<b>Maturity - operations in Curacao Branch</b>						
Overdue	-	4,818,820,285,976	4,818,820,285,976	-	1,656,645,880,500	1,656,645,880,500
Up to 30 days	4,764,206,989,402	-	4,764,206,989,402	4,274,117,103,723	-	4,274,117,103,723
Up to 60 days	11,732,221,122,922	-	11,732,221,122,922	773,101,410,929	-	773,101,410,929
61 to 90 days	5,903,135,163,991	-	5,903,135,163,991	1,767,088,939,266	-	1,767,088,939,266
91 to 180 days	28,169,776,101,537	-	28,169,776,101,537	7,612,212,719,902	-	7,612,212,719,902
181 to 360 days	6,900,550,231,572	4,995,510,363,075	11,896,060,594,647	2,744,723,163,901	-	2,744,723,163,901
Over 360 days	1,940,542,141,709	-	1,940,542,141,709	1,998,003,286,405	-	1,998,003,286,405
	59,410,431,751,133	9,814,330,649,051	69,224,762,400,184	19,169,246,624,126	1,656,645,880,500	20,825,892,504,626
	125,739,295,476,234	9,815,687,344,846	135,554,982,821,080	43,073,775,237,950	1,656,678,076,717	44,730,453,314,667
<b>Type of loan - operations in Venezuela</b>						
Loans in foreign currency, equivalent to US\$14,661,929 (US\$15,138,789 at December 31, 2020) (Note 4)	47,102,133,706,028	-	47,102,133,706,028	16,719,741,157,878	-	16,719,741,157,878
Loans granted through UVC (Note 1)	17,716,452,038,025	-	17,716,452,038,025	-	-	-
Loans granted through UVCC (Note 1)	-	-	-	6,466,197,293,702	-	6,466,197,293,702
Employee loans	1,472,387,614,314	-	1,472,387,614,314	430,962,805,494	-	430,962,805,494
Microcredits	-	-	-	135,325,491,583	-	135,325,491,583
Loans granted through UVCP (Note 1)	-	-	-	119,414,521,800	-	119,414,521,800
Credit cards	22,815,373,761	18,916,387	22,834,290,148	25,796,697,596	13,278,745	25,809,976,341
Tourism	5,310,632,643	-	5,310,632,643	5,407,189,600	-	5,407,189,600
Checking accounts	9,617,298,147	1,337,779,408	10,955,077,555	1,536,229,643	18,917,472	1,555,147,115
Mortgage	147,062,183	-	147,062,183	147,226,528	-	147,226,528
	66,328,863,725,101	1,356,695,795	66,330,220,420,896	23,904,528,613,824	32,196,217	23,904,560,810,041

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

## Notes to the financial statements

### December 31 and June 30, 2020

	June 30, 2021			December 31, 2020		
	Current	Overdue	Total	Current	Overdue	Total
(In bolivars)						
<b>Type of loan - operations in the Curacao Branch</b>						
Commercial promissory notes, equivalent to US\$16,937,030 (US\$18,283,748 at December 31, 2020) (Note 4)	44,596,671,753,069	9,814,330,649,051	54,411,002,402,120	18,536,484,102,684	1,656,645,880,500	20,193,129,983,184
Syndicated loans, equivalent to US\$4,550,000 (US\$500,000 at December 31, 2020) (Note 4)	14,617,088,200,715	-	14,617,088,200,715	552,215,294,298	-	552,215,294,298
Employee loans, equivalent to US\$61,220 (US\$72,931 at December 31, 2020) (Note 4)	<u>196,671,797,349</u>	<u>-</u>	<u>196,671,797,349</u>	<u>80,547,227,144</u>	<u>-</u>	<u>80,547,227,144</u>
	<u>59,410,431,751,133</u>	<u>9,814,330,649,051</u>	<u>69,224,762,400,184</u>	<u>19,169,246,624,126</u>	<u>1,656,645,880,500</u>	<u>20,825,892,504,626</u>
	<u>125,739,295,476,234</u>	<u>9,815,687,344,846</u>	<u>135,554,982,821,080</u>	<u>43,073,775,237,950</u>	<u>1,656,678,076,717</u>	<u>44,730,453,314,667</u>

At June 30, 2021 and December 31, 2020, overdue loans resulting from Branch transactions include a loan for US\$1,200,000, equivalent to Bs 3,855,056 million and Bs 1,325,317 million, respectively, in respect of which in February 2021, management agreed with the debtor and its guarantor to receive as payment three business premises located in Parque Cristal, Urbanización Los Palos Grandes, Municipio Chacao, Estado Miranda, with a market value of US\$1,424,110. Although as a result of the dation in payment agreed between the parties, ownership of the property is transferred to the Branch, the latter may not dispose of the premises for two years, unless otherwise negotiated by the parties. At June 30, 2021, management is making the necessary arrangements, together with the debtor and its guarantor, to formalize the dation in payment with the Mercantile Registry.

Additionally, at June 30, 2021, the Branch has loans with 2 debtors for US\$1,555,000 (equivalent to Bs 4,995,510 million), maturing between 181 and 360 days, classified in the overdue loan portfolio, since at that date an installment was overdue by more than 120 days. During July 2021, the Branch received payment of overdue installments from these customers; accordingly, loans were reclassified as current loans.

At June 30, 2021, the Bank's loan portfolio includes loans receivable for 1,130,988,724 UVC (equivalent to Bs 17,716,452 million). Furthermore, at December 31, 2020, it includes loans receivable for 1,214,457,595 UVCC (equivalent to Bs 6,466,197 million) and 22,428,000 UVCP (equivalent to Bs 119,415 million) (Note 1).

During the six-month periods ended June 30, 2021 and December 31, 2020, income from the loan portfolio comprises the following:

	Six-month periods ended	
	June 30, 2021	December 31, 2020
(In bolivars)		
Increase in the investment index of UVC loans collected	14,582,168,528,855	2,630,365,127,959
Financial interest	5,315,186,325,823	1,157,195,093,325
Flat commission	<u>587,252,761,640</u>	<u>144,408,079,727</u>
	<u>20,484,607,616,318</u>	<u>3,931,968,301,011</u>

During the six-month periods ended June 30, 2021 and December 31, 2020, net income from variation of principal of UVC loans amounts to Bs 15,157,090 million and Bs 3,867,773 million, respectively, and was recorded in equity. Furthermore, the Bank transferred to results for the periods ended June 30, 2021 and December 31, 2020, Bs 14,582,169 million and Bs 2,630,365 million, respectively, of the aforementioned net income in respect of commercial loans through the use of UVC that had already been collected during the six-month periods ended June 30, 2021 and December 31, 2020, which are part of income from loan portfolio.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

---

In accordance with SUDEBAN requirements, at June 30, 2021 and December 31, 2020, the Bank maintains a general allowance of Bs 1,528,612 million and Bs 499,369 million, respectively, for losses on the loan portfolio, and a countercyclical allowance of Bs 1,016,662 million and Bs 335,478 million, respectively (Note 2-e).

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

	<b>Six-month periods ended</b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(In bolivars)	
Balance at the beginning of the period	1,898,507,885,261	343,545,485,788
Provided in the period	571,405,076,475	203,039,060,467
Write-offs of uncollectible loans	(7,508,181)	(10,310,252,230)
Reclassification to provision for interest receivable (Note 7)	198,207,193,328	6,835,320,903
Reclassification to provision for contingent loans (Note 16)	(5,126,702,109)	(6,754,174,546)
Adjustment from exchange differences	<u>2,954,062,382,088</u>	<u>1,362,152,444,879</u>
Balance at the end of the period	<u>5,617,048,326,862</u>	<u>1,898,507,885,261</u>

At June 30, 2021, overdue loans on which interest is no longer accrued amount to Bs 9,815,687 million (Bs 1,656,678 million at December 31, 2020). In addition, at June 30, 2021, memorandum accounts include Bs 289,934 million (Bs 59,155 million at December 31, 2020), in respect of interest not recognized as income from loans on which interest is no longer accrued (Note 21).

During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank charged commissions to customers for Bs 888,104 million and Bs 158,994 million, respectively, for documentation of loans granted in foreign currency through UVC (Note 18).

At June 30, 2021 and December 31, 2020, interest receivable collected in advance from debtors upon loan settlement amounts to Bs 30,904 million and Bs 1,228 million, respectively, which are part of deferred income under accruals and other liabilities. Interest is recorded as income upon collection (Note 16).

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

At June 30, 2021, the Bank's loan portfolio has risk concentration in ten individual clients, representing 53% of the loan portfolio (52% of the loan portfolio at December 31, 2020). At June 30, 2021, the Bank's loan portfolio has risk concentration in eight groups of related companies, representing 58% of the loan portfolio (3 groups of related companies, representing 24% of the loan portfolio at December 31, 2020).

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

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

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

---

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

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

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

On July 28, 2021, SUDEBAN, through Notice SIB-II-GGIBPV-GIBPV4-05849, informed that it was evaluating the Bank's request to suspend the measure for the creation of a provision for the whole amount of the loan portfolio in foreign currency. SUDEBAN will communicate the results of the evaluation in a separate notice.

At June 30, 2021, the Bank has not granted loans in foreign currency using funds obtained from customer deposits, until it receives the authorization from the BCV and SUDEBAN. Additionally, it has not set aside a provision for the full amount of loans in foreign currency granted with its own resources, since it is awaiting responses from the BCV and SUDEBAN regarding the authorization request to continue to grant loans in foreign currency. The Bank considers that loans in foreign currency using its own resources have been timely reported to both regulatory entities and that the provision should be created based on each debtor's risk analysis and qualification.

**7. Interest and commissions receivable**

Interest and commissions receivable comprise the following:

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Interest receivable on investment securities</b>		
Held to maturity, includes US\$2,510,045 (US\$2,173,135 at December 31, 2020) (Note 4)	8,063,637,034,557	2,400,579,002,864
Available for sale, includes US\$355 (US\$318 at December 31, 2020) (Note 4)	1,146,985,539	358,335,178
Other securities (Note 4)	<u>101,805</u>	<u>102,873</u>
	<u>8,064,784,121,901</u>	<u>2,400,937,440,915</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Interest receivable on loan portfolio</b>		
Current, includes US\$167,875 (US\$144,031 at December 31, 2020) (Note 4)	545,410,565,116	160,781,928,138
Overdue, includes US\$77,903 (US\$17,562 at December 31, 2020) (Note 4)	<u>250,329,580,914</u>	<u>19,405,730,123</u>
	<u>795,740,146,030</u>	<u>180,187,658,261</u>
<b>Commissions receivable</b>		
Trust fund (Note 21)	<u>2,189,083,149</u>	<u>507,745,375</u>
	8,862,713,351,080	2,581,632,844,551
Provision for interest receivable and other, includes US\$2,588,346 (US\$2,191,297 at December 31, 2020) (Note 4)	<u>(8,315,296,637,391)</u>	<u>(2,420,146,496,908)</u>
	<u>547,416,713,689</u>	<u>161,486,347,643</u>

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

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

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Six-month periods ended</b>		
Balance at the beginning of the period	2,420,146,496,908	380,891,315,459
Provided in the period	821,499,154,596	206,548,723,298
Write-offs for uncollectible interest	(16,923,482)	(4,283,804)
Reclassification to allowance for losses on loan portfolio (Note 6)	(198,207,193,328)	(6,835,320,903)
Reclassification to provision for other assets (Note 12)	-	(5,773,410,893)
Reclassification to allowance for contingent loans (Note 16)	(2,907,234,325)	(5,737,674)
Adjustment from exchange rate fluctuation	<u>5,274,782,337,022</u>	<u>1,845,325,211,425</u>
Balance at the end of the period	<u>8,315,296,637,391</u>	<u>2,420,146,496,908</u>

