



Independent Auditors' Report and Financial Statements

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**

June 30, 2022

# Contents

	Page
INDEPENDENT AUDITORS' REPORT .....	1
BALANCE SHEET .....	4
STATEMENT OF INCOME .....	6
STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY .....	7
1. INCORPORATION, OPERATIONS AND LEGAL FRAMEWORK .....	9
2. BASIS OF PREPARATION.....	13
3. CASH AND DUE FROM BANKS.....	20
4. INVESTMENT SECURITIES.....	21
5. LOAN PORTFOLIO .....	25
6. FINANCIAL STATEMENTS OF THE FOREIGN BRANCH.....	28
7. PREMISES AND EQUIPMENT .....	29
8. OTHER ASSETS .....	29
9. BANK DEPOSITS.....	32
10. ACCRUALS AND OTHER LIABILITIES .....	32
11. INCOME TAXES.....	34
12. EMPLOYEE BENEFITS AND EMPLOYEE BENEFIT PLAN .....	35
13. REGULATORY CONTRIBUTIONS .....	36
14. SHAREHOLDERS' EQUITY.....	37
15. OTHER OPERATING INCOME AND EXPENSES .....	40
16. EXTRAORDINARY INCOME .....	40
17. MEMORANDUM ACCOUNTS .....	40
18. FAIR VALUE OF FINANCIAL INSTRUMENTS .....	43
19. CONTINGENCIES AND COMMITMENTS .....	43
20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES .....	44
21. FOREIGN CURRENCY ASSETS AND LIABILITIES.....	44

## Independent Auditors' Report

To the Shareholders and Board of Directors of  
Venezolano de Crédito, S.A. Banco Universal

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### Our Opinion

We have audited the accompanying balance sheet of Venezolano de Crédito, S.A. Banco Universal at June 30, 2022, and the related statement of income, statement of changes in the shareholders' equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements audited by us present fairly, in all material respects, the financial position of Venezolano de Crédito, S.A. Banco Universal at June 30, 2022 and the results of its operations and its cash flows for the six-month period then ended, in conformity with accounting standards and guidelines provided by Superintendencia de Instituciones del Sector Bancario (SUDEBAN).

### Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) 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 are independent of the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audits of the financial statements and we have fulfilled our ethical responsibilities provided by this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matters

The financial statements of the Bank for the six-month period ended December 31, 2021 were audited by other auditors whose report dated January 21, 2022 expressed an unqualified opinion on those statements.

### Emphasis of matter

The situations described below have no impact on our audit opinion:

We draw attention to Note 2 to the accompanying financial statements to the fact that the guidelines and accounting standards set forth by SUDEBAN differ, in certain material respects, from accounting principles generally accepted in Venezuela (VEN-NIF).

We draw attention to Note 3 to the accompanying financial statements to the fact that, as provided by the Central Bank of Venezuela (BCV) at June 30, 2022, banks shall maintain a minimum legal reserve on net obligations and assigned investments. This measure might limit the financial intermediation of the Bank.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA as 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 the financial statements.

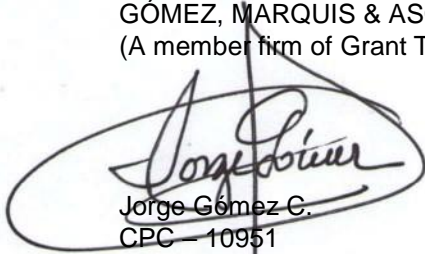
As part of an audit in accordance with ISA in force in Venezuela, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 of the Bank.
- 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 adequate, 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 of the Bank regarding, among other matters, the planned scope and timing of our audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GÓMEZ, MARQUIS & ASOCIADOS  
(A member firm of Grant Thornton International Ltd)



Jorge Gómez C.  
CPC - 10951  
CP- 308  
July 22, 2022

# Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch

## Balance sheet

June 30, 2022 and December 31, 2021 (expressed in bolivars)

	Notes	June 30, 2022	December 31, 2021
<b>Assets</b>			
<b>Cash and due from banks</b>			
Cash	3	28,039,958	17,313,404
Banco Central de Venezuela	3	124,392,710	60,575,183
Domestic banks and other financial institutions		3,197	88
Foreign banks and correspondents	8	107,923,860	71,825,835
Clearing house funds		70	639,340
		<u>260,359,795</u>	<u>150,353,850</u>
<b>Investment securities</b>			
Placements in Banco Central de Venezuela and interbank transactions	4	7,663,000	-
Held-to-maturity investment securities	4	99,132,067	133,398,503
Restricted cash investments	4	33,431,400	27,713,672
		<u>140,226,467</u>	<u>161,112,175</u>
<b>Loan portfolio</b>			
Current loans	5	75,227,900	38,739,355
Past-due loans	5	221,922	217,022
(Allowance for loan portfolio)	5	(1,427,102)	(721,029)
		<u>74,022,720</u>	<u>38,235,348</u>
<b>Interests and commissions receivable</b>			
Accrued interest receivable from investment securities		989,088	1,285,566
Accrued interest receivable from loan portfolio		513,439	152,979
Commissions receivable		220,467	84,147
(Allowance for accrued interest receivable and other)		(3)	(3)
		<u>1,722,991</u>	<u>1,522,689</u>
<b>Premises and equipment</b>	7	<u>2,380,110</u>	<u>1,962,563</u>
<b>Other assets</b>	8	<u>15,552,228</u>	<u>16,570,093</u>
<b>Total assets</b>		<u>494,264,311</u>	<u>369,756,718</u>
<b>Memorandum accounts</b>	17		
Contingent debit accounts		3,627,466	3,084,288
Trust assets		86,504,162	64,584,519
Other trusts		4,803,648	1,052,221
Other debit memorandum accounts		107,343,484	40,303,216
		<u>202,278,760</u>	<u>109,024,244</u>

The notes from 1 to 21 are an integral part of the financial statements.

# Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch

## Balance sheet

June 30, 2022 and December 31, 2021 (expressed in bolivars)

	Notes	June 30, 2022	December 31, 2021
<b>Liabilities and Shareholders' Equity</b>			
<b>Bank deposits</b>			
<b>Demand deposits</b>			
Non-interest-bearing current accounts		72,498,129	44,705,371
Interest-bearing current accounts		224,686,056	172,482,180
Current accounts under Foreign Exchange Agreement N° 20		1,605,222	1,430,729
Demand deposits and certificates		4,383,643	1,856,678
		303,173,050	220,474,958
Other demand obligations		8,459,068	11,446,644
Savings deposits		5,756,400	3,988,158
Restricted bank deposits		10,176,642	3,241,660
	<b>9</b>	<b>327,565,160</b>	<b>239,151,420</b>
<b>Other borrowings</b>			
Obligations with domestic financial institutions due in one year or less		13	550,011
Obligations with foreign financial institutions due in one year or less		6,122	660
		6,135	550,671
<b>Interests and commissions payable</b>			
Accrued expenses for bank deposits		65,183	175,704
Accrued expenses for other borrowings		-	527
		65,183	176,231
<b>Accruals and other liabilities</b>	<b>10</b>	<b>126,783,857</b>	<b>93,693,982</b>
<b>Total liabilities</b>		<b>454,420,335</b>	<b>333,572,304</b>
<b>Shareholders' equity</b>			
Paid-in capital	<b>14</b>	30	30
Capital reserves	<b>14</b>	33	33
Equity adjustments	<b>14</b>	12,697,909	16,684,135
Retained earnings	<b>14</b>	27,146,004	19,500,216
<b>Total shareholders' equity</b>		<b>39,843,976</b>	<b>36,184,414</b>
<b>Total liabilities and shareholders' equity</b>		<b>494,264,311</b>	<b>369,756,718</b>
<b>Per contra memorandum accounts</b>		<b>202,278,760</b>	<b>109,024,244</b>

The notes from 1 to 21 are an integral part of the financial statements.

# Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch

## Statement of Income

Six-month periods ended June 30, 2022 and December 31, 2021 (expressed in bolivars)

	Notes	June 30, 2022	December 31, 2021
<b>Financial income</b>			
Cash and due from banks		20,139	22,471
Investment securities		3,541,230	3,063,391
Loan portfolio		7,455,732	6,429,989
Other accounts receivable		21,112	19,699
		<u>11,038,213</u>	<u>9,535,550</u>
<b>Financial expenses</b>			
Bank deposits		(1,183,917)	(1,289,323)
Other borrowings		(251,359)	(1,132,074)
Other		(380,810)	(247,701)
		<u>(1,816,086)</u>	<u>(2,669,098)</u>
<b>Gross financial margin</b>		9,222,127	6,866,452
Income from recovery of financial assets		223	-
Expenses for uncollectible loans and other accounts receivable		(630,921)	(397,598)
<b>Net financial margin</b>		8,591,429	6,468,854
Other operating income	15	60,592,197	93,521,007
Other operating expenses	15	(25,779,569)	(55,411,967)
Financial intermediation margin		<u>43,404,057</u>	<u>44,577,894</u>
<b>Operating expenses</b>			
Personnel expenses		(18,662,792)	(14,162,840)
General and administrative expenses		(13,983,699)	(8,519,017)
Contributions to Fondo de Protección Social de los Depósitos Bancarios	13	(619,726)	(351,948)
Contributions to Superintendencia de las Instituciones del Sector Bancario	13	(530,577)	(418,306)
		<u>(33,796,794)</u>	<u>(23,452,111)</u>
<b>Gross operating margin</b>		9,607,263	21,125,783
Sundry operating income		2,037,402	387,898
Sundry operating expenses		(1,275,210)	(5,691,332)
<b>Net operating margin</b>		10,369,455	15,822,349
Extraordinary income	16	1,228,215	
Extraordinary expenses		(3,502)	(11,650)
<b>Income before taxes</b>		11,594,168	15,810,699
Income taxes		-	(1,860,000)
<b>Net income</b>		<u>11,594,168</u>	<u>13,950,699</u>
<b>Allocation of income, net</b>			
Legal reserve		-	30
Other capital reserves		-	3
Retained earnings		11,594,168	13,950,666
		<u>11,594,168</u>	<u>13,950,699</u>

The notes from 1 to 21 are an integral part of the financial statements.



## Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch

### Statement of Changes in the Shareholders' Equity

Six-month periods ended June 30, 2022 and December 31, 2021 (expressed in bolivars)

	Notes	Capital stock	Uncapitalized contributions	Capital reserves	Equity adjustments	Retained earnings					Total
						Undistributable earnings	Restricted earnings	Available undistributed earnings		Total retained earnings	
								Undistributed earnings	Remeasurement for employee benefit plans		
<b>BALANCES at June 30, 2021</b>		-	30	-	29,122,365	5,547,154	-	2,455,465	-	8,002,619	37,125,014
Net income for the six-month period								13,950,699	-	13,950,699	13,950,699
Transfers of uncapitalized contributions		30	(30)	-	-	-	-	-	-	-	-
Exchange rate differential adjustment, net	14	-	-	-	13,157,849	-	-	-	-	-	13,157,849
Transfer of available exchange gain to income as authorized by SUDEBAN	14				(27,343,410)	-	-	-	-	-	(27,343,410)
Valuation of loans as established by the BCV		-	-	-	1,748,486	-	-	-	-	-	1,748,486
General allowances for UVC loans		-	-	-	(1,155)	-	-	-	-	-	(1,155)
Cash dividends declared	14	-	-	-	-	-	-	(2,453,069)	-	(2,453,069)	(2,453,069)
Legal reserve		-	-	30	-	-	(15)	(15)	-	(30)	-
Reserve for Fondo Social para Contingencias		-	-	3	-	(1)	(2)	-	-	(3)	-
Reclassification of net income for the six-month period of foreign branch to restricted earnings	14	-	-	-	-	-	3,436,795	(3,436,795)	-	-	-
Reclassification of 50% of net income for the six-month period to restricted earnings, excluding income of foreign branch	14	-	-	-	-	-	5,256,952	(5,256,952)	-	-	-
<b>BALANCES at December 31, 2021</b>		30	-	33	16,684,135	5,547,153	8,693,730	5,259,333	-	19,500,216	36,184,414
Net income for the six-month period								11,594,169	-	11,594,169	11,594,169
Cash dividends declared	14	-	-	-	-	-	-	(3,146,145)	-	(3,146,145)	(3,146,145)
Transfer of available exchange gain to income as authorized by SUDEBAN	14	-	-	-	(11,471,059)	-	-	-	-	-	(11,471,059)
Exchange rate differential adjustment, net	14	-	-	-	7,221,562	-	-	-	-	-	7,221,562
Valuation of loans as established by the BCV		-	-	-	344,430	-	-	-	-	-	344,430
General allowances for UVC loans		-	-	-	(81,161)	-	-	-	-	-	(81,161)
Actuarial gain or loss from labor liabilities		-	-	-	-	-	-	2,291	-	2,291	2,291
Adjustment for remeasurement for employee benefit plans	2s) and 12	-	-	-	-	-	-	-	(804,525)	(804,525)	(804,525)
Reclassification of net income for the six-month period of foreign branch to restricted earnings	14	-	-	-	-	-	8,635,199	(8,635,199)	-	-	-
Reclassification of 50% of net income for the six-month period to restricted earnings, excluding income of foreign branch	14	-	-	-	-	-	1,479,485	(1,479,485)	-	-	-
<b>BALANCES at June 30, 2022</b>		30	-	33	12,697,907	5,547,153	18,808,414	3,594,964	(804,525)	27,146,006	39,843,976

The notes from 1 to 21 are an integral part of the financial statements.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

	Notes	June 30, 2022	December 31, 2021
Cash flows provided by operating activities:			
Net income for the six-month period		11,594,169	13,950,699
Adjustments to reconcile net income to cash provided by operating activities-			
Provisions and depreciations in income accounts:			
Allowance for uncollectible and impaired financial assets		706,073	397,598
Accrual for employee benefits		(802,234)	1,788,846
Statutory earnings to directors		-	1,525,412
Depreciation and amortization		372,822	215,719
Unrealized exchange gain from the valuation of foreign currency assets and liabilities with effect on equity, net of transfers to income		(4,249,533)	(14,185,561)
Financial income from loans adjusted at UVC, net of collections		344,430	1,748,487
General and counter-cyclical allowances for loans adjusted at UVC		(81,124)	(1,155)
		<u>7,884,603</u>	<u>5,440,045</u>
Net change in other assets		934,961	(9,478,973)
Net change in interests and commissions receivable		(200,302)	(410,053)
Net change in accruals and other liabilities		33,089,874	35,143,287
Net change in interests and commissions payable		(111,048)	142,772
Net cash provided by operating activities		<u>41,598,088</u>	<u>30,837,078</u>
Cash flows provided by financing activities:			
Net change in bank deposits		88,413,740	86,524,466
Net change in other borrowings		(544,536)	550,024
Dividends paid		(3,146,145)	(2,453,069)
Net cash provided by financing activities		<u>84,723,059</u>	<u>84,621,421</u>
Cash flows used in investing activities:			
Loans granted for the period		(465,137,132)	(303,748,720)
Loans collected for the period		428,643,688	281,545,208
Net change in placements in Banco Central de Venezuela and interbank transactions		(7,663,000)	1,068,000
Net change in held-to-maturity investment securities		34,266,436	(23,183,163)
Net change in restricted cash investments		(5,717,728)	(8,297,182)
Additions to premises and equipment and foreclosed assets, net		(707,466)	(1,947,638)
Net cash used in investing activities		<u>(16,315,202)</u>	<u>(54,563,495)</u>
		<u>110,005,945</u>	<u>60,895,004</u>
CASH AND DUE FROM BANKS, at the beginning of the six-month period		<u>150,353,850</u>	<u>89,458,846</u>
CASH AND DUE FROM BANKS, at the end of the six-month period		<u><u>260,359,795</u></u>	<u><u>150,353,850</u></u>

The notes from 1 to 21 are an integral part of the financial statements.

# **Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**

## **Notes to the financial statements**

### **June 30, 2022 and December 31, 2021 (expressed in bolivars)**

#### **1. Incorporation, operations and legal framework**

##### **a) Incorporation and operations**

Venezolano de Crédito, S.A., Banco Universal (the “Bank”) was incorporated in the Bolivarian Republic of Venezuela on June 4, 1925, and its registered office is situated in Avenida Alameda, Edificio Venezolano de Crédito, piso 3, Urbanización San Bernardino, Caracas.

Venezolano de Crédito, S.A., Banco Universal holds a Category B banking license issued by the Cayman Islands Monetary Authority (the Branch). This type of license permits the Bank to carry on banking and trust business with non-Cayman Islands residents and local banking business with other authorized entities from Cayman Islands.

The business purpose of the Bank and its overseas Branch is to carry out the banking business and operations allowed by laws, through its main office in Caracas, its agencies across Venezuela and its Cayman Islands branch.

The Bank and its Branch are members of Vencred Group and conduct transactions with other members of the Group.

As instructed by SUDEBAN, universal, development, regional, microfinance banks and currency exchanges shall adjust their capital stock to operate up to a minimum of 3% of the total value of their assets as expressed in their balance sheets at December 2021 (period end date) for public issue and shall be subscribed and paid in full in cash. SUDEBAN grants a six-month period, from the date of publication of the standard, to make the corresponding adjustment.

The adequacy of the capital stock described above may be divided into two (2) equal portions, each contributed within each quarterly period, from the publication of the Resolution. It also indicates that a minimum of 60% of the capital increase to operate must be provided from the shareholders' own resources and the remaining 40% may derive from the capitalization of results. Additionally, it establishes that the capital stock must be adjusted thereafter on an annual basis, during the first six (6) months of each year, considering the Total Assets shown in the financial statements corresponding to the closing of the financial year ended December 31 of the immediately preceding year.

##### **Approval of the financial statements for public issue**

The Bank's financial statements for the six-month periods ended June 30, 2022 and December 31, 2021 were approved for public issue by the Board of Directors at meetings held on July 7, 2022 and January 6, 2022, respectively.

##### **b) Legal framework**

The Bank's activities are ruled by the Law on Banking Sector Institutions, the Law Regulating Trade Matters (Commerce Code), the Law regulating financial matters (Law of the National Financial System), the other laws applicable thereto, the regulations issued by the National Executive and the provisions issued by the Superior Body of the National Financial System (OSFIN) and the BCV, as well as by the instructions and rules issued by the SUDEBAN. OSFIN will establish regulations for the involvement of individuals in the supervision of the financial management and social comptrollership of its members, protect the rights of users and promote collaboration with the productive economy sectors, including people's and community associations' productive economy sectors.

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

The purpose of this Law is to supervise and coordinate the National Financial System, which is made up of all public and private financial institutions, community-based and any other form of organization that operate in the banking, insurance, stock market and any other institution that in the opinion of the governing body should be part thereof, as well as guaranteeing the use and investment of its resources towards the public interest and social economic development.

This Law prohibits the institutions that take part of the aforementioned system to form financial groups among themselves or with companies from other sectors of the national economy or associated with international financial groups for purposes other than those provided for this Law.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

**Law on Banking Sector Institutions**

This Law, among other aspects, establishes banking activity as a public service; defines financial intermediation as the raising of funds and their placement in loan portfolio and investment securities issued or guaranteed by the Nation or by state-owned entities; limits the assets of the institution and transactions with a single debtor and defines what is considered a debtor related to the purposes of that limitation; regulates the formation and functions of the Board of Directors; provides for the cases of disqualification from being a Director; regulates the formation of financial groups; establishes the obligation to make a social contribution to finance projects of community associations and establishes prohibitions.

**Cayman Islands Branch**

The Bank's branch abroad does not have legal personality other than that of the Bank and is subject to the supervision and control of the Cayman Islands Monetary Authority (among other aspects, in terms of prior consultation of certain transactions and asset quality, capital levels and liquidity) and of SUDEBAN in Venezuela.

**Banco Central de Venezuela (BCV)**

Lending and saving interest rates in Venezuela are regulated by the BCV. It establishes the maximum and minimum interest rates for deposits and credit operations based on their reference rates.

At June 30, 2022 and December 31, 2021, the maximum annual lending interest rate for credit card transactions (TDC) remains at 60%, the minimum annual lending interest rate remains at 17% and the maximum interest rate that can be charged for the overdue obligations of cardholders remains at 3% per year, in addition to the interest rate agreed in the respective transaction.

At June 30, 2022 and December 31, 2021, the saving interest rate on savings deposits, including liquid asset accounts, was set at a minimum of 32% per annum, calculated on daily balances; and the saving interest rate for term deposits, and for operations through which term deposits are issued, was set at a minimum of 36% (Note 9).

At June 30, 2022, the discount, rediscount and advance rate of the BCV stands at 19.2% (12% in force for the second half of 2021). The BCV regulates service charges on savings and checking accounts, leasing and international operations, and credit and debit cards that banks may charge their customers. On March 17, 2022, the BCV issued Resolution N° 22-03-01, which repeals Resolution N° 22-01-02. The main changes established by this Resolution include the following:

- Loans granted within the framework of the Single National Productive Portfolio will bear an annual interest rate of 6% on the resulting balance in Credit Value Units (UVC) (2% at December 2021).
- The commercial loan and microcredit portfolio will bear annual interest rates that shall not exceed 16% or be less than 8% (they should not exceed 10% or be less than 4% at December 2021).
- The maximum delinquency rate for UVC loans is increased to 0.8%.
- Consumer loans and installment commercial loans granted to individuals for payday loans and credit cards with limits lower than 20,400 UVC are excluded from this resolution.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

**Single National Productive Portfolio**

The Single National Productive Portfolio (the "CPUN") was created under the Constituent Decree published in the Extraordinary Official Gazette N° 6.507 dated January 29, 2020, which shall be complied by the country's financial institutions and shall be equivalent to a mandatory minimum percentage of 10% and a maximum of 25% of the gross portfolio and in accordance with the accounting year-end of banks, as established by the Governing Committee of the Single National Portfolio every month, in accordance with the guidelines of the National Executive. For the purpose of determining the balance of the gross loan portfolio, the increase derived from the principal restatement, generated on commercial loans for effects of the Investment Index (IDI) fluctuation, shall be excluded. This decree also creates the Governing Committee of the Single National Productive Portfolio, whose duties are determined by the National Executive. This Governing Committee has within its powers the approval of the policy, regulation and evaluation of the resources available for the financing of that portfolio. The debtors and amounts of CPUN loans are assigned by the National Executive to each bank through the Governing Committee.

On April 8, 2020, by means of Resolution N° 20-20-01, the CPUN Governing Committee established that the mandatory percentage of the CPUN to be maintained by banks is 25% of their Gross Loan Portfolio (hereinafter the "CCB"), excluding the increase resulting from the loan principal restatement (expressed in UVC) for effects of the IDI fluctuation.

Resolution N° 22-03-01 also establishes that those loans considering one single payment modality upon maturity shall have an additional special charge of 20% at the time of the settlement of the loan, which will also be expressed in UVC, and will be deducted from the debit balance of the loan at the time of its settlement and increased from 2% to 6 % the annual interest rates on productive loans granted by banks and indexed at UVC.

**Monetary re-expression**

The National Executive instructed to re-express the monetary system unit of the Bolivarian Republic of Venezuela in the equivalent of the current Bs. 1,000,000. This new expression entered into force in October 2021, from that moment the financial statements have been presented in the new monetary equivalence.

**Income Tax Law**

The Income Tax Law in Venezuela establishes, among other aspects, a proportional tax of 40% on income for institutions that are engaged in banking, financial, insurance and reinsurance activities. These institutions and special taxpayers are excluded from the tax inflation adjustment system, as provided by this Law. The Law establishes that net operating losses may be carried forward during the following 3 years and offset only up to a maximum of 25% of the annual income (Note 11).

**Law for Tax on Large Financial Transactions**

The Tax on Large Financial Transactions was enacted in December 2015, which provides for a rate applicable to legal entities and businesses without legal personality qualified as special taxpayers by the Tax Administration. Banks and other financial institutions in the country are also liable for this tax for taxable events provided for in the Law.

A Constituent Decree amending the Decree-Law of Tax on Large Financial Transactions was published in Extraordinary Official Gazette on August 21, 2018. Said Decree establishes that the rate of this tax may be modified by the National Executive and may be fixed up to a limit of 2%. The National Executive set the rate of this tax at 2% as of November 2018.

# **Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**

## **Notes to the financial statements**

### **June 30, 2022 and December 31, 2021 (expressed in bolivars)**

A new Partial Reform of the Decree-Law of Tax on Large Financial Transactions (IGTF) was published in Extraordinary Official Gazette N° 6687 of the Bolivarian Republic of Venezuela on February 25, 2022, which sets forth a 3% tax on transactions in foreign currencies or cryptocurrencies other than bolivars and petro carried out by individuals and legal entities, applicable as of March 28, 2022. Additionally, on March 17, SENIAT issued an administrative order to designate special taxpayers as "collection agents", in charge of collecting, declaring and transferring to the National Treasury the taxes received.

During the six-month period ended June 30, 2022, the Bank recognized expenses for taxes on large financial transactions for Bs 459,585, (Bs 328,393, during the six-month period ended December 31, 2021), shown under "General and administrative expenses" in the accompanying statement of income. The liability generated by the Bank in its condition of withholding agent is shown under "Accruals and other liabilities" (Note 10). Additionally, the Bank, as withholding agent, collected and reported to the National Treasury Bs 15,703,944 (Bs 12,749,445 during the second half of 2021).

#### **Value-added tax**

The Value-added Tax (VAT) Law levies the disposal of assets and the import of goods and services, and the provision of services by applying a tax rate of 16% at June 2022 and December 2021. The services provided by financial institutions only cause VAT for financial leasing. The VAT collected and paid every month is offset and the resulting tax debits or credits are paid to the Tax Administration or deferred to be offset in the future, as the case may be. The main operations of the Bank do not generate tax debit; therefore, tax credits are charged to the cost of the asset or service acquired.

Taxpayers classified as special by SENIAT will serve as VAT withholding agents when they purchase chattels or receive services from suppliers that are considered regular taxpayers. The amount to be withheld will be 75% of the tax caused, and in certain situations it may reach 100%. For taxes withheld by customers (asset), not offset within 3 months or after, the full or partial recovery of the accumulated balance may be requested to SENIAT. The taxes withheld to suppliers (liability) are paid on a semimonthly basis, in accordance with the special taxpayers' schedule.

#### **Constitutional Law for Wealth Tax (LIGP)**

The Constitutional Law for the Wealth Tax (LIGP) was published in Official Gazette N° 41.667 dated July 3, 2019 and enacted by the National Constituent Assembly, the most important aspects of which are the following:

- this tax is applicable to individuals and legal entities qualified as special taxpayers,
- net wealth of the taxpayer is levied with a tax rate of 0.25%,
- this tax shall be applied for the first fiscal year on the net wealth existing at September 30, 2019,
- this tax is applicable to individuals, where their net wealth exceeds 36 million Tax Units, currently equivalent to Bs 720,000. This tax is applicable to legal entities, where their net wealth exceeds 100 million TU, currently equivalent to Bs 2,000,000. The IGP tax shall be determined on the portion exceeding such amounts,
- the IGP tax return shall be filed as the taxpayer owns or has a wealth equal or exceeding 150 million TU, and
- this tax is not deductible for income tax purposes (ISLR).

During the six-month period ended June 30, 2022, the Bank recognized expenses for the wealth tax (LIPG) for Bs 130,751 (Bs 50,512, at December 31, 2021), shown under "General and administrative expenses" within "Operating expenses".

#### **Law on Science, Technology and Innovation**

The Law on Science, Technology and Innovation enacted on December 16, 2010 and its Regulation set forth that those companies with gross revenues exceeding 100,000 tax units are liable to contribute to the competent authority under the Ministry of Science and Technology with technological and scientific activities of social development mentioned by the Law. Such contribution is equivalent to 0.5% of total gross revenues obtained in the country in the prior period.



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

During the six-month period ended June 30, 2022, the Bank recognized expenses for Bs 319,833 (Bs 18,325, at December 2021), charged to income for the period, which are shown under "General and administrative expenses" within "Operating expenses". At June 30, 2022, the Bank paid Bs 639,666 for the 2021 contribution, the prepaid tax balance amounts to Bs 319,833 and is shown under "Other assets". At June 30, 2022 and December 31, 2021, the Bank does not maintain accruals or other liabilities for this concept, as this contribution is caused and paid in the same fiscal year.

**Law on Drugs**

The Law on Drugs (LOD) was published in Official Gazette N° 39.510 on September 15, 2010. This Law imposes obligations to financial institutions as entities susceptible to be used for money laundering from illegal activities. Under this law, entities with more than 50 employees are liable to destine 1% of their annual operating income to the Anti-Drug Fund (FONA). This Fund shall destine this contribution to finance prevention plans, projects and programs against the illegal drug traffic. Entities must file a return and make annual payment of this contribution to FONA within the 60 calendar days following the respective fiscal year-end.

The Bank records this contribution at the time it is settled as a prepaid tax and is amortized over the year. In the first half of 2022, the Bank paid Bs 639,666 for the 2021 contribution and amortized with charge to income for the six-month period of Bs 319,833, the difference is shown as prepaid taxes.

The related liability at June 30, 2022 amounting to Bs 103,695 (Bs 228,362, at December 31, 2021) is shown under "Accruals and other liabilities" (Note 10).

**Law on Sports and Physical Activity**

The Law on Sports and Physical Activity passed on August 23, 2011, and its Regulation dated February 28, 2012, establish that profit-making private and public companies or other organizations with annual net income exceeding 20,000 TU must contribute 1% of such annual net income to Fondo Nacional para el Desarrollo del Deporte, la Actividad Física y la Educación Física. This law also provides the guidelines for the execution of projects, returns and installment payments, among others.

The taxpayer may destine up to 50% of said contribution to the execution of its own projects, subject to the related guidelines established by Instituto Nacional de Deportes (IND). Also, entities may provide commercial sponsorship to social organizations that promote sports in the country, which are duly registered before Registro Nacional del Deporte, and must report their agreements to IND within 15 days following the signature of the related contract.