## 8. Investment in Branch

At June 30, 2021 and December 31, 2020, 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, 2021		December 31, 2020	
	US\$	Equivalent in bolivars	US\$	Equivalent in bolivars
<b>Assets</b> (Note 4)				
Cash and due from banks	11,221,855	36,050,735,043,625	20,983,340	23,174,643,680,801
Investment securities	134,625	432,489,121,028	134,615	148,672,923,873
Loan portfolio	20,165,100	64,781,328,686,586	17,520,580	19,350,264,506,542
Interest and commissions receivable	61,009	195,994,271,382	84,633	93,470,169,693
Available-for-sale assets	360,394	1,157,782,613,063	275,000	303,718,412,250
Property and equipment	40,711	130,785,995,217	44,838	49,520,458,794
Other assets	<u>69,304</u>	<u>222,642,347,585</u>	<u>58,987</u>	<u>65,147,047,212</u>
Total assets	<u>32,052,998</u>	<u>102,971,758,078,486</u>	<u>39,101,993</u>	<u>43,185,437,199,165</u>



**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

	June 30, 2021		December 31, 2020	
	US\$	Equivalent in bolivars	US\$	Equivalent in bolivars
<b>Liabilities and Equity</b>				
Liabilities (Note 4)				
Customer deposits	19,243,246	61,819,829,513,508	25,538,974	28,206,024,122,815
Borrowings	382,219	1,227,896,448,282	369,496	408,082,685,283
Interest and commissions payable	745	2,393,347,411	843	931,034,986
Accruals and other liabilities	<u>117,463</u>	<u>377,355,391,816</u>	<u>1,069,053</u>	<u>1,180,694,835,531</u>
	<u>19,743,673</u>	<u>63,427,474,701,017</u>	<u>26,978,366</u>	<u>29,795,732,678,615</u>
Equity (Note 4)				
Capital	7,599,462	24,413,627,785,789	7,599,462	8,393,078,300,343
Voluntary reserves	2,766,551	8,887,674,728,080	2,766,551	3,055,463,545,010
Retained earnings	<u>1,943,312</u>	<u>6,242,980,863,600</u>	<u>1,757,614</u>	<u>1,941,162,675,197</u>
Total equity	<u>12,309,325</u>	<u>39,544,283,377,469</u>	<u>12,123,627</u>	<u>13,389,704,520,550</u>
Total liabilities and equity	<u>32,052,998</u>	<u>102,971,758,078,486</u>	<u>39,101,993</u>	<u>43,185,437,199,165</u>

**Income statement**

	Six-month periods ended			
	June 30, 2021		December 31, 2020	
	US\$	Equivalent in bolivars	US\$	Equivalent in bolivars
Interest income	1,120,361	3,599,212,212,616	957,553	1,057,550,909,680
Interest expense	(3,090)	(9,926,769,797)	(9,533)	(10,528,447,173)
Expenses from uncollectible loans	(107,154)	(344,237,246,236)	(35,191)	(38,865,914,978)
Other operating income	26,821	86,163,719,332	54,576	60,275,485,822
Other operating expenses	(335,189)	(1,076,810,369,456)	(180,920)	(199,813,581,808)
Operating expenses	(489,121)	(1,571,321,659,552)	(430,543)	(475,504,858,237)
Sundry operating income	209	671,422,294	52,396	57,867,745,194
Sundry operating expenses	(2,065)	(6,633,909,266)	(1,751)	(1,933,857,958)
Expenses from available-for-sale assets	(15,684)	(50,385,584,952)	-	-
Income tax expense	<u>(9,390)</u>	<u>(30,165,815,015)</u>	<u>(6,525)</u>	<u>(7,206,472,849)</u>
Net income	<u>185,698</u>	<u>596,565,999,968</u>	<u>400,062</u>	<u>441,841,007,693</u>

The equivalent amounts in bolivars shown in the above financial statements at June 30, 2021 and December 31, 2020 have been translated at the official exchange rate of Bs 3,212,546.86/US\$1 and Bs 1,104,431.59/US\$1, respectively (Note 2-b).

**9. Investments in affiliates**

At June 30, 2021 and December 31, 2020, the Bank has an investment recorded at cost of €97,966, equivalent to Bs 373,248 million and Bs 132,850 million (Note 4), respectively, in connection with 22 shares, with a par value of €125, acquired in September 2019 from Society for Worldwide Interbank Financial Telecommunication (SWIFT), an entity domiciled in Belgium, over which the Bank's equity is less than 0.01% of its capital stock; therefore, the Bank's influence over such entity is not significant. The acquisition of these shares was related to the provision of services.

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

Available-for-sale assets comprise the following:

+	Useful life (Years)	June 30, 2021			December 31, 2020		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
				(In bolivars)			
Real property	1-3	<u>1,500,058,598,409</u>	<u>(342,275,793,337)</u>	<u>1,157,782,805,072</u>	<u>303,718,411,746</u>	<u>-</u>	<u>303,718,411,746</u>

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

## Notes to the financial statements

### December 31 and June 30, 2020

At June 30, 2021 and December 31, 2020, real property relates to available-for-sale assets of the Branch, equivalent to US\$360,394 and US\$275,000, respectively.

Below is the movement of available-for-sale assets for the six-month periods ended June 30, 2021 and December 31, 2020:

	December 31, 2020	Additions	Effect of Branch conversion	June 30, 2021
	(In bolivars)			
<b>Cost</b>				
Real property	<u>303,718,411,746</u>	<u>616,609,818,700</u>	<u>579,730,367,963</u>	<u>1,500,058,598,409</u>
<b>Accumulated amortization</b>				
Real property amortization	<u>-</u>	<u>(342,275,793,337)</u>	<u>-</u>	<u>(342,275,793,337)</u>
	<u>303,718,411,746</u>	<u>274,334,025,363</u>	<u>579,730,367,963</u>	<u>1,157,782,805,072</u>

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

During the six-month period ended December 31, 2020, the Branch recorded real property received as payment for US\$275,000, equivalent to Bs 303,718 million, for collection of loan and interest receivable from a customer for US\$110,000 and US\$8,070, respectively. Furthermore, and since the fair value of the real property received as payment exceeds the amount of the loan and interest receivable, the Branch deposited the difference of US\$151,174 in the debtor's account, after collection of legal fees and documentation for US\$5,756 borne by the debtor.

During the six-month period ended June 30, 2021, the Bank recorded amortization of available-for-sale assets for Bs 342,276 million, which are part of expenses from available-for-sale assets.

## 11. Property and equipment

Property and equipment comprise the following:

	Land	Buildings and facilities	Computer hardware	Furniture and equipment	Vehicles	Construction in progress	Other property	Total
	(In bolivars)							
<b>Balances at June 30, 2020</b>								
Cost (includes US\$84,896) (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 (includes US\$70,804) (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>
<b>Movement for the six-month period ended December 31, 2020</b>								
Opening balance	61,341	203,222,245,231	29,272,332,625	21,647,804,937	68,590,907	45,113,572,843	165	299,324,608,049
Additions (Note 12)	-	3,506,667,635,015	96,112,015,473	121,639,454,179	-	479,256,263,074	15,053,389,890	4,218,728,757,631
Effect of Branch conversion on cost	-	-	88,605,128,661	34,976,270,160	-	-	-	123,581,398,821
Capitalization	-	115,543,118,117	-	11,025,053,527	-	(126,568,171,644)	-	-
Withdrawals	-	-	-	-	(10,296,002)	-	-	(10,296,002)
Effect of Branch conversion on accumulated depreciation	-	-	(55,337,245,415)	(12,918,817,829)	-	-	-	(68,256,063,244)
Depreciation expense (Note 20)	-	(4,888,085,783)	(13,165,903,313)	(7,569,341,612)	(16,152,443)	-	-	(25,639,483,151)
Withdrawals from accumulated depreciation	-	-	-	-	9,457,340	-	-	9,457,340
Closing balance	<u>61,341</u>	<u>3,820,544,912,580</u>	<u>145,486,328,031</u>	<u>168,800,423,362</u>	<u>51,599,802</u>	<u>397,801,664,273</u>	<u>15,053,390,055</u>	<u>4,547,738,379,444</u>
<b>Balances at December 31, 2020</b>								
Cost (includes US\$127,889) (Note 4)	61,341	3,825,432,998,363	213,989,476,759	189,288,582,803	68,590,907	397,801,664,273	15,053,390,055	4,641,634,764,501
Accumulated depreciation (includes US\$83,051) (Note 4)	-	(4,888,085,783)	(68,503,148,728)	(20,488,159,441)	(16,991,105)	-	-	(93,896,385,057)
Net balance	<u>61,341</u>	<u>3,820,544,912,580</u>	<u>145,486,328,031</u>	<u>168,800,423,362</u>	<u>51,599,802</u>	<u>397,801,664,273</u>	<u>15,053,390,055</u>	<u>4,547,738,379,444</u>

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

## Notes to the financial statements

### December 31 and June 30, 2020

	Land	Buildings and facilities	Computer hardware	Furniture and equipment	Vehicles	Construction in progress	Other property	Total
	(In bolivars)							
<b>Movement for the six-month period ended June 30, 2021</b>								
Opening balance	61,341	3,820,544,912,580	145,486,328,031	168,800,423,362	51,599,802	397,801,664,273	15,053,390,055	4,547,738,379,444
Additions	-	3,148,220,231,270	484,926,764,798	714,939,078,296	212,814,437,936	643,371,376,732	-	5,204,271,889,032
Effect of Branch conversion on cost	-	-	274,094,917,765	81,134,819,314	-	-	-	355,229,737,079
Withdrawals	(40)	(845,543)	-	-	(8,299)	-	-	(853,882)
Effect of Branch conversion on accumulated depreciation	-	-	(184,387,926,880)	(61,654,418,664)	-	-	-	(246,042,345,544)
Depreciation expense (Note 20)	-	(59,312,309,840)	(44,860,106,631)	(37,744,814,437)	(7,102,343,105)	-	-	(149,019,574,013)
Withdrawals from accumulated depreciation	-	845,543	-	-	8,299	-	-	853,842
Closing balance	<u>61,301</u>	<u>6,909,452,834,010</u>	<u>675,259,977,083</u>	<u>865,475,087,871</u>	<u>205,763,694,633</u>	<u>1,041,173,041,005</u>	<u>15,053,390,055</u>	<u>9,712,178,085,958</u>
<b>Balances at June 30, 2021</b>								
Cost (includes US\$129,287) (Note 4)	61,301	6,968,764,298,307	904,508,010,594	964,874,320,972	212,866,029,439	1,041,173,041,005	15,053,390,055	10,107,239,151,673
Accumulated depreciation (includes US\$88,576) (Note 4)	-	(59,311,464,297)	(229,248,033,511)	(99,399,233,101)	(7,102,334,806)	-	-	(395,061,065,715)
Net balance	<u>61,301</u>	<u>6,909,452,834,010</u>	<u>675,259,977,083</u>	<u>865,475,087,871</u>	<u>205,763,694,633</u>	<u>1,041,173,041,005</u>	<u>15,053,390,055</u>	<u>9,712,178,085,958</u>

During the six-month periods ended June 30, 2021 and December 31, 2020, 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 2020.

At June 30, 2021 and December 31, 2020, the balance of construction in progress is in respect of construction and remodeling work to the Bank's main office and to existing and new agencies, which is in compliance with the Accounting Manual.

In March 2021, the Bank sold its main office in San Bernardino at a sale price of US\$7,000,000 (equivalent to Bs 13,059,298 million at the exchange rate in effect at the negotiation date). In June 2021, the sale document was formalized with the Mercantil Registry. Accordingly, during the six-month-period ended June 30, 2021, the Bank wrote off land, and buildings and facilities of the aforementioned real property for Bs 40 and Bs 845,543, respectively, at a gain of Bs 13,059,297 million, included under extraordinary income.