The Bank recognized expenses for this concept amounting to Bs 115,942 (Bs 139,507, at December 2021), which are shown under "*Sundry operating expenses*", and the related liability amounting to Bs 115,943 (Bs 204,386, at December 31, 2021) is shown within "Accruals and other liabilities" (Note 10).

**Labor Law (LOTTT)**

The most relevant aspects of this Law include employee benefits such as vacations, vacation bonus, profit-sharing, maternity leave, guarantee, and retroactivity of employee severance benefits. Likewise, some legal benefits such as working hours, holidays, rest days are regulated and concepts related to job stability due to maternity are introduced.

**2. Basis of preparation**

The accompanying financial statements have been prepared in accordance with the accounting framework required and/or allowed by SUDEBAN. This framework significantly differs from accounting principles generally accepted in Venezuela (Ven-NIF), which are commonly applied when preparing financial statements of other industries. VEN-NIFs are largely based on International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), with the exception of some criteria related to adjustment for the effects of inflation, valuation of foreign currency assets and liabilities and recognition of deferred tax liabilities, among others.

SUDEBAN, through Circular SIB-II-GGR-GNP-04002 dated June 18, 2022, postponed again the presentation of the supplemental financial statements at June 30, 2022, prepared under generally accepted accounting principles in

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

force as of December 31, 2007 (VEN-GAAP), as well as the inflation-adjusted financial statements for public issue. The aforementioned supplemental information will be presented for comparison purposes related to the period ending December 31, 2022.

At June 30, 2022 and December 31, 2021, the main differences applicable to the Bank, which have been identified by the Bank's management between the accounting guidelines and standards established by SUDEBAN and VEN-NIFs, are as follows:

**a) Functional and presentation currency**

The SUDEBAN's Accounting Manual establishes that the balances included in the financial statements of banks shall be measured and presented in bolivars. Under VEN-NIF, the financial statements shall be prepared in their functional currency, which will be the currency of the primary economic environment in which the entity operates. Likewise, in accordance with VEN-NIF, the entity shall determine its functional currency considering the following factors, among others: a) the currency that mainly influences income and costs (often the currency in which such income and costs are collected and settled, respectively); (b) the currency of the country whose competitive forces and regulations mainly determine prices; and (c) the currency in which funds from financing activities are generated.

**b) Inflation-adjusted financial statements**

Under SUDEBAN's Accounting Manual, the financial statements of banks are presented on the historical cost basis (in bolivars). VEN-NIFs require that the effects of inflation be recognized in the financial statements whenever the functional currency is that of a hyperinflationary economy and when the inflation of the annual financial period is over one digit.

**c) Other comprehensive income**

In conformity with SUDEBAN's Accounting Manual, the financial statements comprise the balance sheet, the statement of income, the statement of changes in the shareholders' equity, the statement of cash flows and a set of notes including a summary of significant accounting policies and other explanatory information. Under VEN-NIF, the statement of other comprehensive income shall be presented as part of the complete set of financial statements, either as part of the statement of income or as a single section.

**d) Foreign currency**

Foreign currency transactions, mainly in US dollars, are recorded at the exchange rate in effect at the transaction date, and balances are adjusted at the exchange rate in effect at the end of each period. The assets, liabilities, equity and statements of income accounts of the foreign branch are translated at the current exchange rate. As provided by SUDEBAN, fluctuations of foreign currency balances are recognized within shareholders' equity, except for minor amounts resulting from fluctuations of other currencies as compared to the dollar, which are recognized in income. Likewise, exchange gains might be recognized within income where there are no deficit balances of provisions or expenses to be offset and as authorized by SUDEBAN. Under VEN-NIF, exchange gains and losses are recognized in income.

**e) Bank reconciling items**

The accounting guidelines and standards established by SUDEBAN set forth that those debit bank reconciling items in local and foreign currency with an aging over 30 and 60 days pending to be recorded, where there is no available documentation to be recorded, shall be recognized under Other assets by crediting to an item of Accruals and other liabilities and shall be fully provisioned within 30 and 60 days, respectively, following their recording if the related documentation is not yet available. This provision will be maintained over time until the Bank obtains the necessary documentation for their reconciliation. Additionally, those credit items in local and foreign currency, pending to be recorded where there is no available documentation to be recorded, shall be recognized under Other assets by crediting to an item of Accruals and other liabilities. These items shall be held over time until the Bank obtains the necessary documentation for their reconciliation. VEN-NIFs do not establish specific accounting criteria; however, a company shall measure the expected credit losses of a financial instrument.



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

**f) Cash equivalents**

For reporting purposes of the statement of cash flows, in conformity with SUDEBAN's Accounting Manual, the Bank considers the items of Cash and due from banks to be cash equivalents. VEN-NIF consider investments and placements due within 90 days to be cash equivalents.

**g) Premium or discount in held-to-maturity investment securities**

SUDEBAN's Accounting Manual establishes that the discount or premium of held-to-maturity investment securities is amortized over the effectiveness of the investment security by crediting to income for the six-month period within Other operating income and Other operating expenses, respectively. Under VEN-NIF, the amortization of premiums or discounts of investments valued at amortized cost is part of the yield on effective interest of the security; accordingly, it should be presented as part of financial income.

**h) Losses from investment securities considered permanent**

SUDEBAN's Accounting Manual establishes that in cases where losses considered permanent, resulting from a decrease in the fair market value of investment securities, have been recorded, any subsequent recovery of fair market value shall not affect the new cost basis. Under VEN-NIF, for impairment, expected credit losses are recognized over the life of the asset of all the financial instruments for which there have been significant increases in credit risk since the initial recognition, so the value correction for losses for that financial instrument will be measured at an amount equal to the expected credit losses during the following 12 months.

**i) Valuation of investment transfers**

The accounting framework for banks allows to transfer between categories of investment securities, including held-to-maturity securities, upon authorization of SUDEBAN or for particular unforeseeable events, without impacting the classification of the remaining investment securities maintained in that category, which is not considered under Ven-NIF.

**j) Loan portfolio**

As provided by SUDEBAN, commercial loans and installments of term, mortgage and credit card loans are classified as past due if the corresponding installment remains unpaid after 30 days. Likewise, in the case of installment, mortgage and credit card loans, if any installment remains unpaid after 120 days, the total amount of principal is classified as past due.

Similarly, all credits granted to microentrepreneurs, payable in weekly or monthly installments, are considered past due when at least one weekly installment remains unpaid after 14 days or a monthly installment remains unpaid after 60 days, respectively.

Restructured loans are those whose original payment plan, term and other previously agreed conditions have been modified, in response to a refinancing request, under certain conditions provided by the Accounting Manual of the SUDEBAN. The loans in litigation correspond to past due loans that are in the process of being collected through legal actions.

The Bank's loan portfolio includes loans granted in historical bolivars, solely bearing financial interest, as well as CPUN loans, commercial loans and microcredits expressed in UVC, which bear financial interest and gains or losses derived from fluctuation of IDI (Note 2-o).

Upon settlement, loans are expressed in UVC, and are valued on a daily basis in accordance with the fluctuation of IDI, which is determined by the BCV based on the reference exchange rate fluctuations of the free exchange market. If the IDI variation is downward, the reduction is recognized up to the limit of the IDI in effect at the date of granting the loan, so losses can only be generated up to the limit of previously recognized gains. Unrealized gains or losses from the valuation of the UVC loan portfolio at IDI are recorded on the accrual basis of accounting in equity, within the account "Equity adjustments" and they are subsequently reclassified to income as collected. These realized revenues are presented under "Financial income".

As provided by SUDEBAN, accumulated unrealized gains from the valuation of UVC loans adjusted at IDI may be used for creating general and countercyclical allowances.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

**k) Past due and in-litigation loan portfolio**

The term for writing off the past due loan portfolio may not exceed 24 months, counted from the date in which the total loan was recorded in that category. The loans in litigation are those being collected through legal actions; these loans shall be fully provisioned 24 months after being recorded in that category. Likewise, when a monthly installment loan is past due and the debtor pays the installment arrears, the Bank shall reclassify it to the category it had before it became past due. Similarly, when a debtor (individual) pays the installment arrears of an installment loan in litigation and consequently the claim is withdrawn, the Bank shall reclassify it to the category it had before entering into litigation or considered as past due. Under VEN-NIF, these loans are recorded based on their collectability.

**l) Allowance for loan portfolio**

The Bank carries out a monthly assessment of its loan portfolio and contingent loans in order to determine the specific allowance for loan losses to be created for each loan. Such assessment considers, among other factors, economic conditions, credit risk per customer and its credit history. On the other hand, the Bank calculates on a monthly basis an allowance for loan portfolio that is not individually assessed, which is equivalent to the risk percentage resulting from the specific credit assessment. In conformity with the accounting guidelines and standards of SUDEBAN, the Bank is required to maintain a general allowance of at least 1% of the loan portfolio balance, except for the microcredit portfolio balance that requires a general allowance of 2% and, in addition, a countercyclical allowance of 0.75% of the gross loan portfolio balance. Furthermore, the Bank may create general voluntary allowances for the loan portfolio. The release of allowance requires authorization from SUDEBAN.

VEN-NIF establish that the allowance for uncollectible loans is determined based on expected credit losses during the next 12 months, for the remaining term of the loan or for the impaired financial assets.

**m) Premises and equipment and Depreciation**

Premises and equipment are initially recognized at their original cost, which is their acquisition or construction cost, as the case may be, plus all the expenses necessary to have the asset on site and in conditions for use. Depreciation is calculated using the straight-line method based on the estimated useful lives of assets

SUDEBAN's Accounting Manual establishes that the revaluation of these assets is permitted under the conditions previously authorized by SUDEBAN. The adjustment for revaluation is recorded within shareholders' equity. The revaluation is depreciated in income in the time established in the Accounting Manual.

**n) Income taxes and deferred taxes**

The Bank's fiscal year ends on December 31. The provision for current income taxes is calculated on the basis of net taxable income determined pursuant to the current tax legislation. The estimated income tax liability is shown under "Accruals and other liabilities".

The Bank has not recorded the tax effect, caused by the temporary differences between accounting and taxable profit, due to its uncertain recovery, and based on the interpretation that SUDEBAN's prudential accounting standards do not require it, the Bank has not recognized the deferred tax liabilities for the resulting temporary difference in equity accounts.

Under Ven-NIF, deferred tax assets or liabilities are fully recognized using the balance sheet method with effect on income or as a decrease in its related account under equity in accordance with the item originating the deferred taxes.

**o) Recognition and presentation of revenues and expenses**

The variation of commercial loans and of the National Single Productive Portfolio granted and expressed through UVC is recorded as financial income upon collection of the loan, considering the principal increases of said loans due to the Investment Index variation (Note 2-j). Interest on loans, investments and accounts receivable is recorded as income to the extent it is earned, according to the effective interest method, except for: (a) accrued interest receivable more than 30 days past due; (b) interest on past due and in litigation loan portfolio, or on those loans classified as actual risk, high-risk or irrecoverable; and (c) default interest, which is recorded as income when collected.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

Interest on current and restructured loan portfolio, which has a term for collection equal to or greater than 6 months, is recorded when accrued as part of the deferred financial income within Accruals and other liabilities, and is recorded as income upon collection

Under Ven-NIF interest income is recognized as earned and subsequently provisioned in accordance with expected recovery.

Commissions for services are recorded as income or expense, upon collection or payment, respectively, which will be recorded at the transaction date, and shown within Other operating income and other operating expenses, respectively (Note 15).

Interest on bank deposits, obligations and borrowings is recorded as financial expenses to the extent that they are caused, through the method of the effective interest rate.

**Leases**

Leases are recognized as expenses based on lease terms. Under VEN-NIF, leases are considered a right and an obligation, and accordingly, they are recognized as financial assets and liabilities when they exceed 12 months, and the corresponding depreciation and financial interests are reported in the income for the period.

**Other expenses**

Under accounting standards for banks, expenses may be deferred while under VEN-NIF they are charged to income as incurred. On the other hand, certain taxes, such as contributions for community projects and development of sports are recognized on the basis of the amount paid.

**p) Significant accounting judgements and estimates**

The preparation of the financial statements requires Management to make estimates based on certain assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following are the most significant estimates used in preparing the financial statements:

**Allowance for contingent loans**

The allowance for contingent loans is determined based on a collectability assessment aimed at quantifying the specific allowance to be created for each loan, considering, among other factors, economic conditions, credit risk per customer, their credit history and the fair value of the guarantees received. The assessment is carried out on a quarterly basis, as provided by SUDEBAN. Loans of similar nature are assessed together in order to determine the allowances that are necessary.

**Allowance for other assets**

The Bank assesses the collectability of items recorded within Other assets, by applying criteria similar to those applied to the loan portfolio, and if necessary, it records an allowance for all those items that, due to their nature or aging, require to be provisioned.

**Allowance for legal and tax claims**

The Bank records an allowance for those legal and tax contingencies, which it considers feasible and reasonably quantifiable, based on the opinion of its legal advisors and based on the events known at the date of the assessment (Note 10). However, these considerations are based on current events and the final outcome of these proceedings in litigation may be different from what is expected.

**q) Translation and integration of the financial statements of the foreign branch**

The financial statements include the accounts of the Bank and its Cayman Islands Branch. For combination or integration purposes of the accounts of the Bank with its foreign branch, the accounting records of which are stated in US Dollars, the financial statements of the Branch have been translated into bolivars by applying the official exchange rate reported by BCV for purchases in effect at year-end.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

Significant balances between the Bank and its Branch were eliminated in combination.

At June 30, 2022 and December 31, 2021, the exchange rates applied by the Bank for the translation of the financial statements of its foreign branch were Bs. 5.52305775/US\$1 and Bs. 4.585707/US\$1, respectively (Note 6).

**r) Deferred expenses**

Deferred expenses include organization and start-up expenses of own branches and agencies, leasehold improvements, purchased software and licenses, which are not recognized as expenses as paid but allocated to future periods, since the benefits to be received extend further than the period in which they were incurred. Deferred expenses are recorded at cost and amortized over a maximum term of 4 years.

**s) Employee benefits**

Employee benefits are recognized as caused, when the legal or implicit obligation arises as a result of the service provided by employees, and a reliable estimate of the labor liability can be made.

On July 29, 2021, the agreement containing all the provisions that regulate the Collective Bargaining Agreement was signed and will be in force from June 1, 2021 to December 31, 2022.

Employee benefits are classified as follows:

**Accrual for employee benefits**

The LOTTT and the Bank's collective bargaining agreement establish that employee benefits are an acquired right. In accordance with the provisions of the LOTTT, the Bank transfers monthly to the Bank Trust, on behalf of each employee, the guarantee of employee severance benefits. On the other hand, the LOTTT establishes that at the end of the employment relationship the retroactive employee severance benefits will be calculated, taking into account the last salary earned by the worker and its seniority. The LOTTT establishes the payment of the higher of the two calculations, between the retroactive employee severance benefits and the total amount paid to the employee's guarantee in its trust.

The last salary of the employee, the moment of the termination of the employment relationship and the final amount credited into the guarantee of each employee are uncertain future events at each year end. Therefore, assumption-based actuarial methods are used to measure and record the additional obligation and expenses related to employee benefits such as: discount rate of obligation, salary increase rate and employee turnover, among others. These assumptions are revised on an annual basis and may impact the obligation amount if significant variations are determined. The Bank, in accordance with the LOTTT, calculates the additional obligation for employee severance benefits based on the last salary earned by the employee at the time of termination of the employment relationship, using actuarial methods. Until December 31, 2021, the Bank recognized in income actuarial gains or losses as it considered that the amounts were not material. From the first half of 2022, actuarial gains and losses are recorded within equity as remeasurements for employee benefit plans.

**Short-term employee benefits**

The bylaws, legal provisions and the collective and individual bargaining agreements entered into with directors and/or employees set forth their participation in net profits, and other short-term employee benefits. The main accruals for this concept are composed of employees' profit-sharing and vacation bonus. The Bank recognizes such cost based on the current regulations during the period when incurred with charge to income, in conformity with undiscounted calculations, based on labor legislation and the current collective bargaining agreement.

**t) Trust assets**

Trust assets are valued based on the same standards used by the Bank to value its own assets, except that: (i) general allowances are not created within the loan portfolio caption, (ii) all investment securities are recorded at acquisition cost, adjusted for the amortization of premiums or discounts, and (iii) the unrealized and realized exchange gain is recorded in income for the period instead of in the trust net assets, as required for the Bank.

# **Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**

## **Notes to the financial statements**

### **June 30, 2022 and December 31, 2021 (expressed in bolivars)**

The Bank provides custody, administration and management of investments with a wide range of financial instruments, the trust assets are not included in the assets of the Bank. At June 30, 2022 and December 31, 2021, the Bank holds Bs 86,504,162 and Bs 64,584,519, respectively, from trust assets, which are included in the memorandum accounts (Note 17 b).

#### **u) Financial risk management**

Due to the nature of its business, the Bank is exposed to market risk (price and exchange rate), credit risk and liquidity risk, cash flows and interest rates. The Bank monitors these risks by creating approval, supervision and control mechanisms by following risk management policies administered by the Steering Committee.

In January 2016, the National Executive declared a state of economic emergency in the whole country, which granted to the National Executive extraordinary powers to legislate and adopt social, political and economic measures for dealing with the current economic situation of the country, which has accrued an increasingly drop for eight consecutive years, according to the latest indicators published by the BCV and other sources, characterized by sustained hyperinflation, decrease in the gross domestic product, failure to comply with the payment schedules of the foreign debt and its interests by the Venezuelan state and a reduction of international reserves in an environment of foreign exchange restrictions, interest rate, bank fees and price controls, and negative effective rates. In addition, the sanctions imposed by the United States, other American countries and the European Union on PDVSA and other Venezuelan entities have imposed limitations to international correspondents to operate with Venezuelan entities. These economic conditions cause an impact on business operations and conditions in the country by increasing the exposure of entities and banks to different financial risks.

The BCV has implemented certain monetary policy measures to reduce inflationary and exchange rate pressures, which have a direct impact on the banking sector since they involve relevant measures of monetary liquidity restrictions and automated and discretionary foreign exchange intervention by BCV, which significantly limit the credit intermediation, limit the free availability of cash and generate significant operating costs. Additionally, the stabilization of the exchange rate used as reference for determining the IDI in the loan portfolio and within an environment or restrictions in lending interest rates, has an impact on the capacity of banks to generate financial income from their loan portfolio.

Considering these challenges, the Bank has created mechanisms to monitor these risks, reviews its business model, as deemed appropriate, and has created allowances to cover general risks inherent in the Venezuelan banking sector.

In this context, an overview of the Bank's exposure to risks is shown below:

#### **Market risk**

Market risk arises in a financial institution when market conditions change adversely, affecting the liquidity and value of the financial instruments that the Bank holds in investment portfolios or in contingent positions, including derivative operations, resulting in a loss for the institution. This risk is fundamentally concentrated in two areas: price risk (within which interest rate risk, currency risk and stock value risk are disaggregated) and liquidity risk.

#### **Exchange rate risk**

Exchange rate risk is the risk that the value of a financial instrument will fluctuate due to changes in currencies. The Bank has significant operations in U.S. dollars. Also, when the Bank identifies a market opportunity, in the short or medium term, investments could be placed in foreign exchange instruments, mainly in US dollars.

The Bank maintains transactions recognized in assets and liabilities denominated in currency other than the bolivar and it has a foreign currency denominated asset position, mainly in a currency less volatile than the reporting currency. The assets of the Cayman Islands Branch, whose functional currency is the US dollar, account for 60.33% of total assets of the Bank. The bank deposits in foreign currency received under the Foreign Exchange Agreement N° 20 are placed in foreign banks in the same currency shown as Cash and due from banks (Note 9).

#### **Price risk**

Financial assets are mainly maintained in cash, deposits in BCV, domestic and foreign banks, and in obligations in foreign companies, which are classified as held-to-maturity investment securities, and restricted cash investments

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

that in the aggregate account for 81.04% (89%, at December 31, 2021) of the Bank's assets. These assets are substantially independent from price fluctuations so the Bank has limited exposure to this risk. The Bank does not use hedging instruments to manage its exposure to price risk.

**Liquidity risk**

This risk arises when the Bank is not able to meet obligations associated with financial liabilities that are settled, by delivering cash or other financial assets. The Bank reviews its cash funds available, current accounts, loans and guarantees on a daily basis. The Bank's investment strategy is aimed at ensuring the appropriate level of liquidity. The Bank keeps its investments largely on demand and/or with short-term maturities for liquidity risk management and makes cash flow forecasts to evaluate liquid assets available and financing needs.

**Credit risk**

The Bank assumes credit risk exposure as the risk that a counterparty will not be able to pay the debts incurred in full, by the maturity date. Credit risk exposure is monitored by the Bank through a regular analysis of borrowers' ability to repay. The Bank structures the level of credit risk by placing limits, in relation to a borrower or group of borrowers.

**Operational risk**

The Bank assumes exposure to operational risk as the risk of direct or indirect losses resulting from inadequate internal processes, human error, or systems failures and as a result of external events.

The Bank's operational risk measurement structure is carried out through two approaches: qualitative and quantitative. The first approach is based on the identification and analysis of risks before events associated with them occur; and the second approach is based mainly on the collection of events occurred and the experience obtained from them.

**3. Cash and due from banks**

The cash account is composed as follows (in bolivars, except for US dollar amounts):

	Notes	June 30, 2022	December 31, 2021
Bills and foreign currency	21	10,518,245	4,015,568
Bills and local currency		8,494,067	8,333,678
Gold in coins	21	8,974,238	4,533,376
Foreign Exchange Market of Free Convertibility		53,408	430,782
		<u>28,039,958</u>	<u>17,313,404</u>

The BCV account is composed as follows:

	Notes	June 30, 2022	December 31, 2021
Legal reserve		50,454,701	55,209,079
Foreign currency acquired to be traded		1,173,353	1,318,996
Bills and foreign currency equivalent to US\$ 5,337,150 (US\$ 878,627 at December 2021) and € 1,649 under the custody of the BCV to be traded under the foreign exchange intervention mechanism and other		33,190,302	4,029,126
Demand deposits		39,574,354	17,982
		<u>124,392,710</u>	<u>60,575,183</u>



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

The BCV, in accordance with its legal powers, determines the amount corresponding to the legal reserve in bolivars to be maintained in the single account in that institution, according to resolutions issued to this purpose.

The BCV through Resolution N° 22-01-01 dated January 27, 2022, published in the Official Gazette dated February 4, 2022, establishes that banks shall maintain a minimum legal reserve of 73% (85% at December 2021) on net obligations and transferred investments and establishes at 31% the legal reserve for foreign currency deposits. It also establishes that in the event that the Bank presents a legal reserve deficit, it will incur a daily financial cost (COFIDE). The annual base interest rate that banks will pay for the legal reserve deficit will be 9 percentage points additional to the rate set by the BCV in its regular discount, rediscount and advance operations. This rate shall be increased in accordance with the assumptions indicated below:

- a) additional 2 percentage points, if a legal reserve deficit is incurred, between 3 and 7 times in 30 days
- b) additional 4 percentage points, if a legal reserve deficit is incurred more than 8 times in a period of 30 continuous days, counted from the day on which the first default occurred.

Banking institutions that fail to sell the foreign currencies assigned under the foreign exchange intervention system shall be charged an annual rate of 32.2% (25% at December 2021) on the unsold balance in purchase-sale transactions, from the date of the execution of the foreign exchange intervention and for each day on which the legal reserve deficit occurred.

Bank deposits in foreign currency derived from the alternative foreign exchange system under the superseded Foreign Exchange Agreement N° 20 and the Foreign Exchange Market System under the current Foreign Exchange Agreement N° 1, are excluded from the calculation of the legal reserve in foreign currency and are equivalent to 31% of bank deposits in foreign currency, as provided by BCV's Resolution 21-01-01. However, these bank deposits may not be destined to financial intermediation, unless as authorized by SUDEBAN, and accordingly are totally maintained in bank accounts and/or in cash in the same currency in which they originate (Note 9). During the six-month period ended June 30, 2022, the Bank received financial charges from BCV for Bs 131,491 (Bs 4,660,131 at December 31, 2021) for interest on legal reserve deficit, variation of IDI and the penalty of legal reserve derived from the foreign exchange intervention mechanism shown under "Other operating expenses".

The legal reserve required by BCV amounts to Bs 50,454,701 (Bs 55,209,079, at December 31, 2021), and the Bank maintained balances available in BCV to cover such legal reserve. During the first half of 2022, the Bank presented a legal reserve deficit in the months of January of 15 days, in February of 8 days and in June of 1 day.

#### **4. Investment securities**

Investment securities are composed as follows:

	Notes	June 30, 2022	December 31, 2021
Placement in other domestic financial institutions		7,663,000	-
Held-to-maturity investment securities		99,132,067	133,398,503
Restricted cash investment securities		33,431,400	27,713,672
		<u>140,226,467</u>	<u>161,112,175</u>

##### **a) Held-to-maturity investment securities**

"Held-to-maturity investment securities" mainly correspond to debt securities for which the Bank has the intention and capacity of holding until maturity. The following is a detail of such held-to-maturity investment securities, at June 30, 2022 and December 31, 2021:

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

	June 30, 2022			December 31, 2021		
	Acquisition cost	Amortized cost/ carrying value	Fair value	Acquisition cost	Amortized cost/ carrying value	Fair value
<b>Obligations issued by foreign financial institutions</b>						
Morgan Stanley, with nominal value of US\$1,975,000, annual interest rates between 3.125% and 4.875% and due between November 2022 and January 2023, at June 2022 and December 2021	11,407,423	10,991,519	10,933,489 (1)	9,471,402	9,198,272	9,304,872 (1)
Société Générale, S.A., with nominal value of US\$ 1,600,000, annual interest rate of 5% and due in January 2024, at June 2022 and December 2021	9,711,822	9,232,428	8,882,502 (2)	8,063,571	7,770,558	7,813,357 (2)
Bank of America, N.A. with nominal value of US\$1,550,000, annual interest rate of 4.183% and due in November 2027, at June 2022 and December 2021	9,910,768	9,612,419	8,332,941 (3)	8,228,753	8,061,104	7,781,601 (3)
Barclays Bank PLC, with nominal value of US\$1,500,000, annual interest rates between 4.375% and 5.2%, and due between January and May 2026, at June 2022 and December 2021	9,489,387	9,075,896	8,221,762 (2) (3)	7,878,887	7,624,898	7,574,052 (2) (3)
Standard Chartered PLC REGS, with nominal value of US\$1,629,000, annual interest rate of 5.7% and due in January 2022, at December 2021	-	-	-	7,965,116	7,486,203	7,490,560 (1)
Wells Fargo & CO, with nominal value of US\$500,000, annual interest rate of 4.1% and due in June 2026 (with nominal value of US\$1,500,000, annual interest rates between 3.069% and 4.1% and due between January 2023 and June 2026, at December 2021)	3,153,748	3,030,126	2,719,471 (2)	7,313,584	7,168,717	7,129,101 (2)
BPCE SA REGS, with nominal value of US\$500,000, annual interest rate of 4.625% and due in July 2024 (with nominal value of US\$1,500,000, annual interest rates between 3% and 4.625% and due between May 2022 and July 2024 at December 2021)	3,084,086	2,932,241	2,745,291 (4)	7,252,332	7,071,999	7,080,355 (4)
Bayer US Finance II LLC, with nominal value of US\$1,350,000, annual interest rate of 2.850% and due in April 2025, at June 2022 and December 2021	7,914,360	7,741,997	7,151,172 (3)	6,571,167	6,470,180	6,322,314 (3)
Harley-Davidson Financial Services INC REGS, with nominal value of US\$1,000,000, annual interest rate of 3.350% and due in June 2025, at June 2022 and December 2021	5,806,319	5,700,758	5,325,758 (5)	4,820,894	4,758,111	4,810,200 (5)
Citigroup (annual interest rate of 2.750%, nominal value of US\$1,000,000 and due in April 2022).	-	-	-	4,659,303	4,595,113	4,610,520 (4)
General Motors Financial Company INC, with nominal value of US\$1,000,000, annual interest rate of 3.450% and due in April 2022, at December 2021	-	-	-	4,701,221	4,599,845	4,599,739 (4)
Ford Motor Credit, with nominal value of US\$1,000,000, annual interest rate of 3.339% and due in March 2022, at December 2021	-	-	-	4,653,346	4,598,364	4,593,732 (4)
General Electric, with nominal value of US\$1,000,000, annual interest rate of 1.7149% (0.56% at December 2021) and due in May 2026, at June 2022 and December 2021	5,456,782	5,494,993	5,254,361 (1)	4,530,679	4,559,403	4,510,501 (1)
	<u>65,934,695</u>	<u>63,812,377</u>	<u>59,566,747</u>	<u>86,110,255</u>	<u>83,962,767</u>	<u>83,620,904</u>

**Custodian of investments**

- (1) Brown Brothers Harriman
- (2) Venecredit Securities
- (3) Amerant Bank
- (4) Raymond James & Associates Inc
- (5) Sabadell