Below are the useful lives by type of asset:

	Useful life	Average remaining useful life	
		June 30, 2021	December 31, 2020
		(Years)	
Buildings and facilities	40	39.65	39.98
Computer hardware	4	2.99	2.08
Furniture and equipment	8-10	8.07	9.30
Vehicles	5	4.83	0.94

## 12. Other assets

Other assets comprise the following:

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Deferred expenses</b>		
Licenses	1,037,130,117,419	120,602,057,622
Leasehold improvements, net of amortization, (includes US\$3,982 at December 31, 2020) (Note 4)	845,797,342,595	178,613,445,988
Operating system (software)	79,723,211,250	-
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	<u>2,255</u>	<u>2,484</u>
	<u>1,962,650,673,519</u>	<u>299,215,506,094</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

	June 30, 2021	December 31, 2020
	(In bolivars)	
Pending items, includes US\$554,773 and €1,814,086 (US\$2,197,461 and €1,018,778 at December 31, 2020) (Note 4)	12,525,829,610,234	6,425,543,833,813
Advances on purchase options on premises owned by the Bank, includes US\$1,037,573 and €1,486,200 at June 30, 2021 (Note 4)	11,273,747,205,668	1,110,299,570,235
Advances to suppliers	5,696,996,891,726	557,590,722,338
Other prepaid expenses	4,290,775,349,982	263,553,860,644
Insurance claim payments, includes US\$751,232	2,414,067,139,417	-
International credit card transactions, equivalent to US\$733,824 (US\$407,247 at December 31, 2020) (Notes 4 and 16)	2,357,445,205,779	449,775,899,688
Prepaid taxes and subscriptions (Notes 4 and 17)	957,729,731,057	158,411,901,962
Other sundry accounts receivable, includes US\$82,486 (US\$2,861 and €4,908 at December 31, 2020) (Note 4)	496,471,916,647	44,816,848,334
Matured financial instruments receivable, equivalent to US\$131,125 (US\$131,125 at December 31, 2020) (Note 4)	421,245,206,663	144,818,460,720
Bank insurance, includes US\$18,988 (US\$4,689 at December 31, 2020) (Note 4)	411,088,313,622	23,754,324,980
Deferred income tax (Note 17)	286,142,283,209	-
Prepaid advertising	281,338,258,027	184,895,508,687
Guarantee deposits, includes US\$47,226 (US\$24,955 at December 31, 2020) (Note 4)	152,381,376,442	28,000,523,652
Stationery and sundry supplies	129,765,915,211	50,693,476,882
Accounts receivable in foreign currency, equivalent to US\$25,361 (US\$25,361 at December 31, 2020) (Note 4)	81,471,923,076	28,008,956,079
Inventories of chip credit and debit cards	63,082,909,089	5,056,426,240
Accounts receivable from employees	9,141,842,591	2,205,537,697
Credit card-related accounts receivable and balance offsettings	<u>5,220,465,254</u>	<u>1,913,538,663</u>
	<u>41,853,941,543,694</u>	<u>9,479,339,390,614</u>
Provision for other assets, includes US\$200,750 (US\$131,125 at December 31, 2020) (Note 4)	<u>(646,966,484,198)</u>	<u>(144,866,966,452)</u>
	<u>43,169,625,733,015</u>	<u>9,633,687,930,256</u>

The balance of pending items comprises the following:

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>In-transit operations</b>		
Retail transactions equivalent to US\$102,523 and €1,483,594 (US\$64,075 and €958,390 at December 31, 2020) (Notes 4 and 16)	5,981,880,249,575	1,370,436,370,911
Interbank mobile payment transactions receivable	3,831,475,627,573	2,617,025,511,525
Sale of foreign currency - exporters, equivalent to US\$451,449 (US\$112,789 at December 31, 2020) (Notes 4 and 16)	1,450,301,997,820	124,567,477,901
Exchange desk transactions equivalent to US\$801 and €330,492 (US\$2,020,597 and €60,388 at December 31, 2020) (Notes 4 and 16)	1,261,753,015,579	2,313,498,981,058
Teller machines and remittances in foreign currency	115,000,000	-
Cash shortages	18,689,681	43,925
Other pending items	<u>285,030,006</u>	<u>15,448,493</u>
	<u>12,525,829,610,234</u>	<u>6,425,543,833,813</u>

In-transit operations of the interbank mobile payment system relate to cash transfers by Bank customers from deposits to accounts in other financial institutions. In-transit operations payable in connection with interbank mobile payment transactions relate to cash transfers by Bank customers to accounts in other financial institutions and are recorded under accruals and other liabilities (Note 16). These transactions clear the week following period closing. At June 30, 2021, the Bank has operations receivable and payable of Bs 3,831,476 million and Bs 3,607,226 million, respectively (Bs 2,617,026 million and Bs 1,963,563 million, respectively, at December 31, 2020) in connection with interbank mobile payment

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

transactions (Note 16). During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded income from commissions charged to customers of Bs 934,700 million and Bs 184,127 million, respectively, in connection with transactions through this system (Note 18).

At June 30, 2021, the Bank maintains investment securities in debt securities issued by the foreign financial private-sector company International Cooperatief UA, which matured in October 2020, and were reclassified from available-for-sale investments to other assets at their par value of US\$100,000, equivalent to Bs 321,255 (Bs 110,440 million at December 31, 2020). During the six-month period ended December 31, 2020, the Bank recorded Bs 33,092 million in the income statement within expenses from uncollectible loans and other accounts receivable, in connection with unrealized losses on investment securities recorded by the Bank within equity. In addition, at June 30, 2021, overdue interest receivable in respect of these financial instruments amount to US\$31,125, equivalent to Bs 99,990 million (Bs 34,378 million at December 31, 2020). At June 30, 2021 and December 31, 2020, a provision was set aside for the full amount of principal and related interest of these financial instruments.

At June 30, 2021 and December 31, 2020, advances for purchase of premises owned by the Bank include Bs 11,273,747 and Bs 1,110,300 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, 2020, the Bank recorded as additions under property and equipment advances for purchase of premises for Bs 2,869,799 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 11).

During the six-month period ended December 31, 2020, one year after the maturity of the Sovereign Bond issued by the Bolivarian Republic of Venezuela, with a par value of US\$1,287,000 and overdue interest receivable of US\$149,614, Bank management resolved to write off the full amount of the bond and related interest receivable from the Bank's financial statements, recording write-offs against the provision for other assets for Bs 725,898 million.

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

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

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

The balance of other prepaid expenses comprises the following:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(In bolivars)	
Insurance	2,833,750,947,993	101,806,781,379
Licenses maturing within one year	921,114,730,157	117,857,142,700
Improvements to agencies	472,557,454,148	18,966,869,905
Bloomberg service	59,578,334,599	20,192,383,575
Per diems paid to employees	3,738,183,085	4,730,683,085
Prepaid subscriptions	35,700,000	-
	<u>4,290,775,349,982</u>	<u>263,553,860,644</u>

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

## Notes to the financial statements

### December 31 and June 30, 2020

Deferred expenses comprise the following:

	June 30, 2021			December 31, 2020		
	Cost	Accumulated amortization	Book value	Cost	Accumulated amortization	Book value
	(In bolivars)					
Licenses	1,225,148,301,628	(188,018,184,209)	1,037,130,117,419	161,584,376,493	(40,982,318,871)	120,602,057,622
Leasehold improvements	848,121,649,446	(2,324,306,851)	845,797,342,595	178,623,126,169	(9,680,181)	178,613,445,988
Operating system (software)	79,723,211,250	-	79,723,211,250	1,704,144,400	(1,704,144,400)	-
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	4,586	(2,331)	2,255	4,586	(2,102)	2,484
	<u>2,152,993,166,910</u>	<u>(190,342,493,391)</u>	<u>1,962,650,673,519</u>	<u>341,911,651,648</u>	<u>(42,696,145,554)</u>	<u>299,215,506,094</u>

During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded amortization of deferred expenses of Bs 171,034 million and Bs 38,580 million, respectively, shown in the income statement under general and administrative expenses (Note 20).

Below is the movement in the provision for other assets:

	June 30, 2021	December 31, 2020
	(In bolivars)	
Balance at the beginning of the period	144,866,966,452	298,264,919,658
Provision for other assets (Note 19)	199,004,104,640	20,000,000
Matured financial instruments written off	-	(725,898,111,682)
Reclassification from (to) interest receivable (Note 7)	-	5,773,410,893
Adjustment from exchange rate fluctuation	<u>303,095,413,106</u>	<u>566,706,747,583</u>
Balance at the end of the period	<u>646,966,484,198</u>	<u>144,866,966,452</u>

### 13. Customer deposits

Customer deposits comprise the following:

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Checking account deposits and certificates</b>		
Non-interest-bearing checking accounts	42,413,028,841,358	12,955,777,192,163
Checking accounts as per the free convertibility exchange market system, equivalent to US\$83,545,285 and €26,078,172 (includes US\$5,790 and €2,345 for trust fund deposits) (US\$66,089,711 and €12,249,415 and includes US\$2,739 and €864 for trust fund deposits at December 31, 2020) (Notes 4 and 21)	367,751,403,919,618	89,602,895,601,303
Interest-bearing checking accounts	8,941,802,882,302	1,872,964,194,584
Checking accounts under Exchange Agreement No. 20 equivalent to US\$3,818 (Notes 3, 4 and 24)	12,264,283,133	4,216,296,298
Demand deposits and certificates		
Non-negotiable demand deposits, bearing annual interest at between 1% and 9%	1,593,850,654,164	314,624,628,274
Public, State and Municipal Administration	<u>169,169,921,502</u>	<u>12,143,427,031</u>
	<u>420,881,520,502,077</u>	<u>104,762,621,339,653</u>
<b>Other demand deposits</b>		
Cashier's checks sold	434,810,679,307	134,092,012,651
Trust fund liabilities (Note 21)	108,729,525,920	84,848,646,390
Advance collections from credit card holders	5,643,394,553	1,241,238,324
Housing Savings Fund liabilities (Note 21)	-	327,722,124
	<u>549,183,599,780</u>	<u>220,509,619,489</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

	June 30, 2021	December 31, 2020
	(In bolivars)	
Savings deposits, bearing 21% annual interest for saving deposits for individuals and 0.125% for deposits in foreign currency, includes US\$13,763,006 and €2,856,110 (US\$13,616,438 and €5,564,563 at December 31, 2020) (Note 4)	<u>65,437,281,548,817</u>	<u>25,604,745,363,735</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\$1,500,000 (US\$295,000 at December 31, 2020) with the following maturities (Note 4):		
Up to 30 days	423,018,667	20,705,000
31 to 60 days	99,184,122	-
61 to 90 days	4,818,820,285,950	325,807,023,165
91 to 180 days	<u>658,767,850</u>	<u>157,553,668</u>
	<u>4,820,001,256,589</u>	<u>325,985,281,833</u>
Restricted customer deposits, equivalent to €499,966 (US\$4,794,976 at December 31, 2020) (Note 4)	<u>1,904,879,659,036</u>	<u>5,295,718,025,799</u>
	<u>493,592,866,566,299</u>	<u>136,209,579,630,509</u>

At June 30, 2021 and December 31, 2020, checking accounts as per the free convertibility exchange market system correspond to customer deposits in foreign currency, maintained in Venezuela, in accordance with Exchange Agreement No. 1 (Note 4). In addition, the Bank charged its customers between 0.5% and 2% of the cash amount in foreign currency withdrawn from agencies and counters. During the six-month period ended June 30, 2021, income in this connection amounted to Bs 15,592,022 million, shown under other operating income (between 2% and 5% during the six-month period ended December 31, 2020, giving rise to income of Bs 2,503,656 million) (Note 18).