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

	June 30, 2022			December 31, 2021		
	Acquisition cost	Amortized cost/ carrying value	Fair value	Acquisition cost	Amortized cost/ carrying value	Fair value
<b>Obligations issued by foreign private nonfinancial entities-</b>						
Molson Coors Beverage Company, with nominal value of US\$1,000,000, annual interest rate of 3% and due in July 2026 (with nominal value of US\$2,500,000, annual interest rates between 3% and 3.5% and due between May 2022 and July 2026, at December 2021)	5,940,822	5,817,668	5,187,587 (4)	12,031,244	11,769,208	11,737,988 (4)
Ralph Lauren Corp, with nominal value of US\$1,500,000, annual interest rate of 3.750% and due in September 2025, at June 2022 and December 2021	8,758,465	8,571,556	8,258,449 (5)	7,272,014	7,153,593	7,416,808 (5)
Kraft Heinz Food (annual interest rate of 3.5%, nominal value of US\$1,500,000 and due in June 2022).	-	-	-	7,127,051	6,924,839	6,946,933 (1)
Micron Technology INC, with nominal value of US\$1,000,000, annual interest rate of 4.975% and due in February 2026, at June 2022 and December 2021	6,470,262	6,177,210	5,582,486 (2)	5,372,156	5,203,489	5,091,510 (2)
AT&T with nominal value of US\$1,000,000, annual interest rate of 4.450% and due in April 2024, at December 2021	-	-	-	5,006,294	4,829,515	4,895,426 (4)
Walgreens Boots Alliance INC, with nominal value of US\$1,000,000, annual interest rate of 3.450% and due in June 2026, at June 2022 and December 2021	6,119,383	5,930,470	5,370,787 (4)	5,080,826	4,966,733	4,881,669 (4)
General Motors Company, with nominal value of US\$490,000, interest rate of 6.125% and due in October 2025, at June 2022 and December 2021	3,189,914	3,024,692	2,799,693 (2)	2,648,535	2,551,597	2,582,317 (2)
CVS Health Corp, with nominal value of US\$500,000, annual interest rate of 2.750% and due in December 2022, at June 2022 and December 2021	2,822,846	2,770,635	2,764,981 (5)	2,343,764	2,309,298	2,324,976 (5)
Dell International LLC, nominal value of US\$280,000, annual interest rate of 5.450% and due in June 2023, at June 2022 and December 2021	1,705,283	1,602,721	1,562,075 (4)	1,415,869	1,354,870	1,354,590 (4)
Dupont de Nemours INC, with nominal value of US\$250,000, annual interest rate of 4.205% and due in November 2023, at June 2022 and December 2021	1,492,054	1,424,738	1,389,844 (1)	1,238,829	1,196,076	1,212,443 (1)
Viacom INC, with nominal value of US\$250,000, annual interest rate of 3.875% and due in April 2024, at December 2021	-	-	-	1,198,337	1,176,518	1,208,192 (1)
	<u>36,499,029</u>	<u>35,319,690</u>	<u>32,915,902</u>	<u>50,734,919</u>	<u>49,435,736</u>	<u>49,652,852</u>
	<u>102,433,724</u>	<u>99,132,067</u>	<u>92,482,649</u>	<u>136,845,174</u>	<u>133,398,503</u>	<u>133,273,756</u>

**Custodian of investments**

- (1) Brown Brothers Harriman
- (2) Venecredit Securities
- (3) Amerant Bank
- (4) Raymond James & Associates Inc
- (5) Sabadell

During the six-month period ended June 30, 2022, the Bank recorded losses from amortization of premiums for Bs 1,274,458 (Bs 1,394,795, at December 2021), which are shown under "Other operating expenses" (Note 15).

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

Maturities of held-to-maturity investment securities are as follows:

	Notes	June 30, 2022		December 31, 2021	
		Carrying value	Fair value	Carrying value	Fair value
Due within one year		15,364,875	15,260,545	44,252,290	44,382,670
Due after one year through five years		74,154,773	68,979,777	81,085,109	81,109,487
Due after five years		9,612,419	8,332,941	8,061,104	7,781,599
		<u>99,132,067</u>	<u>92,573,263</u>	<u>133,398,503</u>	<u>133,273,756</u>

**b) Restricted cash investments**

Restricted cash investments are composed as follows:

		June 30, 2022		December 31, 2021	
	Notes	Carrying value	Fair value	Carrying value	Fair value
<b>Cash and Certificates of deposit</b>					
JP Morgan Chase Bank, with nominal value of US\$5,456,063 (US\$5,446,356 at December 31, 2021)		30,134,151	30,134,151	24,975,393	24,975,393
PNC Bank, with nominal value of US\$516,669 (US\$ 515,982 at December 31, 2021)		2,853,592	2,853,592	2,366,142	2,366,142
		32,987,743	32,987,743	27,341,535	27,341,535
<b>Restricted funds delivered to trust-</b>					
Trust fund of Fondo social para contingencias, maintained in Banco exterior, Banco Universal	14 b)	3	3	3	3
<b>Other restricted cash investments-</b>					
MasterCard, Inc. (22,940 class "B" shares, nominal value of US\$0.0001 for US\$70,574).		389,785	389,785	323,632	323,632
Swift 2 shares, nominal value of € 4,665 each.		53,869	84,005	48,502	62,953
		443,657	473,793	372,137	386,588
		33,431,400	33,461,536	27,713,672	27,728,123

Restricted cash investments include term deposits maintained in foreign financial institutions intended to guarantee those transactions related to the license contract on the nonexclusive and free use of the MASTERCARD and VISA trademarks in the credit cards.

The shares of MasterCard Incorporated were received by the Bank as a consequence of the conversion of said entity into a company in May 2006. MasterCard Inc.'s class B common shares can only be held by Class A shareholders.

The trust fund of Fondo Social para Contingencias was created in compliance with the Law on Banking Sector Institutions to guarantee employees the payment of their labor liabilities in case that the liquidation of the bank is agreed. At June 30, 2022, there was a cash contribution for Bs. 3 in order to comply with the limit amount of 10% of the capital stock.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

**c) Concentration of operations**

The Bank has focused its investing activities on the following:

Notes	June 30, 2022		December 31, 2021	
	Carrying value	%	Carrying value	%
Obligations issued by diverse foreign financial entities	63,812,377	46.00%	83,962,767	52.00%
Foreign private nonfinancial entities	35,319,690	25.00%	49,435,736	31.00%
Term deposits in local financial institutions	7,663,000	5.00%		
Term deposits in foreign financial institutions-				0.00%
JP Morgan Chase Bank (VISA)	30,134,151	21.00%	24,975,393	16.00%
Other	3,243,377	3.00%	2,689,774	1.00%
	140,172,595	100.00%	161,063,670	100.0%
Swift shares and other	53,872	0.00%	48,505	0.0%
	140,226,467	100.00%	161,112,175	100.0%

The Cayman Islands Branch maintains placements and obligations issued by financial institutions and diverse foreign private entities, denominated in U.S. dollars, which do not exceed 8% of the portfolio. Obligations issued by financial and nonfinancial entities are maintained with entities listed on the New York Stock Exchange.

**5. Loan portfolio**

The loan portfolio, which is consolidated with the foreign Branch, is classified as follows:

	June 30, 2022			December 31, 2021		
	Current	Past-due	Total	Current	Past-due	Total
<b>By type of economic activity - Operations in Venezuela</b>						
Agriculture and fishing	9,033,918	221,062	9,254,980	8,253,173	217,022	8,470,195
Manufacturing industry	5,148,200	-	5,148,200	4,272,875	-	4,272,875
Wholesale and retail trade, restaurants and hotels	5,011,620	-	5,011,620	5,020,535	-	5,020,535
Community-based, social and personal services	3,543,052	857	3,543,909	2,750,538	-	2,750,538
Construction, engineering and related services	130,332	-	130,332	105,859	-	105,859
Financial establishments, insurance, real estate	2,025,937	3	2,025,940	3,025	-	3,025
Transportation, warehouse, communication and other services	956,199	-	956,199	10	-	10
	25,849,258	221,922	26,071,180	20,406,015	217,022	20,623,037
<b>By type of economic activity - Operations in Cayman Islands Branch</b>						
Wholesale and retail trade, restaurants and hotels	8,951,036	-	8,951,036	4,260,888	-	4,260,888
Community-based, social and personal services	8,513,998	-	8,513,998	4,187,961	-	4,187,961
Agriculture and fishing	15,918,833	-	15,918,833	4,565,071	-	4,565,071
Manufacturing industry	8,704,339	-	8,704,339	5,319,420	-	5,319,420
Transportation, warehouse, communication and other	7,290,436	-	7,290,436	-	-	-
	49,378,642	-	49,378,642	18,333,340	-	18,333,340
	75,227,900	221,922	75,449,822	38,739,355	217,022	38,956,377
Allowance for loan portfolio	-	-	(1,427,102)	-	-	(721,029)
	75,227,900	221,922	74,022,720	38,739,355	217,022	38,235,348

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

**By type of guarantee - Operations in Venezuela**

Guarantees	17,750,356	221,062	17,971,418	14,742,006	216,922	14,958,928
Pledge	2,192,966	-	2,192,966	985,354	-	985,354
Mortgage and guarantee	407	-	407	1,427	-	1,427
Unsecured	5,905,529	860	5,906,389	4,677,228	100	4,677,328
Total	25,849,258	221,922	26,071,180	20,406,015	217,022	20,623,037

**By type of guarantee - Operations in Cayman Islands Branch**

Guarantees	24,271,670	-	24,271,670	11,820,806	-	11,820,806
Pledge	13,961,114	-	13,961,114	1,456,792	-	1,456,792
Unsecured	11,145,858	-	11,145,858	5,055,742	-	5,055,742
	49,378,642	-	49,378,642	18,333,340	-	18,333,340
	75,227,900	221,922	75,449,822	38,739,355	217,022	38,956,377

**By maturity - Operations in Venezuela**

Due within 30 days	14,138,965	-	14,138,965	9,202,311	100	9,202,411
Due after 31 through 60 days	1,888,878	860	1,889,738	2,879,018	-	2,879,018
Due after 61 through 90 days	4,984,983	-	4,984,983	4,075,023	-	4,075,023
Due after 91 through 180 days	863,597	-	863,597	1,436,896	-	1,436,896
Due after 181 through 360 days	1,722,607	221,062	1,943,669	2,811,306	216,922	3,028,228
Due after 360 days	2,250,228	-	2,250,228	1,461	-	1,461
	25,849,258	221,922	26,071,180	20,406,015	217,022	20,623,037

**By maturity - Operations in Cayman Islands Branch**

Due after 61 through 90 days	17,651,693	-	17,651,693	15,843,617	-	15,843,617
Due after 91 through 180 days	12,184,556	-	12,184,556	998,194	-	998,194
Due after 181 through 360 days	11,775,132	-	11,775,132	1,491,529	-	1,491,529
Due after 360 days	7,767,261	-	7,767,261	-	-	-
	49,378,642	-	49,378,642	18,333,340	-	18,333,340
	75,227,900	221,922	75,449,822	38,739,355	217,022	38,956,377

**By type of loan - Operations in Venezuela**

Fixed-term loans	21,508,824	221,061	21,729,885	18,577,431	217,022	18,794,453
Installment loans	4,336,390	-	4,336,390	1,820,504	-	1,820,504
Consumer loans	4,045	8	4,053	8,057	-	8,057
Current account loans	-	852	852	23	-	23
	25,849,259	221,921	26,071,180	20,406,015	217,022	20,623,037

**By type of loan - Operations in Cayman Islands Branch**

Fixed-term loans	40,241,721	-	40,241,721	17,742,330	-	17,742,330
Installment loans	9,136,921	-	9,136,921	591,010	-	591,010
	49,378,642	-	49,378,642	18,333,340	-	18,333,340
	75,227,901	221,921	75,449,822	38,739,355	217,022	38,956,377

Regulatory portfolios are composed as follows:

							June 30, 2022
Activity	Maintained balance	Maintained %	Required %	Number of debtors	Number of loans	Maximum annual interest rate %	Calculation basis
National Single Productive Portfolio							
Agriculture	<u>6,489,149</u>	28.45	25.00	5	6	6	Gross loan portfolio at June 30, 2022
Microcredits	<u>725,205</u>	4.33	3.00	44	44	16	Gross loan portfolio at June 30, 2022

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

							December 31, 2021
Activity	Maintained balance	Maintained %	Required %	Number of debtors	Number of loans	Maximum annual interest rate %	Calculation basis
National Single Productive Portfolio							
Agriculture	<u>3,711,226</u>	23.80	10.00	5	5	2.00	Gross loan portfolio at December 31, 2021
Microcredits	<u>673,711</u>	4.32	3.00	45	47	10.00	Gross loan portfolio at December 31, 2021

SUDEBAN, through Circular SIB-DSB-CJ-OD-00712 dated February 11, 2022, instructs that banks may grant loans in bolivars with the funds provided from the deposits in foreign currency, up to a maximum of 10% of said deposits recorded within Current accounts, according to the Foreign Exchange Market System of Free Convertibility as of January 21, 2022, which must be offered by the bank in the foreign exchange market system, for subsequent settlement in bolivars under the different types of loans provided for in the Law of Banking Sector Institutions and complementary regulations, and which must be measured and expressed only through the use of UVC. Likewise, banks that intend to conclude the aforementioned loan operations must send a contract proposal to SUDEBAN for subsequent approval.

**Allowance for loan portfolio**

The Bank maintains allowances for contingencies of the loan portfolio that exceed the minimum requirements established by SUDEBAN. The movement of the allowance for loan portfolio is shown below:

	Notes	June 30, 2022	December 31, 2021
Balances, at the beginning of six-month period		721,029	340,652
Add: Increase in allowance-			
Charged to income		627,182	379,223
Charged to equity		81,124	1,167
Less: Decrease in allowance-			
Debits for bad accounts		(2,233)	-
Transfers to Allowance for accrued interest receivable		-	(13)
Balances, at the end of six-month period		<u>1,427,102</u>	<u>721,029</u>

The allowance for loan portfolio consolidated at June 30, 2022 for Bs 1,427,102 (Bs 721,029 at December 2021) includes general and counter-cyclical allowances for a total amount of Bs 1,327,624 (Bs 688,482, at December 2021).

The increase in allowance for loan portfolio includes the increase in the counter-cyclical allowance for Bs 273,316 charged to income for the six-month period presented within "Expenses for uncollectible and impaired financial assets" (Bs 160,584, at December 31, 2021) and Bs 81,124 charged to equity, presented within "Equity adjustments", as allowed by Resolution N° 070.19 of SUDEBAN dated December 20, 2019 (Bs 1,167, at December 2021).

The non-interest bearing past-due portfolio amounts to Bs 221,922 (Bs 217,022 at December 31, 2021).