At June 30, 2021 and December 31, 2020, restricted customer deposits were in respect of guarantee deposits for loans granted by the Branch, on which there are properly constituted guarantees.

During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank has charged its customers commissions on transfers to foreign banks for US\$389,849 and US\$90,381, respectively (equivalent to Bs 1,252,435 million and Bs 99,820 million, respectively), which are part of income from other accounts receivable. During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank has paid its foreign correspondent banks US\$177,403 and US\$170,174, respectively (equivalent to Bs 569,914 million and Bs 187,946 million, respectively) (Note 19).

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

	June 30, 2021	December 31, 2020
	(In bolivars)	
Non-interest-bearing checking accounts	6,169,817,295,714	747,629,994,336
Non-negotiable demand deposits	3,364,553,760,163	455,695,095,798
Interest-bearing checking accounts, at 0.25% annual interest	458,012,372,951	78,631,768,600
Savings deposits at 12.5% annual interest	<u>169,169,921,502</u>	<u>12,143,427,031</u>
	<u>10,161,553,350,330</u>	<u>1,294,100,285,765</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

**14. Borrowings**

Borrowings comprise the following:

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Borrowings from Venezuelan financial institutions, up to one year</b>		
Overnight deposits at		
BBVA Banco Provincial, S.A., 123% annual yield, maturing in January 2021	-	800,000,000,000
Banco de Venezuela, S.A. Banco Universal, 123% annual yield, maturing in January 2021	-	600,000,000,000
Banco de la Fuerza Armada Nacional Bolivariana, Banco Universal, S.A., 120% annual yield, maturing in January 2021	-	400,000,000,000
BanPlus Banco Universal, S.A., 123% annual yield, maturing in January 2021	-	40,000,000,000
	<u>-</u>	<u>1,840,000,000,000</u>
Time deposits		
Banco de Desarrollo Económico y Social de Venezuela (BANDES), 110% annual yield, maturing in July 2021	1,524,169,053,498	-
Demand deposits, non-interest-bearing checking accounts with		
Bancrecer, Banco Microfinanciero, C.A.	1,367,180,375	91,228,586
Mi Banco, Banco Microfinanciero, C.A.	59,012,570	111,098
Banplus, Banco Universal, C.A.	37,137	37,137
	<u>1,426,230,082</u>	<u>91,376,821</u>
	<u>1,525,595,283,580</u>	<u>1,840,091,376,821</u>
<b>Borrowings from foreign financial institutions, up to one year</b>		
Demand deposits, non-interest-bearing checking accounts with		
BNC International Banking Corporation, equivalent to US\$52,939 (US\$52,997 at December 31, 2020) (Notes 4 and 24)	170,065,869,887	58,531,596,175
Arca International Bank, Inc.	831,655	831,655
Bancaribe Curacao Bank, N.V.	6,732	6,732
	<u>170,066,708,274</u>	<u>58,532,434,665</u>
	<u>1,695,661,991,854</u>	<u>1,898,623,811,486</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, 2021 and December 31, 2020, the Bank complies with the requirements of this Resolution.

**15. Interest and commissions payable**

Interest and commissions payable comprise the following:

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Expenses payable on customer deposits</b>		
Non-negotiable demand deposits	114,253,554,211	9,063,367,719
Time deposits, includes US\$745 (US\$843 at December 31, 2020) (Note 4)	<u>2,412,561,408</u>	<u>933,034,299</u>
	<u>116,666,115,619</u>	<u>9,996,402,018</u>
<b>Interest payable on borrowings</b>		
Interest payable on overnight deposits	<u>17,977,255,030</u>	<u>12,506,666,667</u>
Total interest payable	<u>134,643,370,649</u>	<u>22,503,068,685</u>



**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

**16. Accruals and other liabilities**

Accruals and other liabilities comprise the following:

	June 30, 2021	December 31, 2020
	(In bolivars)	
Pending items, includes US\$159,059 and €1,814,103 (US\$2,329,227 and €1,018,778 at December 31, 2020) (Note 4)	17,450,799,605,240	9,440,488,441,448
Accounts payable in foreign currency, equivalent to US\$2,411,788 and €13,220 (US\$2,457,184 and €12,795 at December 31, 2020) (Note 4)	7,798,351,465,570	2,731,140,540,723
Income tax provision, includes US\$15,355 (US\$11,528 at December 31, 2020) (Notes 4 and 17)	3,251,815,213,971	831,628,522,696
International credit card transactions, equivalent to US\$733,824 (US\$407,247 at December 31, 2020) (Notes 4 and 12)	2,357,445,205,779	449,775,899,688
Other provisions	1,950,108,399,298	638,670,257,192
Sale of foreign currency to exporters, equivalent to US\$451,449 (US\$112,789 at December 31, 2020) (Notes 4 and 12)	1,450,301,997,820	124,567,477,901
Suppliers and other sundry accounts payable, include US\$47,115 (US\$63,239 at December 31, 2020) (Note 4)	1,152,765,407,591	195,197,803,646
Withholding tax	912,423,315,815	285,079,182,500
Tax on economic activities and other taxes payable (Note 17)	372,606,027,665	120,018,755,419
Provision for wealth tax (Note 17)	341,867,708,481	-
Commissions on credit and debit card services	299,088,831,848	79,542,220,089
Accrual for length-of-service benefits (Note 2-j)	237,508,076,711	40,240,545,952
Leases	162,996,688,746	47,028,352,767
Sports and Physical Education Law	161,890,671,234	25,641,364,419
Vacations and vacation bonus payable, includes US\$22,476 (US\$13,554 at December 31, 2020) (Notes 2-j and 4)	145,957,022,985	27,208,816,296
Bank insurance policies, equivalent to US\$5,036 and €17,292 (US\$483,043 at December 31, 2020) (Note 4)	82,061,113,572	533,487,408,815
Contribution for the prevention of money laundering and terrorism financing	73,270,516,450	50,322,201,680
Professional fees payable, includes US\$12,541 (US\$8,223 at December 31, 2020) (Note 4)	61,568,874,095	39,061,636,856
Profit sharing payable, includes US\$1,075 (Notes 2-j and 4)	56,264,746,726	-
Deferred interest income, includes US\$503 (US\$519 at December 31, 2020) (Notes 4 and 6)	30,903,500,492	1,228,787,027
Provision for contingent loans (Note 22)	22,543,183,105	14,509,246,671
Labor contributions and withholdings payable	7,159,221,265	13,333,827,760
Cashier's checks (includes US\$951,020 at December 31, 2020)	843,900,773	1,051,217,670,023
Deferred income tax (Note 17)	-	348,590,529,879
Other personnel expenses	475,456,744	4,794,125,844
	<u>38,381,016,151,976</u>	<u>17,092,773,615,291</u>

The balance of pending items comprises the following:

	June 30, 2021	December 31, 2020
	(In bolivars)	
Retail transactions, include US\$102,523 and €1,483,594 (US\$64,075 and €958,390 at December 31, 2020) (Notes 4 and 12)	5,981,880,249,575	1,370,436,370,898
Electronic transfer pending offsetting	5,307,541,443,585	1,505,878,089,966
Interbank mobile transactions payable (Note 12)	3,607,226,460,508	1,963,562,779,163
Exchange desk transactions, include US\$801 and €330,492 (US\$2,020,597 and €60,388 at December 31, 2020) (Notes 4 and 12)	1,261,753,015,579	2,313,498,981,058
Point-of-sale transactions payable	921,010,185,721	1,951,149,927,440
Collection of government and municipal taxes	179,495,103,692	56,001,792,573
Other pending items, include US\$34,735 and €17 (US\$223,555 at December 31, 2020) (Note 4)	113,511,191,630	251,571,773,575
Transactions through SICAD, equivalent to US\$21,000 (Notes 3 and 4)	67,463,484,003	23,193,042,327
Commissions to the Central Bank of Venezuela	10,918,470,947	5,195,684,448
	<u>17,450,799,605,240</u>	<u>9,440,488,441,448</u>

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

At June 30, 2021 and December 31, 2020, electronic transfers pending offsetting correspond to transfers made by Bank customers to other financial institutions during the last days of June 2021 and December 2020, respectively, which cleared the first days of July 2021 and January 2021, respectively. During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank charged commissions on interbank electronic transfers for Bs 771,000 million and Bs 176,046 million, respectively, included under other operating income (Note 18).

At June 30, 2021 and December 31, 2020, 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, 2021, the Bank recorded income and expenses of Bs 3,907,695 million and Bs 541,750 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 1,054,216 million and Bs 144,367 million, respectively, for the six-month period ended December 31, 2020) (Notes 18 and 19). Furthermore, during the six-month periods ended June 30, 2021 and December 31, 2020, the Bank charged commissions for Bs 93,538 million and Bs 71,771 million, respectively, on reimbursement of point-of-sale operation costs to stores, included under other operating income (Note 18).

At December 31, 2020, cashier's checks are mainly in respect of a check pending withdrawal and deposit in another financial institution for closure of an account by a Branch customer.

At June 30, 2021 and December 31, 2020, accounts payable in foreign currency include mainly interest payable on customer securities held in custody by the Bank, which, to date, have not been demanded. To date, management is taking the necessary actions to settle this liability with the corresponding beneficiaries.

At June 30, 2021 and December 31, 2020, withheld taxes relate mainly to withholdings from third parties in connection with:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(In bolivars)	
Income tax	337,709,400,290	100,476,298,510
Value added tax	333,291,392,733	89,488,405,415
Tax on large financial transactions	193,901,846,305	57,499,510,795
Stamp duty	46,632,498,030	37,443,545,863
Other taxes	<u>888,178,457</u>	<u>171,421,917</u>
	<u><b>912,423,315,815</b></u>	<u><b>285,079,182,500</b></u>

At June 30, 2021 and December 31, 2020, management maintains other provisions of Bs 1,950,108 million and Bs 638,670 million, respectively, mainly in connection with possible contingent losses. During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded expenses of Bs 1,300,000 million and Bs 620,000 million, respectively, in this connection, shown in the income statement within sundry operating expenses (Note 19).

At June 30, 2021 and December 31, 2020, suppliers and other sundry payables correspond mainly to accounts payable of Bs 1,152,528 million and Bs 192,242 million, respectively, for contracted services.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

---

Below is the movement in the provision for contingent loans:

	<b>Six-month periods ended</b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(In bolivars)	
Balance at the beginning of the period	14,509,246,671	1,430,807,879
Provided for the period	-	6,318,526,572
Reclassification to loan portfolio (Note 6)	5,126,702,109	6,754,174,546
Reclassification to provision for interest receivable (Note 7)	<u>2,907,234,325</u>	<u>5,737,674</u>
Balance at the end of the period	<u>22,543,183,105</u>	<u>14,509,246,671</u>

**17. Taxes**

**a) Income tax**

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

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

**Income tax advance regime**

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

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

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.

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

## Notes to the financial statements

### December 31 and June 30, 2020

Below is the reconciliation between book income and net taxable income for the six-month period ended June 30, 2021:

Statutory tax rate (%)	<u>40</u>
	(In bolivars)
Book income before tax	19,717,846,714,439
Difference between book income and taxable income	
Other provisions	3,008,230,041,232
Loan portfolio, net	32,330,522,000
Income not available at period closing	(7,867,580,182,510)
Incidental cost	(5,077,948,140,723)
Tax-exempt income, net of related expenses	(1,684,667,535,914)
Other effects, net	<u>(253,211,418,524)</u>
Tax debt in Venezuela	<u>7,875,000,000,000</u>
Current income tax expense in Venezuela	<u>3,150,000,000,000</u>

During the six-month period ended June 30, 2021, the Branch recorded estimated income tax expense of US\$9,390, equivalent to Bs 30,165 million (US\$6,525, equivalent to Bs 7,206 million, during the six-month period ended December 31, 2020). 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, 2021 and December 31, 2020, the Bank maintains an income tax provision of Bs 3,251,815 million and Bs 831,629 million, respectively, which includes US\$15,355 and US\$11,528, respectively, in connection with the Branch (Note 16). In addition, at June 30, 2021 and December 31, 2020, the Bank has prepaid income tax amounting to Bs 957,730 million and Bs 158,412 million, respectively, which are part of other assets and are shown within prepaid taxes and subscriptions (Note 12).