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

**6. Financial statements of the foreign branch**

At June 30, 2022 and December 31, 2021, the Branch has an assigned capital of US\$13,500,000, which comes from contributions made by the Bank and approved at the Board of Directors' meetings. Below is a summary of the financial statements of the Cayman Islands Branch, which have been integrated with the financial statements of the Bank:

	June 30, 2022		December 31, 2021	
	US\$	Equivalent in bolivars	US\$	Equivalent in bolivars
<b>Assets:</b>				
Cash and due from banks	18,466,058	101,989,105	13,108,576	60,112,091
Investment securities	23,931,260	132,173,731	35,062,977	160,788,540
Loan portfolio	8,940,454	49,378,644	3,997,931	18,333,338
Interest and commissions receivable	250,346	1,382,675	295,839	1,356,630
Other assets	2,404,880	13,282,291	6,138	28,147
	<u>53,992,998</u>	<u>298,206,446</u>	<u>52,471,461</u>	<u>240,618,746</u>
<b>Memorandum accounts:</b>				
Other debit memorandum accounts	<u>9,005,344</u>	<u>49,737,035</u>	<u>2,936,567</u>	<u>13,466,236</u>
<b>Liabilities:</b>				
Bank deposits	33,034,143	182,449,480	32,697,760	149,942,346
Accruals and other liabilities	<u>369,689</u>	<u>2,041,814</u>	<u>748,028</u>	<u>3,430,230</u>
	33,403,832	184,491,294	33,445,788	153,372,576
Allocated capital and accumulated surplus	<u>20,589,166</u>	<u>113,715,153</u>	<u>19,025,673</u>	<u>87,246,170</u>
	<u>53,992,998</u>	<u>298,206,447</u>	<u>52,471,461</u>	<u>240,618,746</u>
<b>Per contra memorandum accounts:</b>				
Other credit memorandum accounts	<u>9,005,344</u>	<u>49,737,035</u>	<u>2,936,567</u>	<u>13,466,236</u>
<b>Statements of income:</b>				
Financial income	753,621	4,162,292	622,200	2,853,226
Financial expenses	<u>(1,538)</u>	<u>(8,494)</u>	<u>(1,409)</u>	<u>(6,459)</u>
	<u>752,083</u>	<u>4,153,798</u>	<u>620,791</u>	<u>2,846,767</u>
Other operating income	921,878	5,091,585	651,577	2,987,940
Other operating expenses	<u>(360,608)</u>	<u>(1,991,659)</u>	<u>(432,161)</u>	<u>(1,981,766)</u>
Operating expenses	<u>(111,101)</u>	<u>(613,617)</u>	<u>(100,064)</u>	<u>(458,857)</u>
Other income or expenses, net	<u>361,230</u>	<u>1,995,092</u>	<u>9,314</u>	<u>42,713</u>
	<u>811,399</u>	<u>4,481,401</u>	<u>128,666</u>	<u>590,030</u>
Net income for the six-month period	<u>1,563,482</u>	<u>8,635,199</u>	<u>749,457</u>	<u>3,436,797</u>

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

**7. Premises and equipment**

Premises and equipment are composed as follows:

	Computers	Office equipment	Vehicles	Furniture	Total
Cost					
Balance at June 30, 2021	15,544	210,195	2,097	56	227,892
Additions	1,413,080	534,558	-	-	1,947,638
	<u>1,428,624</u>	<u>744,753</u>	<u>2,097</u>	<u>56</u>	<u>2,175,530</u>
Depreciation					
Balance at June 30, 2021	(850)	(16,273)	(1,041)	(56)	(18,220)
Expense for the six-month period	(133,057)	(61,428)	(262)	-	(194,747)
	<u>(133,907)</u>	<u>(77,701)</u>	<u>(1,303)</u>	<u>(56)</u>	<u>(212,967)</u>
Balance at December 31, 2021	<u>1,294,717</u>	<u>667,052</u>	<u>794</u>	<u>-</u>	<u>1,962,563</u>
Cost					
Balance at December 31, 2021	1,428,624	744,753	2,097	56	2,175,530
Additions	460,604	224,239	-	22,322	707,165
	<u>1,889,228</u>	<u>968,992</u>	<u>2,097</u>	<u>22,378</u>	<u>2,882,695</u>
Depreciation					
Balance at December 31, 2021	(133,907)	(77,701)	(1,303)	(56)	(212,967)
Expense for the six-month period	(186,943)	(102,413)	(262)	-	(289,618)
	<u>(320,850)</u>	<u>(180,114)</u>	<u>(1,565)</u>	<u>(56)</u>	<u>(502,585)</u>
Balance at June 30, 2022	<u>1,568,378</u>	<u>788,878</u>	<u>532</u>	<u>22,322</u>	<u>2,380,110</u>

During the six-month period ended June 30, 2022, the Bank recognized expenses for depreciation of premises and equipment amounting to Bs 289,618 (Bs 194,747, for the six-month period ended December 31, 2021), which are reported as "General and administrative expenses" under "Operating expenses".

**8. Other assets**

Other assets are composed as follows:

	Notes	June 30, 2022	December 31, 2021
Prepaid expenses:			
Prepaid taxes		1,400,536	2,345,611
Prepaid professional fees		1,182,818	2,166,692
Prepaid maintenance contracts		2,251,569	1,449,949
Advances to suppliers for sundry services		810,003	931,786
Prepaid insurance premiums		<u>904,138</u>	<u>228,510</u>
		6,549,064	7,122,548
Advances to suppliers		2,300,011	2,275,638
Accounts receivable from other banks for P2P operations		3,555	2,168,066
Items to be applied		1,437,576	2,145,806
Recoverable expenditures		963,046	1,370,709
Cost of foreign currencies acquired in point-of-sale terminals for US\$398,419 (US\$171,594 at December 2021)		2,200,491	783,643
Deferred expenses		1,104,049	331,070
Other		<u>1,002,643</u>	<u>378,782</u>
		15,560,435	16,576,262
Allowances for other assets		<u>(8,207)</u>	<u>(6,169)</u>
		<u>15,552,228</u>	<u>16,570,093</u>

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

Prepaid taxes are mainly composed of: (i) prepaid income taxes as special taxpayers for Bs 1,107,067 ( Bs 2,291,514, at December 2021), (ii) value-added tax credits for Bs 31,310 ( Bs 47,948, at December 2021) and (iii) taxes paid by the Branch for the annual operating license in the Cayman Islands for Bs 202,063 at June 2022.

Prepaid technological maintenance contracts and other are mainly composed of maintenance and support services of technological platform equipment and renewal of software and internet service licenses for a one-year period.

Advances to suppliers for sundry services are composed of maintenance services and repairs paid in advance to suppliers, which are amortized to the extent the contracted good or service is received.

Prepaid insurance premiums are composed of advance payments for the financial crime policy, the hedging of which reaches the following period.

Advances to suppliers are composed of payments made to suppliers for acquired goods and services that have not been received.

Items to be applied and accounts receivable are composed of accounts receivable for transactions of customers with debit and credit cards and differences to be offset, which were mostly applied to the corresponding accounts during the first days of the month following the year-end.

Recoverable expenditures are mainly composed of Bs 715,694 (Bs 1,287,295, at December 2021), resulting from the net loss from debit and credit notes made unilaterally by the BCV in the single account maintained by the Bank in the BCV, shown under Cash and due from banks for the difference between the discretionary exchange rate applied in the charges and credits received in applying the foreign exchange intervention mechanism provided by Resolutions N° 19-01-04 and N° 19-05-03 issued by the BCV (Note 19). During the six-month period ended June 30, 2019, the Bank filed a request for an annulment with request of precautionary measure for the suspension of effects against such resolutions and based on the opinion of its legal advisors on the unconstitutionality of such measure, the Bank has recognized such net deductions as recoverable expenditures as these are not purchase-sale transactions of foreign currencies for the Bank and it expects their recovery. Expenses incurred in the penalty of legal reserve, as applied by BCV, derived from the foreign exchange intervention mechanism, as explained in Note 3 are charged to income, in compliance with the instructions of SUDEBAN through official communication N° SIB-II-GGIBPV-GIBPV6-02729 dated May 22, 2020.

During the six-month period ended June 30, 2022, Bs 688,087 (Bs 58,734, at December 2021) were amortized for recoverable expenditures aged over one year. During the first half of 2022 no charges were made for penalty derived from the foreign exchange intervention mechanism, and for the second half of 2021 Bs 174,802 were recorded shown under Other operating expenses.

Cost of foreign currencies acquired in point-of-sale terminals corresponds to consumptions made in commercial establishments by individuals with international debit and credit cards in foreign currency, through points of sale. Such foreign currencies are available to be sold to the Bank's customers, as allowed by the BCV through communication dated May 14, 2019. During the six-month period ended June 30, 2022, the Bank sold US\$ 6,897,491 (US\$ 2,077,445 at December 31, 2021) and accordingly, it has recognized realized net exchange gains for Bs 564,872 (Bs 64,268 at December 31, 2021).



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

The movement of Deferred expenses is shown below:

	Licenses	Monetary reconversion software	Leasehold improvements	Other software	Monetary reconversion advertising	Other	Total
<b>Cost</b>							
Balance at December 31, 2021	236,663	79,351	16,859	14,864	11,204	-	358,941
Additions	60,701	15,549	15,430	-	-	764,202	855,882
Disposals	-	-	-	-	-	-	-
	<u>297,364</u>	<u>94,900</u>	<u>32,289</u>	<u>14,864</u>	<u>11,204</u>	<u>764,202</u>	<u>1,214,823</u>
<b>Amortization</b>							
Balance at December 31, 2021	(21,950)	(2,148)	(364)	(2,787)	(622)	-	(27,871)
Expenses for the six-month period	(29,629)	(9,231)	(2,589)	(1,858)	(1,868)	(37,728)	(82,903)
Disposals	-	-	-	-	-	-	-
	<u>(51,579)</u>	<u>(11,379)</u>	<u>(2,953)</u>	<u>(4,645)</u>	<u>(2,490)</u>	<u>(37,728)</u>	<u>(110,774)</u>
Balance at June 30, 2021	<u>245,785</u>	<u>83,521</u>	<u>29,336</u>	<u>10,219</u>	<u>8,714</u>	<u>726,474</u>	<u>1,104,049</u>
<b>Cost</b>							
Balance at June 30, 2021	30,101	-	55	14,864	-	76	45,096
Additions	206,836	79,351	16,804	-	11,204	-	314,195
Disposals	(274)	-	-	-	-	(76)	(350)
	<u>236,663</u>	<u>79,351</u>	<u>16,859</u>	<u>14,864</u>	<u>11,204</u>	<u>-</u>	<u>358,941</u>
<b>Amortization</b>							
Balance at June 30, 2021	(6,346)	-	(7)	(929)	-	(76)	(7,358)
Expenses for the six-month period	(15,878)	(2,148)	(357)	(1,858)	(622)	-	(20,863)
Disposals	274	-	-	-	-	76	350
	<u>(21,950)</u>	<u>(2,148)</u>	<u>(364)</u>	<u>(2,787)</u>	<u>(622)</u>	<u>-</u>	<u>(27,871)</u>
Balance at December 31, 2021	<u>214,713</u>	<u>77,203</u>	<u>16,495</u>	<u>12,077</u>	<u>10,582</u>	<u>-</u>	<u>331,070</u>

During the six-month period ended June 30, 2022, the Bank made disbursements for Bs 855,882 (Bs 314,195, at December 2021) for security management software, collaborative enterprise support, perpetual licenses, development of customization system software and office improvements. In addition, this item includes the recognition of Expenses for monetary reconversion for advisory and development of software.

The Bank recorded amortization expenses of deferred charges for a total amount of Bs 82,903 (Bs 20,863, at December 2021).

The Bank provisions other assets based on the particular analysis of recovery and aging made in conformity with SUDEBAN's standards. The movement of the allowance for other assets is shown below:

	Notes	June 30, 2022	December 31, 2021
Balances, at the beginning of the six-month period		(6,169)	(4,326)
Add: Additions with charge to expenses, except for those referred to the exchange rate fluctuation effects for the valuation of foreign currency balances, shown in equity		(2,038)	(1,843)
Balances, at the end of the six-month period		<u>(8,207)</u>	<u>(6,169)</u>

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

**9. Bank deposits**

Bank deposits are composed as follows:

	Notes	June 30, 2022	December 31, 2021
<b>Demand deposits</b>			
Noninterest-bearing current accounts		72,498,129	44,705,371
Interest-bearing current accounts		224,686,056	172,482,180
Current accounts under the Foreign Exchange Agreement N° 20, equivalent to US\$290,640 (equivalent to US\$311,998 at December 2021)	3 and 20	1,605,222	1,430,729
Demand deposits and certificates		4,383,643	1,856,678
		<u>303,173,050</u>	<u>220,474,958</u>
<b>Other demand obligations</b>			
Cashier's checks sold		395,976	5,851,733
Trust obligations		3,176,672	2,658,431
Drafts and transfers payable		4,603,495	2,766,535
Other		282,925	169,945
		<u>8,459,068</u>	<u>11,446,644</u>
Savings deposits		<u>5,756,400</u>	<u>3,988,158</u>
Restricted bank deposits, including US\$1,820,929 of customers of the Branch (US\$703,649 at December 2021), which guarantee loan transactions		10,176,642	3,241,660
		<u>327,565,160</u>	<u>239,151,420</u>

Individuals and private sector legal entities account for 99% of bank deposits.

At June 30, 2022 and December 31, 2021, the current accounts, according to the Foreign Exchange Market System of Free Convertibility correspond to bank deposits in foreign currency maintained in Venezuela, as provided by the Foreign Exchange Agreement N° 1.

Deposits of the Cayman Islands Branch are susceptible to the Venezuelan market and, during the last six-month periods, they have experienced variations based on needs derived from the inflationary effects of the country. As a result, the Bank monitors its liquidity risks and modifies its investment strategy as needed.

**10. Accruals and other liabilities**

Accruals and other liabilities are composed as follows:

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

	Notes	June 30, 2022	December 31, 2021
Allowance for contingencies, equivalent to US\$13,860,035 (US\$ 14,423,661 at December 2021)		76,549,774	66,170,411
Items to be applied, including US\$2,521 (US\$1,522 at December 2021)		38,612,952	16,075,422
Profit-sharing payable to directors and employees including US\$663,734 (US\$934,015 at December 2021)		3,665,839	4,283,179
Provision for income taxes	11	-	2,360,006
Other taxes		110,097	25,707
Accrual for employee benefits payable	12	2,639,902	1,186,069
Dividends payable		1,494,869	1,349,746
Contracted services payable		1,728,166	510,190
Contribution payable provided by Law on Drugs	1	103,695	228,362
Other sundry accounts payable in foreign currency including US\$50,253 (US\$ 47,571 at December 2021)		277,548	218,148
Contribution payable provided by Sports Law	1	115,943	204,386
Taxes withheld		684,915	546,728
Other		800,157	535,628
		<u>126,783,857</u>	<u>93,693,982</u>

Allowances for contingencies include estimates made by Management to cover tax, labor, administrative and/or civil contingencies, among others of voluntary nature to cover general risks inherent in the banking activity. The movement of such allowance is as follows:

	Notes	June 30, 2022	December 31, 2021
Balances, at the beginning of six-month period		66,170,411	46,055,535
Increases charged to income, except for those referred to foreign exchange fluctuation effects for the valuation of foreign currency balances, shown within equity	14 c)	11,419,673	20,216,694
Decrease for payments and other		(1,031,310)	(101,818)
Balances, at the end of six-month period		<u>76,558,774</u>	<u>66,170,411</u>

Items to be applied are mainly composed of the following:

	Notes	June 30, 2022	December 31, 2021
Bank intervention operations		23,971,577	1,678,666
P2P Payments pending to be made to Suiche 7B		5,567,175	2,956,896
Payment orders to be applied to BCV		5,260,901	6,657,701
Point-of-sale operations payable - Offsetting accounts		2,334,737	2,137,347
Funds not available for P2P receivable		994,370	756,495
Transitional credits for payments to third parties		13	1,839,117
Other		484,179	49,200
		<u>38,612,952</u>	<u>16,075,422</u>

The P2P Payments pending to be made to Suiche 7B correspond to Mobile Payments normally standardized the day after the transaction.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

At June 30, 2022 and December 31, 2021, the point-of-sale operations payable correspond to the use of points of sale of other financial institutions by the Bank's customers, which are mostly regularized during the first days of the month following each monthly closing.