The tax expense comprises the following:

	<u>Six-month periods ended</u>	
	<u>June 30,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
	(In bolivars)	
<b>Income tax</b>		
Current	(3,180,164,786,975)	(779,206,011,985)
Deferred asset (liability)	<u>634,732,813,088</u>	<u>(370,590,529,879)</u>
	<u>(2,545,431,973,887)</u>	<u>(1,149,796,541,864)</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).

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

Bank management determined and evaluated the deferred tax recorded. The main differences between the tax base and the carrying amount at June 30, 2021 and December 31, 2020, relate to prepaid expenses, other provisions and accruals. At June 30, 2021, the Bank has a net deferred tax asset of Bs 286,142 million as part of other assets (Note 12) (net deferred tax liability of Bs 348,591 million as part of accruals and other liabilities at December 31, 2020) (Note 16).

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

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Assets</b>		
Other provisions and accruals	<u>611,991,981,802</u>	<u>51,756,577,358</u>
	<u>611,991,981,802</u>	<u>51,756,577,358</u>
<b>Liabilities</b>		
Prepaid expenses	56,765,811,491	131,263,220,135
Exchange gain on advances granted for the purchase of property and equipment	<u>269,083,887,102</u>	<u>269,083,887,102</u>
	<u>325,849,698,593</u>	<u>400,347,107,237</u>
Deferred income tax asset (liability)	<u>286,142,283,209</u>	<u>(348,590,529,879)</u>

The movements in the deferred income tax liability accounts for the six-month periods ended June 30, 2021 and December 31, 2020, are summarized below:

	Provisions and accruals	Provision for matured financial instruments	Prepaid expenses (In bolivars)	Exchange gain on advances granted for the purchase of property and equipment	Total deferred tax asset (liability)
At June 30, 2020	3,121,890,563	23,618,506,968	(4,740,397,531)	-	22,000,000,000
Charged (credited) to the income statement	<u>48,634,686,795</u>	<u>(23,618,506,968)</u>	<u>(126,522,822,604)</u>	<u>(269,083,887,102)</u>	<u>(370,590,529,879)</u>
At December 31, 2020	51,756,577,358	-	(131,263,220,135)	(269,083,887,102)	(348,590,529,879)
Charged (credited) to the income statement	<u>560,235,404,444</u>	<u>-</u>	<u>74,497,408,644</u>	<u>-</u>	<u>634,732,813,088</u>
At June 30, 2021	<u>611,991,981,802</u>	<u>-</u>	<u>(56,765,811,491)</u>	<u>(269,083,887,102)</u>	<u>286,142,283,209</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. For the six-month period ended December 31, 2020, the Bank made the transfer-pricing study and determined no impact on taxable income for the year then ended. Bank management expects no impact on taxable income for the six-month period ended June 30, 2021, 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.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

For the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded a tax expense of Bs 1,468,345 million and Bs 234,511 million, respectively, in connection with economic activities conducted in its offices nationwide, shown under general and administrative expenses (Note 20). At June 30, 2021, the balance pending payment in this connection amounts to Bs 368,782 million (Bs 120,019 million at December 31, 2020), and is shown under accruals and other liabilities within tax on economic activities and other taxes payable (Note 16).

#### **e) Law on Tax on Large Financial Transactions**

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

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

During the six-month period ended June 30, 2021, the Bank recorded expenses of Bs 908,130 million in this connection (Bs 159,000 million during the six-month period ended December 31, 2020), shown under general and administrative expenses (Note 20).

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

The Law on Wealth Tax was published in Official Gazette No. 41,667 on July 3, 2019. This law establishes that special taxpayers whose wealth is equal to or greater than 36,000,000 tax units for individuals and 100,000,000 tax units for corporations are required to pay between 0.25% and 1.50% for the portion of net 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, 2021 and December 31, 2020, the Bank recorded expenses of Bs 341,868 million and 20,000 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 April 6, 2021, SENIAT published in the Official Gazette the adjustment to the tax unit from Bs 1,500 to Bs 20,000.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

**18. Other operating income**

Other operating income comprises the following:

	<b>Six-month periods ended</b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(In bolivars)	
Service fees	7,996,919,983,893	1,779,910,516,408
Commission on withdrawal of cash in foreign currency (Note 13)	15,592,022,152,110	2,503,655,942,284
Commission on transactions through the foreign exchange system (Note 4)	4,488,114,834,547	666,006,265,250
Commission on exchange transactions (Note 3)	876,038,520,519	237,809,633,432
Income from amortization of discount on held-to-maturity investments (Note 5-c)	989,790,658,390	223,475,454,049
Commission on documentation of loans in foreign currency and loans granted through UVC (Note 6)	888,103,797,493	158,993,580,979
Exchange gain (Note 4)	86,164,843,651	60,274,851,501
Commissions on trust funds (Note 21)	7,470,537,858	1,873,953,123
Gain on sale of investment securities	46,768	11,044
	<u>30,924,625,375,229</u>	<u>5,632,000,208,070</u>

Service fees comprise the following:

	<b>Six-month periods ended</b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(In bolivars)	
Point-of-sale transactions (Note 16)	3,907,694,671,218	1,054,216,238,124
Interbank mobile payment (Note 12)	934,700,280,260	184,126,950,219
Interbank transfers (Note 16)	771,000,489,377	176,045,721,198
Commission on technical consulting	651,083,356,461	41,582,072,086
Commission on phone recharge	285,553,898,822	38,961,263,529
Commission on P2P SUICHE 7B service	280,207,973,899	56,321,248,634
Commission MasterCard	188,995,920,611	32,297,631,922
Commission on checking account overdraft	109,160,402,866	22,297,765,495
Services to social security pensioners	95,504,081,898	26,774,482,245
Reimbursement of point-of-sale operation costs to stores (Note 16)	93,537,558,000	71,770,578,000
Other non-financial commissions	69,525,990,306	11,273,715,829
Payroll account affiliation	68,248,857,876	15,845,571,923
Commission on high-value bank transfers	30,104,298,408	15,790,724,184
Issue of cashier's checks	2,285,395,492	1,880,074,395
Minimum balances of customer deposits	340,138,732	329,247,758
Returned checks	117,922,128	206,333,846
Other	<u>508,858,747,539</u>	<u>30,190,897,021</u>
	<u>7,996,919,983,893</u>	<u>1,779,910,516,408</u>

**19. Other operating expenses**

Other operating expenses comprise the following:

	<b>Six-month periods ended</b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(In bolivars)	
Service fees (Notes 2-k and 15)	3,172,484,229,172	899,730,657,184
Exchange loss (Note 4)	164,620,056,727	11,753,604,326
Other	969,975	240,171
	<u>3,337,105,255,874</u>	<u>911,484,501,681</u>

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

Service fees comprise the following:

	<b>Six-month periods ended</b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(In bolivars)	
Commissions to credit card processor vendors (Note 5)	1,634,234,071,010	496,213,226,738
Transfers through correspondent banks (Note 13)	569,914,261,483	187,945,878,750
Point-of-sale transactions (Note 16)	541,749,647,909	144,366,937,823
Interbank mobile payment	220,667,922,316	42,358,502,017
Other expenses for service fees	<u>205,918,326,454</u>	<u>28,846,111,856</u>
	<u>3,172,484,229,172</u>	<u>899,730,657,184</u>

Sundry operating expenses comprise the following:

	<b>Six-month periods ended</b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(In bolivars)	
Possible contingent losses (Note 16)	1,300,000,000,000	620,000,000,000
Contribution for the Antidrug Law (Note 1)	72,283,719,640	38,600,000,000
Contribution for the Sports and Physical Education Law (Note 1)	172,881,912,926	23,107,000,000
Contribution to the National Fund for Communal Councils	194,563,766,918	16,818,803,051
Provision for other assets (Note 11)	199,004,104,640	20,000,000
Contribution for the Law for the Advancement of Science, Technology and Innovation (Note 1)	30,387,790,373	-
Other	<u>6,672,402,528</u>	<u>3,046,818,866</u>
	<u>1,975,793,697,025</u>	<u>701,592,621,917</u>

**20. General and administrative expenses**

General and administrative expenses comprise the following:

	<b>Six-month periods ended</b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(In bolivars)	
Maintenance and repairs of property and equipment	4,003,275,364,154	718,887,877,344
Transportation of valuables and surveillance	3,172,809,125,596	296,349,792,583
Consulting and external audit	2,250,036,595,700	351,181,017,014
Leases	2,065,183,639,026	307,790,573,565
Transportation and communication expenses	1,808,382,988,396	325,868,268,978
Tax on economic activities (Note 17)	1,468,345,280,216	234,510,909,188
Outsourced services	1,159,597,051,700	226,720,136,567
Insurance	1,009,608,821,903	59,454,498,665
Tax on large financial transactions (Note 17)	908,129,643,694	159,000,453,790
Sundry general expenses	613,334,352,280	102,879,267,966
Advertising	310,749,082,819	22,539,111,504
Legal advice	267,755,537,914	83,429,092,173
Amortization of deferred expenses (Note 12)	171,033,985,535	38,579,874,875
Depreciation and impairment of property and equipment (Note 11)	149,019,574,013	25,639,483,151
Infrastructure expenses	129,109,194,688	8,525,672,381
Utilities	123,240,301,208	6,318,685,655
Other taxes and contributions	64,300,728,314	12,200,806,847
Stationery and office supplies	35,336,966,704	8,502,871,317
Legal fees	3,022,572,076	5,629,125,835
Public relations	704,159,495	8,167,312,720
Other	<u>116,646,265,689</u>	<u>31,151,681,790</u>
	<u>19,829,621,231,120</u>	<u>3,033,326,513,908</u>



**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

**21. Memorandum accounts**

Memorandum accounts comprise the following:

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Contingent debtor accounts</b>		
Guarantees granted, equivalent to US\$701,650 (Note 22)	2,254,318,310,365	774,933,445,039
Credit card lines of credit (Note 22)	51,325,240,098	40,656,677,458
Lines of credit for discounts and factoring (Note 22)	<u>2,492,053</u>	<u>2,341,033</u>
	<u>2,305,646,042,516</u>	<u>815,592,463,530</u>
<b>Assets received in trust, includes US\$5,790 and €2,345 (US\$2,739 and €864 at December 31, 2020) (Notes 2-m and 4)</b>	<u>1,260,520,942,341</u>	<u>310,239,524,117</u>
<b>Debtor accounts from other special trust services (Housing Loan System)</b>	<u>2,005,499,362</u>	<u>788,960,732</u>
<b>Other debtor memorandum accounts</b>		
Guarantees received, includes US\$96,334,741 and €1,549,346 (US\$80,893,140 and €418,500 at December 31, 2020) (Note 4)	329,338,055,327,328	94,476,177,455,556
Assets held in custody, includes US\$18,431,983 (US\$10,950,796 at December 31, 2020) (Note 4)	59,784,577,427,269	12,218,513,372,380
Securities held in custody by other financial institutions, includes US\$21,116,091 (US\$13,886,090 at December 31, 2020) (Note 4)	67,836,431,780,511	15,336,223,634,265
Lines of credit available but not negotiated, includes US\$3,191,250 (US\$3,260,000 at December 31, 2020)	10,255,732,122,078	3,602,254,796,976
Collections in foreign currency, equivalent to US\$1,664,007 (Note 4)	5,345,700,361,999	1,837,780,194,649
Financial instruments written off, equivalent to US\$1,436,614 (Note 4)	4,615,188,923,466	1,586,640,145,116
Debt reconciling and written off items, includes US\$168,607 (Note 4)	611,427,866,839	255,985,023,069
Deferred interest receivable on loans overdue, includes US\$90,245 (US\$53,554 at December 31, 2020) (Notes 4 and 6)	289,934,390,835	59,154,733,193
Currency awarded through SICAD, equivalent to US\$21,000 (Note 4)	67,463,484,003	23,193,042,327
Uncollectible accounts written off	432,610,273	432,092,331
Performance bonds from suppliers	4,888	4,888
Personal and real property written off	580	580
Taxes receivable	16	16
Guarantees on collateral granted	4	4
Other	<u>239,968,193</u>	<u>239,968,193</u>
	<u>478,145,184,268,282</u>	<u>129,396,594,463,543</u>
	<u>481,713,356,752,501</u>	<u>130,523,215,411,922</u>

At June 30, 2021 and December 31, 2020, securities in custody by other financial institutions are held in Euroclear Bank, Pershing LLC, and Morgan Stanley Smith Barney, respectively.

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

## Notes to the financial statements

### December 31 and June 30, 2020

#### a) Assets received in trust

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

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Assets</b>		
Cash and due from banks, includes US\$5,790 and €2,345 (US\$2,739 and €864 December 31, 2020) (Note 13)	136,264,981,753	89,045,460,179
Investment securities	571,322,586,333	113,817,813,900
Loan portfolio	488,957,914,402	91,304,189,559
Interest receivable on investment securities	63,975,458,626	12,269,211,107
Other assets	1,227	3,802,849,372
<b>Total assets</b>	<b>1,260,520,942,341</b>	<b>310,239,524,117</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Other liabilities	2,189,134,953	955,629,240
<b>Equity</b>		
Capital assigned to trusts	983,192,893,696	238,621,110,770
Retained earnings	275,138,913,692	70,662,784,107
<b>Total equity</b>	<b>1,258,331,807,388</b>	<b>309,283,894,877</b>
<b>Total liabilities and equity</b>	<b>1,260,520,942,341</b>	<b>310,239,524,117</b>

Below is a breakdown of assets received in trust:

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Assets received in trust</b>		
Length-of-service benefits	1,257,707,437,525	299,998,907,531
Administration	2,422,897,929	10,098,059,774
Investment	390,606,887	142,556,812
	<b>1,260,520,942,341</b>	<b>310,239,524,117</b>

At June 30, 2021, cash and due from banks comprises Bs 108,729 million, and includes US\$5,790 and €2,345 (equivalent to Bs 27,536 million) (Bs 84,849 million and US\$2,739 and €864, equivalent to Bs 4,196 million at December 31, 2020), in connection with funds received from trust fund operations that are managed through checking accounts with the Bank and are used to receive or pay all funds; they earn 6% annual interest (Note 13).

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

	June 30, 2021				December 31, 2020		
	Acquisition cost	Amortized cost	Fair value		Acquisition cost	Amortized cost	Fair value
	(In bolivars)						
<b>Time deposits with Venezuelan financial private-sector companies</b>							
Banco Exterior, C.A., Banco Universal, annual yield between 65% and 90%, maturing in July 2021 (annual yield between 60% and 70%, maturing in January 2021 at December 31, 2020)	4,645,919,353	4,645,919,353	4,645,919,353	(1) - (a)	1,387,670,527	1,387,670,527	1,387,670,527 (1) - (a)
Banco Caroni, C.A., Banco Universal, 90% annual yield, maturing in July 2021 (90% annual yield, maturing in January 2021 at December 31, 2020)	2,346,344,219	2,346,344,219	2,346,344,219	(1) - (a)	1,934,734,109	1,934,734,109	1,934,734,109 (1) - (a)
Del Sur Banco Universal, C.A., 80% annual yield, maturing in July 2021 (maturing in January 2021 at December 31, 2020)	278,862,765	278,862,765	278,862,765	(1) - (a)	183,143,862	183,143,862	183,143,862 (1) - (a)
	<u>7,271,126,337</u>	<u>7,271,126,337</u>	<u>7,271,126,337</u>		<u>3,505,548,498</u>	<u>3,505,548,498</u>	<u>3,505,548,498</u>

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

## Notes to the financial statements

### December 31 and June 30, 2020

	June 30, 2021				December 31, 2020		
	Acquisition cost	Amortized cost	Fair value		Acquisition cost	Amortized cost	Fair value
				(In bolivars)			
<b>Debt securities issued by Venezuelan private-sector companies</b>							
<b>Commercial paper</b>							
General de Alimentos Nisa, C.A., with a par value of Bs 55,462,260,000, annual yield between 82% and 95%, maturing between July and September 2021	43,656,159,942	48,928,923,258	48,928,923,258	(1) - (b)	-	-	-
Dayco Telecom, C.A., with a par value of Bs 54,400,000,000, annual yield between 82% and 96%, maturing between July and September 2021 (par value of Bs 18,500,000,000, 95% annual yield, maturing between January and March 2021 at December 31, 2020)	42,502,720,000	46,373,224,000	46,373,224,000	(1) - (b)	14,669,500,000	16,389,169,788	16,389,169,788 (1) - (b)
Cargill de Venezuela, C.A., with a par value of Bs 36,812,230,000, annual yield between 82% and 93%, maturing between July and September 2021 (par value of Bs 5,000,000,000, 88% annual yield, maturing in January 2021 at December 31, 2020)	36,812,230,000	41,254,082,667	41,254,082,667	(1) - (b)	3,967,475,000	4,701,715,000	4,701,715,000 (1) - (b)
Steritex, C.A., with a par value of Bs 40,000,000,000, annual yield between 96% and 99%, maturing July 2021 par value of Bs 11,233,992,671 (annual yield between 85% and 95%, maturing between January and February 2021, at December 31, 2020)	31,332,000,000	38,960,481,928	38,960,481,928	(1) - (b)	8,927,644,137	10,499,437,009	10,499,437,009 (1) - (b)
Calox Internacional C.A., with a par value of Bs 40,000,000,000, annual yield between 81% and 95%, maturing between July and September 2021 (par value of Bs 18,000,000,000, annual yield between 87% and 97%, maturing between January and February 2021, at December 31, 2020)	31,260,000,000	35,519,676,404	35,519,676,404	(1) - (b)	14,477,000,000	16,390,224,444	16,390,224,444 (1) - (b)
Mercantil Servicios Financieros, C.A., with a par value of Bs 33,900,000,000, annual yield between 80% and 96%, maturing between July and September 2021 (par value of Bs 18,500,000,000, annual yield between 88% and 95%, maturing between January and March 2021, at December 31, 2020)	26,512,065,000	30,652,682,423	30,652,682,423	(1) - (b)	14,625,187,000	15,890,549,546	15,890,549,546 (1) - (b)
Destilería Carúpano, C.A., with a par value of Bs 30,000,000,000, 87% annual yield, maturing in August 2021	24,201,000,000	26,071,645,161	26,071,645,161	(1) - (b)	-	-	-
Central El Palmer, S.A., with a par value of Bs 30,000,000,000, annual yield between 81% and 82%, maturing in September 2021	23,471,150,000	24,505,338,492	24,505,338,492	(1) - (b)	-	-	-
Comercial Belloso, C.A., with a par value of Bs 30,000,000,000, annual yield between 90% and 97%, maturing between July and August 2021	23,439,000,000	28,299,000,000	28,299,000,000	(1) - (b)	-	-	-
Coca Cola Femsa, C.A., with a par value of Bs 25,000,000,000, annual yield between 80% and 92%, maturing between August and September 2021 (par value of Bs 10,000,000,000, 88% annual yield, maturing in February 2021 at December 31, 2020)	19,532,500,000	21,209,200,000	21,209,200,000	(1) - (b)	7,500,000,000	9,250,000,000	9,250,000,000 (1) - (b)
Marsoca, C.A. Procesadora, with a par value of Bs 20,000,000,000, annual yield between 90% and 93%, maturing between August and September 2021	15,828,000,000	17,297,430,416	17,297,430,416	(1) - (b)	-	-	-
Central La Pastora, C.A., with a par value of Bs 20,000,000,000, annual yield between 82% and 83%, maturing between September 2021	15,735,000,000	16,546,469,880	16,546,469,880	(1) - (b)	-	-	-
Alimentos FM, C.A., with a par value of Bs 20,000,000,000, annual yield between 82% and 92%, maturing between August and September 2021	15,626,000,000	17,327,000,000	17,327,000,000	(1) - (b)	-	-	-
Destilería Yaraucuy, C.A., with a par value of Bs 20,000,000,000, 82% annual yield, maturing in September 2021	15,625,000,000	16,402,777,778	16,402,777,778	(1) - (b)	-	-	-
Caja Caracas Casa de Bolsa, with a par value of Bs 18,000,000,000, 82% annual yield, maturing in September 2021	14,063,400,000	4,675,760,000	4,675,760,000	(1) - (b)	-	-	-
Galaxia Médica, C.A., with a par value of Bs 16,528,000,000, annual yield between 83% and 90%, maturing between August and September 2021 (par value of Bs 13,028,000,000, 95% annual yield, between February and March 2021 at December 31, 2020)	13,018,054,400	13,992,673,941	13,992,673,941	(1) - (b)	10,281,337,200	11,248,975,836	11,248,975,836 (1) - (b)
Pasteurizadora Táchira, C.A., with a par value of Bs 16,400,000,000, annual yield between 81% and 90%, maturing between August and September 2021 (par value of Bs 3,120,000,000, 95% annual yield, maturing in March 2021 at December 31, 2020)	12,813,320,000	13,818,368,000	13,818,368,000	(1) - (b)	2,451,384,000	2,626,967,133	2,626,967,133 (1) - (b)
Netuno, C.A., with a par value of Bs 15,000,000,000, annual yield between 82% and 92%, maturing between August and September 2021	11,718,750,000	12,802,395,443	12,802,395,443	(1) - (b)	-	-	-
Agribands Purina Venezuela, S.R.L., with a par value of Bs 10,000,000,000, 90% annual yield, maturing in August 2021 (par value of Bs 7,000,000,000, annual yield between 88% and 95%, maturing between January and February 2021 at December 31, 2021)	7,812,500,000	8,979,166,667	8,979,166,667	(1) - (b)	5,546,990,000	6,476,241,556	6,476,241,556 (1) - (b)
Moliendas Papelón, C.A., with a par value of Bs 10,000,000,000, 92% annual yield, maturing in August 2021	7,812,500,000	9,229,403,409	9,229,403,409	(1) - (b)	-	-	-
Genia Care, C.A., with a par value of Bs 6,750,000,000, annual yield between 80% and 82%, maturing in September 2021	5,293,350,000	5,496,259,254	5,496,259,254	(1) - (b)	-	-	-
Taurel & Cia., Sucursal, C.A., with a par value of Bs 5,500,000,000, annual yield between 80% and 97%, maturing between July and September 2021 (par value of Bs 4,416,000,000, annual yield between 90% and 95%, maturing between January and March 2021 at December 30, 2020)	4,357,500,000	4,707,766,972	4,707,766,972	(1) - (b)	3,506,500,800	3,967,424,648	3,967,424,648 (1) - (b)
3PL Panamericana, C.A., with a par value of Bs 5,000,000,000, 95% annual yield, maturing in July 2021	3,906,250,000	4,756,944,444	4,756,944,444	(1) - (b)	-	-	-
Charcutería Venezolana, C.A., with a par value of Bs 2,000,000,000, 98% annual yield, maturing in July 2021	1,562,600,000	1,965,980,000	1,965,980,000	(1) - (b)	-	-	-
F.V.I., Fondo de Valores Inmobiliarios, S.A.C.A., with a par value of Bs 6,000,000,000, 95% annual yield, maturing in May 2021	-	-	-		4,541,400,000	4,881,740,000	4,881,740,000 (1) - (b)
Novaro Foods, S.A., with a par value of Bs 5,000,000,000, 90% annual yield, maturing in February 2021	-	-	-		3,900,000,000	4,300,000,000	4,300,000,000 (1) - (b)
Papeles Venezolanos, C.A., with a par value of Bs 2,000,000,000, 95% annual yield, maturing in March 2021	-	-	-		1,571,428,000	1,633,332,844	1,633,332,844 (1) - (b)
Alice Neumáticos de Venezuela, with a par value of Bs 1,000,000,000, 95% annual yield, maturing in March 2021	-	-	-		785,700,000	819,035,556	819,035,556 (1) - (b)
	<u>447,891,049,342</u>	<u>499,772,650,537</u>	<u>499,772,650,537</u>		<u>96,751,546,137</u>	<u>109,074,813,360</u>	<u>109,074,813,360</u>
<b>Asset-backed securities</b>							
Titularizadora Nuevovalor, C.A., with a par value of Bs 833,333,250, 85% annual yield, maturing in March 2021	-	-	-	(1) - (b)	708,333,263	794,034,593	794,034,593 (1) - (b)
Inversiones Tivalca, C.A., with a par value of Bs 201,000,000, 32.53% annual yield, maturing in March 2021	-	-	-	(1) - (b)	<u>157,965,000</u>	<u>195,326,836</u>	<u>195,326,836</u> (1) - (b)
	-	-	-		866,298,263	989,361,429	989,361,429