The Payment Orders to be applied at June 30, 2022 and December 31, 2021 correspond to transfers made by the Bank's customers to other financial institutions in the last days of June 2022 and December 2021, respectively, which become effective the first days of July 2022 and January 2022, respectively.

"Profit-sharing payable to directors and employees" are calculated on the basis of the liquid profits for the six-month period, as provided by the current collective bargaining agreement and the Bank's bylaws. The Steering Committee decided that the currency for paying the amounts due for employees' and statutory profit-sharing should be the US dollar, to avoid, to the extent possible, the effects of inflation on the purchasing power to the beneficiary, which is generated from the moment the obligation is caused until their settlement.

# **11. Income taxes**

The Income Tax Law sets forth, among other issues, the guidelines for the payment of income taxes on operating income and capital gains, worldwide income system, international tax transparency regime, transfer-pricing system and inflation adjustment, among others.

The Bank's fiscal year ends on December 31. The Bank presents its income tax returns on an annual basis and estimates the income tax expense on a semiannual basis at the end of each fiscal year. The current Income Tax Law establishes, among other aspects, for institutions engaged in banking and financial activities, a proportional tax of 40% on taxable income, and the exclusion of the tax inflation adjustment system. The Law additionally establishes that net operating losses may be carried forward during the following three years and offset only up to a maximum of 25% of the annual income.

The reconciliation of the book income and the taxable income at June 30, 2022 is shown below:

	June 30, 2022
Applicable tax rate	40%
Book income before taxes	11,594,168
<b>Income tax expense determined on book income</b>	<b>4,637,667</b>
Tax effect on prepaid expenses	(1,004,880)
Tax effect on income not available at the end of the six-month period	(4,045,874)
Other, net	(1,591,210)
	(2,004,297)
Estimated income tax expense	-

At June 30, 2022, the Bank did not generate taxable income, therefore, no income tax provision was created.

## **Deferred income taxes**

At June 30, 2022 and December 31, 2021, neither deferred tax assets resulting from certain allowances for loan portfolio nor deferred tax liabilities resulting from valuations with effect on equity accounts are recognized, in conformity with the accounting interpretation resulting from the accounting guidelines contained in the Accounting Manual for Banks, Resolution N° 198 dated June 17, 1999, Resolution N° 025.17 dated March 28, 2017, and Resolution N° 101.17 dated September 12, 2017, issued by SUDEBAN.

## **Income tax advance scheme**

On August 21, 2018, the National Executive published a Constituent Decree that establishes the temporary regime for the payment of an advance income tax for taxpayers classified as special who are engaged in economic activities other than the exploitation of mines, hydrocarbons and related activities, and who are not recipients of royalties from said exploitations. The advance is determined on the basis of the gross income from the sale of goods and services, obtained from the taxation period of the previous month within the national territory and will be

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

between 0.5% and 2%. The National Executive may establish different rates but they may not exceed the limits provided. The percentage of advance is:

- a) 2% for financial institutions, banking, insurance and reinsurance sector.
- b) 1% for the rest of taxpayers.

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

**Transfer-pricing system**

Taxpayers carrying out transactions with foreign shareholders or foreign related companies shall determine their income from exports made and the cost of goods and services acquired from foreign related parties, by applying the methods provided by the Law. Assessment of the Bank's activities and applicable regulations on transfer pricing conducted by Management and its tax advisors concluded that the Bank does not carry out activities that might be subject to this system.

**Tax on capital gains**

The Income Tax Law sets forth a tax on dividends with a taxable base composed of the excess of the company's non-exempted net financial income over its net taxable income. The applicable tax rate is 34% and shall be fully withheld by the Bank when dividends, arising from this excess, are paid or credited into account. As withholding agent, the Bank is subject to this regime due to the dividends payable to its shareholders.

**12. Employee benefits and employee benefit plan**

**a) Accrual for employee benefits**

The accrual for employee benefits is mainly composed of:

	Notes	June 30, 2022	December 31, 2021
Guarantee on employee severance benefits		649,363	934,515
Additional obligation for employee severance benefits		1,990,539	251,554
	10	<u>2,639,902</u>	<u>1,186,069</u>

At June 30, 2022 and December 31, 2021, the Bank maintains a plan of defined benefits for the severance benefits of its employees, in accordance with the Labor Law (LOTTT) and the current collective bargaining agreement.

The plan of defined benefits for the severance benefits of the Bank's employees exposes it to actuarial risks such as: interest rate risk, mortality risk and salary risk.

The present value of the obligations for these benefits and the costs of services have been determined at June 30, 2022 and December 31, 2021, by an independent actuary. The present value of the defined benefit obligation and the cost of service were determined, using the projected unit credit method.

The main long-term assumptions used for actuarial survey purposes at June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
Turnover rate	22.12%	22.12%
Mortality rate	GAM 83	GAM 83
Rate of salary increase	479.95%	150%
Discount rate	526.35%	170%
Long-term geometric mean inflation rate	500%	1000%

The movement of the additional obligation for employee severance benefits is as follows:

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

	June 30, 2022	December 31, 2021
Balance at the beginning of the six-month period	174,009	159,462
Cost of interest (a)	67,221	83,980
Cost of services (a)	5,636	8,112
Benefits paid	(11,940)	(15,009)
Actuarial losses (gains) from obligations (b)	804,525	(62,536)
Balance at the end of the six-month period	<u>1,039,451</u>	<u>174,009</u>

(a) Shown within personnel expenses account in the statement of income.

(b) Shown within available undistributed earnings account.

**b) Temporary Retirement Plan**

Since 2017, the Bank maintains a plan for its employees called the "Temporary Retirement Plan", which replaced the defined benefit plan called the "Retirement Plan".

The Temporary Retirement Plan is contributive and enables the employee to make monthly and extraordinary contributions and the Bank is liable to make contributions in the benefit of each employee; both of them are estimated on the basis of the monthly basic salary of employees under certain conditions. Contributions are managed by a civil association incorporated under mutual agreement by employees to such purpose, which is responsible for making the investment of funds received and distribute returns obtained, if any, among beneficiary employees during the employment relationship. Such funds may be withdrawn only upon termination of the relationship. The Bank is solely responsible for making its contributions and does not assume any liability for the management and/or assignment of the plan's funds.

At June 30, 2022 and December 31, 2021, the Bank has made extraordinary and regular contributions set forth by the contractual agreement. The expenses incurred by the Bank for the six-month period ended June 30, 2022 in connection with this plan amount to Bs 140,443 (Bs 44,191 for the six-month period ended December 31, 2021), which are shown within "Personnel expenses".

The Pension Plan funds are managed by a domestic financial institution through a trust fund contract aimed at administrating and investing the funds received from the Bank for pension payments. Management and its actuaries consider that the trust for the social fund for contingencies also covers the employees' post-employment benefits of the going concern and, therefore, is part of the assets of the retirement and pension plan.

**13. Regulatory contributions**

**Contribution for community associations' projects**

The Law on Banking Sector Institutions establishes that banks must destine 5% of their gross income before taxes to comply with their social responsibility through the contribution to community associations. As established by SUDEBAN, through Resolution N° 233.11 dated August 22, 2011, this contribution must be made within 30 days following the end of the six-month period and is amortized over 6 months corresponding to the six-month period in which it is paid.

The Bank recognized expenses for this concept amounting to Bs 790,535 (Bs 349,391, for the six-month period ended December 31, 2021), which are shown under "Sundry operating expenses".

**Contribution to SUDEBAN**

For the financial periods ended June 30, 2022 and December 31, 2021, financial institutions must make special contributions in order to support the operations of SUDEBAN, which are calculated based on 0.8 (1 until August 2021) per thousand of the average of the assets for the two months prior to the bimonthly period, respectively. The Bank recognized expenses for this concept amounting to Bs 530,577 (Bs 418,306, for the six-month period ended December 31, 2021), which are shown separately under "Operating expenses" in the accompanying statements of income.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

**Contribution to FOGADE**

Financial institutions must make special contributions in order to support the operations of FOGADE, which is calculated based on 0.75% of the balance of bank deposits at the end of the six-month period. The Bank recognized expenses for this concept amounting to Bs 619,726 (Bs 351,948, for the six-month period ended December 31, 2021), which are shown separately under "Operating expenses" in the accompanying statements of income.

**14. Shareholders' equity**

**Paid-in capital**

At June 30, 2022 and December 31, 2021, the paid-up capital stock of the Bank is Bs 30, composed of 1,268,606,976 Class "A" registered, nonconvertible-to-bearer shares, of the same class, with a nominal value of Bs 0.0000000236480 each, fully subscribed and paid.

During a General Extraordinary Shareholders' Meeting held on February 17, 2022, it was approved to increase the subscribed and paid-in capital stock by eight million two hundred and forty-five thousand nine hundred and fifteen bolivars and thirty-five cents (Bs 8,245,915.35) by increasing the nominal value of the shares outstanding to date. This increase will be fully paid with charge to restricted earnings at the end of December 31, 2021. On April 13, 2022, the Bank received the communication SIB-II-GGIBPV-GIBPV6-02213 where it indicates that the Bank must abstain from recording the aforementioned minute until SUDEBAN issues its pronouncement on the request for the capital stock increase.

During a General Extraordinary Shareholders' Meeting held on July 7, 2020, it was approved to increase the capital stock by Bs. 30, through the issuance of 1,268,467,200 new shares, with a nominal value of Bs. 0.0000000236480 each, which shall be subscribed and paid in cash. SUDEBAN, in official communication N° SIB-GGR-GA dated September 22, 2021, authorized such capital stock increase. Accordingly, the balance of "Uncapitalized equity contributions" has been reclassified to the capital stock account, and is distributed as follows:

	June 30, 2022		December 31, 2021	
	Number of shares	Ownership %	Number of shares	Ownership %
Vencred, S.A.	196,517,150	15.49	196,517,150	15.49
Tabay Netherlands B.V.	125,339,883	9.88	125,339,883	9.88
Great White Investment Fund, Ltd	38,949,190	3.07	38,949,190	3.07
Green View Investment Enterprises L	38,782,866	3.06	38,782,866	3.06
Alivium, Inc	38,401,298	3.03	38,401,298	3.03
Addendum, Inc	37,765,353	2.98	37,765,353	2.98
Roraima B.V.	23,441,913	1.85	23,441,913	1.85
Inversiones Bella Vista B.V.	23,432,129	1.85	23,432,129	1.85
Inversiones Bonorum, C.A.	23,383,211	1.84	23,383,211	1.84
Other with individual ownership less than 1.7%	722,593,983	56.95	722,593,983	56.95
	<u>1,268,606,976</u>	<u>100.00</u>	<u>1,268,606,976</u>	<u>100.00</u>



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

**Capital reserves**

**a) Legal reserve**

As provided by the Law on Banking Sector Institutions, the Bank is required to transfer to the legal reserve a minimum of 20% of the net income for each period until reaching 50% of the capital stock. When this limit is reached, at least 10% of liquid profits for each six-month period shall be used to increase the legal reserve fund until reaching 100% of the capital stock. At December 31, 2021, the Bank formed the legal reserve for Bs. 30.

**b) Other mandatory reserves**

The Law on Banking Sector Institutions establishes that banks must create a Social Fund for Contingencies, equivalent to 10% of capital stock by creating a trust fund in cash in another domestic financial institution. This percentage will be reached by making semiannual contributions of 0.5% of the Bank's capital stock less the amount of interest generated by the trust fund, as established by SUDEBAN through Resolution N° 305.11 dated December 28, 2011. During the six-month period ended December 31, 2021, the Bank increased the reserves for this social fund by Bs. 3. Such fund is shown under "Restricted cash investments" and reaches the amount of Bs. 3 (Note 4 b). The other mandatory reserves reached the limit mentioned above.

**c) Equity adjustments**

"Equity adjustments" caption includes revenues and expenses and/or gains and losses presented within shareholders' equity accounts, in conformity with prudential accounting guidelines. The movement of "Equity adjustments" is as follows:

	June 30, 2022				December 31, 2021			
	Exchange gain	Income from UVC	Cost of legal reserve	Total	Exchange gain	Income from UVC	Cost of legal reserve	Total
<b>Beginning balance</b>	13,272,933	3,411,202	-	16,684,135	27,458,494	1,663,871	-	29,122,365
Unrealized exchange gain for the six-month period, net	7,221,526	-	-	7,221,526	13,157,849	-	-	13,157,849
Transfer to income of exchange gains, net as authorized by SUDEBAN	(11,471,059)	4,450,529	-	(7,020,530)	(27,343,410)	-	-	(27,343,410)
Accrued income from UVC loans	-	-	-	-	-	6,854,265	-	6,854,265
Transfer from collected revenues to income	-	(4,106,098)	-	(4,106,098)	-	(5,105,779)	-	(5,105,779)
Transfer to general and counter-cyclical allowances	-	(81,124)	-	(81,124)	-	(1,155)	-	(1,155)
Financial cost of legal reserve attributable to income from UVC loans	-	-	-	-	-	-	2,814,767	2,814,767
Transfer from cost of legal reserve to expenses upon collection of loan	-	-	-	-	-	-	(2,814,767)	(2,814,767)
<b>Ending balance</b>	<u>9,023,400</u>	<u>3,674,509</u>	<u>-</u>	<u>12,697,909</u>	<u>13,272,933</u>	<u>3,411,202</u>	<u>-</u>	<u>16,684,135</u>

In accordance with current accounting guidelines for banks, those gains/revenues, net included within "Equity adjustments" are restricted and available for use unless the following criteria are met:

Exchange gains can only be used to:

- extinguish operating losses or deficit maintained in shareholders' equity accounts,
- create or hedge deficit balances in allowances for contingent assets, adjustments or certain losses,
- increase capital stock,
- offset the amounts paid to local suppliers for supplies required for operations of the Bank, such as hardware, software, among others, and
- create a provision for income taxes levied on the sale of foreign currency position, depending on the source of these gains and subject to approval of SUDEBAN.

On April 29, 2022, SUDEBAN authorized, by communication N° SIB-II-GGIBPV-GIBPV6-02493, to record in income the amount of Bs 11,471,059 (Bs 27,343,410 at December 2021).



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

Unrealized gains from the valuation of UVC loans: may be used for hedging general and countercyclical allowances for the loan portfolio, as instructed by SUDEBAN under Resolution N° 070.19 dated December 20, 2019. During the six-month period ended June 30, 2022, the Bank created general allowances with charge to these gains for the amount of Bs 81,124 (Bs 1,155 at December 2021).