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

## Notes to the financial statements

### December 31 and June 30, 2020

	June 30, 2021				December 31, 2020		
	Acquisition cost	Amortized cost	Fair value		Acquisition cost	Amortized cost	Fair value
(In bolivars)							
Debtenture bonds							
Novaro Foods, S.A., with a par value of US\$20,000, 100% annual yield, maturing in May 2023	64,250,937,146	64,250,937,146	64,250,937,146	(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)
Venezolana de Proyectos Integrados Vepica, C.A., with a par value of Bs 250,000,000, 85% annual yield, maturing in May 2021 at December 31, 2020	-	-	-		150,000,000	211,290,323	211,290,323 (1) - (b)
Alimentación Balanceada Alibal, C.A., with a par value of Bs 8,750,000, 26.50% annual yield, maturing in January 2021 at December 31, 2020	-	-	-		8,750,000	8,750,000	8,750,000 (1) - (b)
Alice Neumáticos de Venezuela, C.A., with a par value of Bs 30,000, 28% annual yield, maturing in May 2021 at December 31, 2020	-	-	-		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 at December 31, 2020	-	-	-		30,000	30,000	30,000 (1) - (b)
La Montserratina, C.A., with a par value of Bs 3,750, 21% annual yield, maturing in May 2021 at December 31, 2020	-	-	-		3,750	3,750	3,750 (1) - (b)
	<u>64,254,437,146</u>	<u>64,254,437,146</u>	<u>64,254,437,146</u>		<u>162,313,750</u>	<u>223,604,073</u>	<u>223,604,073</u>
	<u>512,145,486,488</u>	<u>564,027,087,683</u>	<u>564,027,087,683</u>		<u>97,780,158,150</u>	<u>110,287,778,862</u>	<u>110,287,778,862</u>
Securities issued or guaranteed by the Venezuelan government							
Vebonos, with a par value of Bs 24,399,950, annual yield between 13.44% and 26.19%, maturing between December 2021 and August 2037	24,291,493	24,290,482	24,290,482	(2) - (c)	24,404,878	24,403,758	24,403,758 (2) - (c)
Fixed Interest Bonds (TIF), with a par value of Bs 79,149, annual yield between 8.25% and 16.50%, maturing between April 2023 and January 2037	83,010	81,831	81,831	(2) - (c)	83,937	82,782	82,782 (2) - (c)
	<u>24,374,503</u>	<u>24,372,313</u>	<u>24,372,313</u>		<u>24,488,815</u>	<u>24,486,540</u>	<u>24,486,540</u>
	<u>519,440,987,328</u>	<u>571,322,586,333</u>	<u>571,322,586,333</u>		<u>101,310,195,463</u>	<u>113,817,813,900</u>	<u>113,817,813,900</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.

Below is the classification of investment securities according to maturity:

	June 30, 2021		December 31, 2020	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In bolivars)			
Up to 6 months	507,047,277,046	507,047,277,046	113,789,830,222	113,789,830,222
6 months to 1 year	512	512	3,500,173	3,500,173
1 to 5 years	64,250,939,058	64,250,939,058	522	522
Over 5 years	<u>24,369,717</u>	<u>24,369,717</u>	<u>24,482,983</u>	<u>24,482,983</u>
	<u>571,322,586,333</u>	<u>571,322,586,333</u>	<u>113,817,813,900</u>	<u>113,817,813,900</u>

At June 30, 2021, interest receivable on investment securities amounts to Bs 63,975 million (Bs 12,269 million at December 31, 2020).

At June 30, 2021 and December 31, 2020, 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, 2021, loans and advances to beneficiaries of length-of-service benefits recorded in the loan portfolio include Bs 419 million from Bank employees; Bs 457,669 million from private length-of-service benefit trust funds; and Bs 30,870 million from government agencies (Bs 332 million, Bs 80,876 million and Bs 10,097 million, respectively, at December 31, 2020).

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

---

At December 31, 2020, advances to beneficiaries of works were in respect of advances granted to suppliers contracted mainly by the Carabobo State government, in conformity with the Public Works Contract Law, which were amortized in each appraisal submitted for payment, until work completion. These advances, which related to administration trust funds, were executed within one year and did not represent a loan granted; they were not included within 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, 2021, length-of-service benefit trust funds in favor of Bank employees amount to Bs 20,179 million (Bs 5,585 million at December 31, 2020).

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, 2021 and December 31, 2020, trust funds set up by the Venezuelan government or its decentralized agencies correspond mainly to length-of-service benefit and administration trust funds, which have been mobilized over the last 4 months.

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

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

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Assets</b>		
Cash and due from banks (Note 13)	-	327,722,123
Investment securities	2,005,499,356	461,238,603
Other assets	<u>6</u>	<u>6</u>
Total assets	<u>2,005,499,362</u>	<u>788,960,732</u>
<b>Liabilities</b>		
Contributions to the Housing Savings Fund	2,005,496,340	788,957,710
Liabilities to BANAVIH	<u>2,437</u>	<u>2,437</u>
Total liabilities	<u>2,005,498,777</u>	<u>788,960,147</u>
Income	<u>585</u>	<u>585</u>
Total liabilities and income	<u>2,005,499,362</u>	<u>788,960,732</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.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

At June 30, 2021, the Bank has an investment trust in BANAVIH for Bs 2,005 million (Bs 461 million at December 31, 2020), in respect of funds from deposits under the Housing Loan Law collected and transferred by the Bank, shown as investment securities in conformity with the Accounting Manual.

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

## **22. Financial instruments with off-balance sheet risk**

### **Credit-related financial instruments**

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

#### **a) Guarantees granted**

After conducting a credit risk analysis, the Bank provides guarantees to certain customers within their line of credit; they are issued to a beneficiary who may execute the guarantee if the customer fails to comply with the terms of the agreement. At June 30, 2021 and December 31, 2020, these guarantees earned annual commissions of 5%.

At June 30, 2021 and December 31, 2020, amounts guaranteed by the Bank are Bs 2,254,318 million and Bs 774,933 million, respectively (Note 21). The Bank maintains a provision for contingent loans equivalent to 1% of guaranteed amounts under accruals and other liabilities (Note 16).

#### **b) Credit limits**

Credit limit contractual agreements are granted to customers subject to prior credit risk assessments and, if needed, obtention of any guarantee required by the Bank to cover risk for each customer. These agreements are for specific periods, provided that customers do not default on the terms set forth therein (Note 21). The Bank may exercise its option to cancel a credit commitment with a particular customer. At June 30, 2021 and December 31, 2020, the Bank does not have lines of credit available but not negotiated.

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

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

## **23. Equity**

### **a) Capital stock and authorized capital**

At June 30, 2021 and December 31, 2020, the Bank's paid-in capital amounts to Bs 28,959,650,000 and Bs 5,791,930,000, respectively, represented by 28,959,650,000 and 5,791,930,000 non-convertible common shares of the same class with a par value of Bs 1 each, fully subscribed and paid-in. The Bank complies with the minimum capital required under the current legislation.

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

At a General Shareholders' Meeting of March 18, 2020, it was resolved to declare dividends of Bs 23,167,720,000 to be fully paid in non-convertible common shares, payable with a charge to unappropriated surplus for Bs 17,000,000,000 and restricted surplus for Bs 6,167,720,000. Through SUDEBAN Notice SIB-II-GGR-GA-00508 of February 3, 2021, and upon favorable pronouncement from the Higher Authority of the National Financial System (OSFIN) and the SNV, through Resolution No. 031 of February 25, 2021, the Bank was authorized to increase capital stock for the aforementioned amount.

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

- Increase capital stock by Bs 747,445,526 with a charge to restricted surplus through the distribution of 74,744,552,600 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.

On November 10, 2020, SUDEBAN, through Notice SIB-II-GGR-GA-0620, and the SNV, through Resolution No. 208 of December 2, 2020, authorized the increase approved by the aforementioned Special Shareholders' Meeting for Bs 747,445,526, and the increase of the par value of shares to Bs 1. Furthermore, to continue with the resolutions of the Special Shareholders' Meeting of March 18, 2020, the Bank capitalized all capital stock increases authorized and approved for Bs 5,791,872,081 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.

Below are the capital increases approved at Shareholders' Meetings and authorized by SUDEBAN and the SNV, which are part of the aforementioned capital increase:

Meeting date	Type of increase	Amount of the increase (In bolivars)	Increase method
September 27, 2017	Stock dividends	14,000 42,000	With a charge to unappropriated surplus With a charge to restricted surplus
December 20, 2017	Premium capitalization on capital contributions	65,554	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 restricted surplus
September 25, 2019	Stock dividends	2,996,918,000 903,082,000	With a charge to unappropriated surplus With a charge to restricted surplus
March 18, 2020	Capital increase	<u>747,445,527</u> <u>5,791,872,081</u>	With a charge to restricted surplus

At a General Shareholders' Meeting of September 16, 2020, it was resolved to declare dividends of Bs 115,838,600,000 to be fully paid in non-convertible common shares, payable with a charge to restricted surplus. To date, the Bank is awaiting authorization from SUDEBAN and the SNV for the increase.

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

## Notes to the financial statements

### December 31 and June 30, 2020

At a General Shareholders' Meeting of March 17, 2021, it was resolved to declare dividends of Bs 2,171,973,750,000 to be fully paid in non-convertible common shares, payable with a charge of Bs 1,171,973,750,000 to unappropriated surplus and Bs 1,000,000,000,000 with a charge to restricted surplus. To date, the Bank is waiting for SUDEBAN and the SNV to authorize the increase.

Capital increases pending capitalization approved at Shareholders' Meetings are as follows:

Date of Meeting	Type of increase	Amount of increase (In bolivars)	Increase method	Regulatory entities pending authorization
September 16, 2020	Stock dividends	115,838,600,000	With a charge to restricted surplus	SUDEBAN and SNV
March 17, 2021	Stock dividends	1,171,973,750,000 <u>1,000,000,000,000</u> <u>2,287,812,350,000</u>	With a charge to unappropriated surplus With a charge to restricted surplus	SUDEBAN and SNV

At a General Shareholders' Meeting of March 17, 2021, it was proposed to increase the Bank's capital stock by up to Bs 14,000,000,000,000; however, at that same Meeting, it was resolved to defer approval of the increase to other Shareholder's Meetings.

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

	June 30, 2021		December 31, 2020	
	Number of shares	Equity %	Numb of shares	Equity %
<b>Shareholders</b>				
Nogueroles García, Jorge Luis	2,821,565,690	9.74	564,313,138	9.74
Valores Torre Casa, C.A.	2,212,660,135	7.64	416,041,332	7.18
Sociedad Financiera Intercontinental, Ltd.	1,941,196,525	6.70	388,239,305	6.70
Halabi Harb, Anuar	1,749,495,445	6.04	349,899,089	6.04
Alintio International, S.L.	1,435,671,235	4.96	287,134,247	4.96
Curbelo Pérez, Juan Ramón	1,143,454,540	3.95	228,690,908	3.95
Zasuma Inversiones, C.A.	1,112,284,430	3.84	222,456,886	3.84
Inversiones Clatal, C.A.	893,605,290	3.09	178,721,058	3.09
Corporación Friport, C.A.	879,894,790	3.04	177,978,958	3.07
Osio Montiel, Carmen Inés	751,800,040	2.60	150,440,008	2.60
Inversiones Grial, C.A.	622,296,115	2.15	124,459,223	2.15
Kozma Solymosy, Nicolás A.	620,342,100	2.14	124,068,420	2.14
Inversiones Tosuman, C.A.	539,995,820	1.86	107,999,164	1.86
Tamayo Degwitz, Carlos Enrique	533,184,430	1.84	106,636,886	1.84
Teleacción A.C., C.A.	518,784,815	1.79	103,756,963	1.79
Somoza Mosquera, David	511,555,055	1.77	93,311,011	1.61
García Arroyo, Sagrario	495,915,025	1.71	99,183,005	1.71
Grupo Ebenezzer, C.A.	434,394,750	1.50	-	-
Castellana Investments Fund Limited, S.C.C.	416,158,624	1.44	179,396,172	3.10
Puig Miret, Jaime	404,436,075	1.40	80,887,215	1.40
Consorcio Toyomarca, S.A. (Toyomarca, S.A.)	403,832,335	1.39	80,766,467	1.39
Pembrokepines Investments LLC Sucursal Venezuela	387,436,477	1.34	77,528,798	1.34
Kozma Ingenio, Alejandro Nicola	366,712,270	1.27	73,342,454	1.27
Kozma Ingenio, Carolina María	366,712,270	1.27	73,342,454	1.27
Chaar Chaar, Mouada	329,408,570	1.14	65,881,714	1.14
Nogueroles García, María Monstserrat	319,611,405	1.10	63,922,281	1.10
Eurobuilding Internacional, C.A.	274,568,875	0.95	54,913,775	0.95
Valores Agropecuarios La Florida, C.A.	268,023,275	0.93	53,604,655	0.93
Tracto Agro Valencia, C.A.	265,917,870	0.92	53,183,574	0.92
Benacerraf Herrera, Mercedes Cecilia	224,748,910	0.78	44,949,782	0.78
Others	<u>5,713,986,814</u>	<u>19.71</u>	<u>1,166,881,058</u>	<u>20.14</u>
	<u>28,959,650,000</u>	<u>100.00</u>	<u>5,791,930,000</u>	<u>100.00</u>



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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

#### **b) Capital reserves**

##### **Legal reserve**

Based on the provisions set out in its bylaws and the Law on Banking Sector Institutions, the Bank makes an appropriation to the legal reserve every 6 months equivalent to 20% of its biannual net income until the reserve reaches 50% of its capital stock. Once the legal reserve reaches this amount, the Bank's appropriation to the legal reserve will be 10% of its biannual net income until the reserve covers 100% of its capital stock. At June 30, 2021 and December 31, 2020, capital reserves include Bs 28,960 million and Bs 5,792 million, respectively, in connection with the legal reserve.

##### **Social Contingency Fund**

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

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

During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank recorded the Social Contingency Fund of Bs 145 million and Bs 29 million, respectively, which includes capital and interest, with a charge to unappropriated surplus and a credit to capital reserves. At June 30, 2021 and December 31, 2020, capital reserves include Bs 173 million and Bs 29 million, respectively, in connection with the Social Contingency Fund (Note 5-d).

##### **Voluntary reserves**

At June 30, 2021 and December 31, 2020, capital reserves include Bs 10 in respect of voluntary reserves.

#### **c) Retained earnings**

##### **Non-distributable surplus**

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

##### **Restricted surplus**

In compliance with SUDEBAN Resolution No. 329-99, during the six-month period ended June 30, 2021, the Bank reclassified Bs 8,105,407 million (Bs 1,140,526 million during the six-month period ended December 31, 2020) 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, 2021 and December 31, 2020, restricted surplus amounts to Bs 9,399,790 million and Bs 1,300,551 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, 2021	December 31, 2020
Total risk-based capital	12	77.83	62.58
Equity-to-total assets	9	25.65	23.21

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

## **Notes to the financial statements**

### **December 31 and June 30, 2020**

---

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, 2021 and December 31, 2020, the Bank calculates the total risk-based capital ratio and equity to total assets ratio in conformity with current regulations.

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

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

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

	June 30, 2021	December 31, 2020
	(In bolivars)	
<b>Assets</b>		
Cash and due from banks at BNC International Banking Corporation		
Foreign and correspondent banks, equivalent to US\$27,877,275 (US\$8,505,404 at December 31, 2020)	89,557,054,568,622	9,393,628,376,647
Exchange Agreement No. 20, equivalent to US\$3,818	<u>12,264,283,133</u>	<u>4,216,296,298</u>
	<u>89,569,318,851,755</u>	<u>9,397,844,672,945</u>
<b>Liabilities</b>		
Borrowings from BNC International Banking Corporation		
Non-interest bearing demand deposits of US\$52,939 (US\$52,997 at December 31, 2020) (Note 14)	<u>170,065,869,887</u>	<u>58,531,596,175</u>

#### **25. Social Bank Deposit Protection Fund**

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

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

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

#### **26. Special fee paid to the Superintendency of Banking Sector Institutions**

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

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

## Notes to the financial statements

### December 31 and June 30, 2020

For the six-month periods ended June 30, 2021 and December 31, 2020, SUDEBAN set the fee at 0.1% of the average of the Bank's assets for the two months prior to the bimonthly period when payment is due. This fee is shown under operating expenses.

## 27. Legal reserve

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

Through Resolution No. 20-03-01 of March 29, 2020, which repeals Resolution No. 19-09-02 of September 5, 2019, the BCV requires the creation of a minimum 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.

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

During the six-month periods ended June 30, 2021 and December 31, 2020, the Bank paid interest on reserve deficit to the BCV of Bs 11,293,394 million and Bs 34,790 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, 2021 and December 31, 2020, the legal reserve required for the Bank is Bs 46,651,407 million and Bs 13,335,367 million, respectively (Note 3).

## 28. Contingencies

At June 30, 2021 and December 31, 2020, the Bank is defendant in certain legal proceedings pending final ruling. Management is not aware of any other pending tax, labor or other claim that may have a significant effect on the Bank's financial position or result of operations.

## 29. Maturity of financial assets and liabilities

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

	June 30, 2021							
	Maturity							
	December 31, 2021	June 30, 2022	December 31, 2022	June 30, 2023	December 31, 2023	June 30, 2024	Beyond June 30, 2024	Total
	(In bolivars)							
<b>Assets</b>								
Cash and due from banks	491,700,161,365,901	-	-	-	-	-	-	491,700,161,365,901
Investment securities	45,641,793	583,396,500	311,446	-	-	3,303,683	16,899,799,371,783	16,900,432,025,205
Loan portfolio	111,703,675,983,056	19,431,537,856,773	-	-	4,419,768,981,251	-	-	135,554,982,821,080
Interest and commissions receivable	8,862,713,351,080	-	-	-	-	-	-	8,862,713,351,080
	<u>612,266,596,341,830</u>	<u>19,432,121,253,273</u>	<u>311,446</u>	<u>-</u>	<u>4,419,768,981,251</u>	<u>3,303,683</u>	<u>16,899,799,371,783</u>	<u>653,018,289,563,266</u>
<b>Liabilities</b>								
Customer deposits	493,592,866,566,299	-	-	-	-	-	-	493,592,866,566,299
Borrowings	1,695,661,991,854	-	-	-	-	-	-	1,695,661,991,854
Interest and commissions payable	134,643,370,649	-	-	-	-	-	-	134,643,370,649
	<u>495,423,171,928,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,423,171,928,802</u>

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

## Notes to the financial statements

### December 31 and June 30, 2020

	December 31, 2020							
	Maturity							
	June 30, 2021	December 31, 2021	June 30, 2022	December 31, 2022	June 30, 2023	December 31, 2023	Beyond December 31, 2023	Total
	(In bolivars)							
Assets								
Cash and due from banks	134,577,695,899,424	-	-	-	-	-	-	134,577,695,899,424
Investment securities	3,939,959,421,993	1,739	10,628	304,512	3,958	13,812,140	1,446,609,054,414	5,386,582,609,384
Loan portfolio	33,774,940,095,332	8,405,455,659,861	2,129,317,007,625	420,740,551,849	-	-	-	44,730,453,314,667
Interest and commissions receivable	2,581,632,844,552	-	-	-	-	-	-	2,581,632,844,552
	174,874,228,261,301	8,405,455,661,600	2,129,317,018,253	420,740,856,361	3,958	13,812,140	1,446,609,054,414	187,276,364,668,027
Liabilities								
Customer deposits	136,209,579,630,509	-	-	-	-	-	-	136,209,579,630,509
Borrowings	1,898,623,811,486	-	-	-	-	-	-	1,898,623,811,486
Interest and commissions payable	22,503,068,685	-	-	-	-	-	-	22,503,068,685
	138,130,706,510,680	-	-	-	-	-	-	138,130,706,510,680

### 30. Fair value of financial instruments

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

	June 30, 2021		December 31, 2020	
	Book value	Fair value	Book value	Fair value
	(In bolivars)			
<b>Assets</b>				
Cash and due from banks	491,700,161,365,901	491,700,161,365,901	134,577,695,899,424	134,577,695,899,424
Investment securities	16,900,432,025,205	13,701,104,909,597	5,386,582,609,384	4,710,383,874,574
Loan portfolio	129,937,934,494,218	129,937,934,494,218	42,831,945,429,406	42,831,945,429,406
Interest and commissions receivable	<u>547,416,713,689</u>	<u>547,416,713,689</u>	<u>161,486,347,643</u>	<u>161,486,347,643</u>
	<u>639,085,944,599,013</u>	<u>635,886,617,483,405</u>	<u>182,957,710,285,857</u>	<u>182,281,511,551,047</u>
<b>Liabilities</b>				
Customer deposits	493,592,866,566,299	493,592,866,566,299	136,209,579,630,509	136,209,579,630,509
Borrowings	1,695,661,991,854	1,695,661,991,854	1,898,623,811,486	1,898,623,811,486
Interest and commissions payable	<u>134,643,370,649</u>	<u>134,643,370,649</u>	<u>22,503,068,685</u>	<u>22,503,068,685</u>
	<u>495,423,171,928,802</u>	<u>495,423,171,928,802</u>	<u>138,130,706,510,680</u>	<u>138,130,706,510,680</u>

### Short-term financial instruments

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

### Investment securities

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

### 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.

**Banco Nacional de Crédito, C.A, Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2020**

---

**Customer deposits, long-term liabilities and borrowings**

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

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

At June 30, 2021 and December 31, 2020, 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.