**Retained earnings**

**a) Restricted earnings**

“Restricted undistributed earnings” are composed as follows:

	Notes	June 30, 2022	December 31, 2021
Restricted earnings as per Resolution N° 329-99		9,833,095	8,353,612
Retained earnings of foreign branch		14,522,472	5,887,273
		<u>24,355,567</u>	<u>14,240,885</u>

On December 28, 1999, SUDEBAN issued Resolution N° 329-99, under which it is required that 50% of semi-annual income and 50% of the balance of the “Available undistributed earnings” account of semiannual periods prior to December 31, 1999 be presented as “Restricted earnings”. These amounts may be distributed only if authorized by SUDEBAN. During the six-month period ended June 30, 2022, the Bank restricted a total amount of Bs 1,479,485 (Bs 5,256,952, at December 31, 2021), equivalent to 50% of its net available income for the six-month period, once those earnings that are required to be totally restricted are deducted.

During the six-month period ended June 30, 2022, the Bank restricted the total amount of net income generated by its foreign branch for Bs. 8,635,199 (Bs 3,436,795, at December 2021). In accordance with current regulations, these amounts are not available for distribution as dividends until the Branch transfers to its Main Office the retained earnings generated in prior periods.

**b) Cash dividends declared and paid**

During a Regular General Shareholders’ Meeting held on February 17, 2022, it was approved to declare a cash dividend up to the amount of Bs 0.00248 per share, which in the aggregate amounts to Bs 3,146,145. These dividends were declared with charge to “Available undistributed earnings” during the six-month period ended June 30, 2022.

During a Regular General Shareholders’ Meeting held on August 17, 2021, it was approved to declare a cash dividend up to the amount of Bs 17.55 per share, which in the aggregate amounts to Bs 2,453,069. These dividends were declared with charge to “Available undistributed earnings” during the six-month period ended December 31, 2021.

**c) Venture capital index**

The indexes maintained, and calculated by the Bank on the basis of the amounts shown in its financial statements, and the minimum indexes required in accordance with the standards provided by SUDEBAN are the following:

	Required %	June 30, 2022	December 31, 2021
Total equity adequacy	12	16.65%	15.75%
Solvency declaration	6	16.65%	15.75%
Carrying equity adequacy	9	10.72%	11.88%

For the calculation of equity indexes the prudential standards of SUDEBAN set forth the following regulatory exceptions, based on the applicable index:

- exclusion of balances with BCV and PDVSA bonds from the total assets,
- inclusion of general and counter-cyclical allowances as equity Tier 1 in the carrying equity,

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

- exclusion of certificates of participation of “Fondo Simón Bolívar para la Reconstrucción, S.A.”, and “Certificado Participación BANDES Agrícola” from total assets and/or “zero” weighting.

At June 30, 2022, the Bank does not have any amounts to deduct for investment securities within this category.

**15. Other operating income and expenses**

“Other operating income” and “Other operating expenses”, shown in the statements of income, are composed as follows:

	Notes	June 30, 2022	December 31, 2021
<b>Other operating income</b>			
Exchange gains, including Bs 30,368,914 (Bs 77,886,335 at December 2021) from “Equity adjustments”, authorized by Sudeban		35,785,947	80,377,254
Commissions for services		24,806,250	13,108,657
Gains from investment securities		-	35,096
		<u>60,592,197</u>	<u>93,521,007</u>
<b>Other operating expenses</b>			
Exchange losses, including Bs 18,897,855 (Bs 50,542,925 at December 2021) from “Equity adjustments”, authorized by Sudeban		19,473,783	51,021,185
Commissions for services		5,031,328	2,995,987
Losses from investment securities	4	1,274,458	1,394,795
		<u>25,779,569</u>	<u>55,411,967</u>
<b>Other sundry operating income</b>			
Sundry operating income ME		2,001,111	376,680
Other		36,291	11,218
		<u>2,037,402</u>	<u>387,898</u>
<b>Other sundry operating expenses</b>			
Costs related to legal reserve deficits	3	131,491	4,660,131
Contribution to Anti-Drug Fund		103,695	158,223
Expenses incurred in prevention of money laundering		116,780	168,831
Contribution provided by Law on Sports		115,942	139,507
Contribution to community association projects		790,535	349,391
Other		16,767	215,249
		<u>1,275,210</u>	<u>5,691,332</u>

Income from commissions is mainly related to transactions by means of electronic networks, wire and transfer services, account maintenance and debit and credit card transactions, and trust operations.

**16. Extraordinary income**

At June 30, 2022, the amount of Bs 1,228,215 corresponds to the sale of a collection of coins, the carrying cost of which was zero as a result of the monetary reconversions.

**17. Memorandum accounts**

“Memorandum accounts”, shown in the balance sheets, correspond to the following transactions:

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

	Notes	June 30, 2022	December 31, 2021
<b>Contingent debit accounts:</b>			
Guarantees granted		3,600,506	3,043,750
Automatic-use line of credit		26,960	40,538
		<u>3,627,466</u>	<u>3,084,288</u>
<b>Trust assets</b>		<u>86,504,162</u>	<u>64,584,519</u>
<b>Other trusts</b>		<u>4,803,648</u>	<u>1,052,221</u>
<b>Other debit memorandum accounts:</b>			
Guarantees received		60,955,522	25,626,962
Custodial services received		31,696,937	7,855,975
Other record accounts		6,972,755	6,316,279
Deposits received		7,718,270	504,000
		<u>107,343,484</u>	<u>40,303,216</u>
		<u>202,278,760</u>	<u>109,024,244</u>

**a) Guarantees granted**

The Bank grants, after a credit risk analysis and within its credit line, guarantees at the request of certain customers, which are issued in the name of a beneficiary and will be executed by the Bank if the customer does not comply with the conditions established in the contract.

**b) Trust assets**

The Bank manages trusted assets on account and behalf of third parties. The balance sheets of the Trust Department are summarized below:

	Notes	June 30, 2022	December 31, 2021
<b>Assets:</b>			
Cash and due from banks, including US\$1,553,474 (US\$2,172,572 at December 2021)		10,834,768	11,395,026
Investment securities		7,601,101	4,649,407
Loan portfolio, net		67,844,258	47,904,904
Interest and commissions receivable		91,614	291,227
Other assets		132,421	343,955
		<u>86,504,162</u>	<u>64,584,519</u>
<b>Liabilities and net assets:</b>			
Liabilities		433,660	91,251
Trust net assets		84,206,961	61,765,123
Retained earnings		1,863,541	2,728,145
		<u>86,070,502</u>	<u>64,493,268</u>
		<u>86,504,162</u>	<u>64,584,519</u>

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

Trusts are classified by purpose and type of contracting entity as follows:

	June 30, 2022				December 31, 2021			
	%	Investment	Administration	Total	%	Investment	Administration	Total
Legal entities	98.39%	31	82,851,079	82,851,110	96.35%	31	59,510,571	59,510,602
Individuals	0.00%	-	668	668	0.00%	-	66	66
Decentralized and other special-regime bodies	1.61%	-	1,355,183	1,355,183	3.65%	-	2,254,455	2,254,455
	100.00%	31	84,206,930	84,206,961	100.00%	31	61,765,092	61,765,123

At June 30, 2022 and December 31, 2021, trusted funds do not exceed 5 times the total net assets of the Bank, as provided by Resolution N°083.12 published in Official Gazette N° 39.941 dated June 11, 2012.

The Investments securities included in the accounts of the Trust are composed of the following:

	June 30, 2022		December 31, 2021	
	Amortized cost/ carrying value	Fair value	Amortized cost/ carrying value	Fair value

***Demand and term deposits in domestic financial institutions***

Banco Mercantil, C.A. Banco Universal, with annual interest rate of 15%, nominal value of Bs. 2,100,147, and due between 24 and 29 days, at June 2022 (annual interest between 120% and 130%, nominal value of Bs. 2,113,433 and due between 25 and 29 days, at December 2021)

2,100,147 2,100,147 2,113,433 2,113,433

Banco del Caribe, C.A., Banco Universal, with annual interest rate of 15%, nominal value of Bs. 2,513,947, and due between 24 and 29 days, at June 2022 (annual interest between 125% and 132%, nominal value of Bs. 991,856 and due in 28 and 29 days, at December 2021)

2,513,947 2,513,947 991,856 991,856

Bancreer, S.A., Banco Microfinanciero, with annual interest rate between 13% and 14%, nominal value of Bs. 744,627, and due between 23 and 29 days, at June 2022 (with annual interest rate between 130% and 135%, nominal value of Bs. 710,104 and due between 28 and 29 days at December 31, 2021)

744,627 744,627 710,104 710,104

Banco Exterior, C.A., Banco Universal, with annual interest rate between 10% and 20%, nominal value of Bs. 599,618, and due between 26 and 28 days, at June 2022 (annual interest rate of 145%, nominal value of Bs. 395,792, and due in 28 days, at December 2021)

599,618 599,618 395,792 395,792

Banco BBVA Provincial, C.A., Banco Universal, with annual interest rate of 15%, nominal value of Bs. 712,762 and due in 27 and 28 days, at June 30, 2022

712,762 712,762 - -  
6,671,101 6,671,101 4,211,185 4,211,185

***Corporate commercial papers issued by domestic private entities-***

Mercantil Servicios Financieros, C.A., with annual interest rate between 40% and 55%, nominal value of Bs. 730,000, and due in 90 days, at June 2022 (with annual interest rate of 100%, acquisition cost of Bs. 220,501, nominal value of Bs. 280,000, and due between 46 and 54 days, at December 2021).

730,000 730,000 249,161 256,341

Calox International C.A., with annual interest rate of 35%, nominal value of Bs. 100,000, and due in 81 days, at June 2022 (with annual interest rate of 100%, acquisition cost of Bs. 78,130, nominal value of Bs 100,000, and due in 14 days, at December 2021).

100,000 100,000 96,671 97,340

COCA-COLA Femsa de Venezuela, S.A., with annual interest rate of 80%, acquisition cost of Bs. 100,000, nominal value of Bs. 100,000, and due in 120 days, at June 2022 (with annual interest rate of 100%, acquisition cost of Bs. 83,330, nominal value of Bs. 100,000, and due in 42 days, at December 2021)

100,000 100,000 92,390 92,409  
930,000 930,000 438,222 446,090  
7,601,101 7,601,101 4,649,407 4,657,275

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

Investments securities have a maturity of six (6) months or less.

The Trust Department's loan portfolio includes the following:

	June 30, 2022	December 31, 2021
Loans receivable from beneficiaries	67,844,258	47,904,904

Loans to beneficiaries mainly correspond to loans granted to employees guaranteed by their severance benefits maintained in trust. These loans are noninterest bearing nor have defined maturity. The Trust Department does not maintain any allowance for loan portfolio since these loans are without maturity or variable maturity. The full payment of such loans will occur when the beneficiary terminates its employment or contractual relationship with the trustor or employer.

**c) Other trusts**

Trusts for Bs 4,803,648 (Bs 1,052,221, at December 31, 2021) correspond to credit securities of customers (principal parties) received by the Bank, as commission agent, with the commitment to place them with a third party, in accordance with the provisions of the commission contracts. Such contracts empower the Bank to negotiate such securities with other customers in exchange for the collection of a commission and shall only be liable to the commission agent for fraud, negligence, recklessness, or non-compliance with contractual obligations. During the six-month period ended June 30, 2022, the Bank obtained income from commissions for Bs 3,635,339 (Bs 1,121,002, at December 2021) which are presented within "Other operating income" in the statement of income.

**d) Custodial services received**

This sub-account records the securities and goods received from customers in simple custody, such as jewelry, precious metals, investment securities, merchandise, third-party checks, documents and gold in the custody of the BCV, as well as other securities and assets. At June 30, 2022, custodial services received are primarily for securities received from customers under the protection of Vencredit Securities, INC and Raymond James & Associates Inc.

**18. Fair value of financial instruments**

Carrying and fair values estimated for the financial instruments of the Bank and its branch are as follows:

		June 30, 2022		December 31, 2021
	Carrying value	Fair value	Carrying value	Fair value
Assets:				
Cash and due from banks	260,359,795	260,359,795	150,353,850	150,353,850
Investment securities	140,226,467	133,577,049	161,112,175	161,001,879
Loan portfolio	74,022,720	74,022,720	38,235,348	38,235,348
Interests and commissions receivable	1,722,991	1,722,991	1,522,689	1,522,689
	<u>476,331,973</u>	<u>469,682,555</u>	<u>351,224,062</u>	<u>351,113,766</u>
Liabilities:				
Bank deposits	327,565,160	327,565,160	239,151,420	239,151,420
Other borrowings	6,135	6,135	550,671	550,671
Interests and commissions payable	65,183	65,183	176,231	176,231
	<u>327,636,478</u>	<u>327,636,478</u>	<u>239,878,322</u>	<u>239,878,322</u>
Memorandum accounts:				
Contingent debit accounts	3,627,466	36,274,446	3,084,288	3,084,288

**19. Contingencies and commitments**

The Bank has filed a claim for the annulment with request of precautionary measure to suspend Resolutions N° 19-01-04 and N° 19-05-03 issued by BCV on January 22 and May 30, 2019, concerning the foreign exchange intervention mechanism. To the date of this report the case is before the Court to be resumed effective January 13, 2021 when the Court shall deliver the subpoena referred to by article 81 of the Law concerning contentious-administrative jurisdiction in order that any interested party may appear before the Court to be part of the legal action and be informed on the date of the hearing.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

At June 30, 2022, the Bank maintains exchange losses from the intervention mechanism aged under one year as recoverable expenditures within "Other assets" for Bs 715,694 (Bs 1,287,295, at December 31, 2021) (Note 8).

**20. Balances and transactions with related parties**

The Bank and its foreign branch are members of Vencred Group. Because of the nature of their business, the Bank and its Branch have conducted transactions and maintain balances with other companies of the Group, the effects of which are included in their financial statements.

The most significant transactions conducted by the Bank with shareholders and other related parties are mainly composed of deposits and banking and security services, the most significant effects of which are presented below:

	Notes	June 30, 2022	December 31, 2021
<b>Operating expenses:</b>			
Vencred, S.A.		8,735	52,413
Inversiones 120915, C.A.		7,828	46,965
Inversiones Las Monjas, C.A.		83,520	31,088
Other		3	-
		<u>100,086</u>	<u>130,466</u>

As a result of these transactions and other less significant transactions, the following balances are included in various captions of the balance sheets:

	Notes	June 30, 2022	December 31, 2021
<b>Bank deposits and other demand obligations</b>			
Venezolana de Bienes, S.A.		26,334	382
Vencred, S.A.		24,027	22,721
Inversiones Las Monjas, C.A.		8,460	583
Inversiones Modigliani, C.A.		5,213	701
Promociones Markowitz, C.A.		3,827	625
Inversiones Bonorum, C.A.		2,956	8,411
Inversiones Vencred, C.A.		2,539	85
Valores Vencred Casa de Bolsa, S.A.		2,326	4,125
Ingeniería y Construcciones Vencred, C.A.		3,265	746
Other		1,274	1,403
		<u>80,221</u>	<u>39,782</u>

**21. Foreign currency assets and liabilities**

**a) Foreign exchange management system**

The National Executive and BCV entered into the Foreign Exchange Agreement N° 1 on September 7, 2018, thus superseding all the foreign exchange agreements previously implemented. The purpose of this Foreign Exchange Agreement is to establish the free convertibility of the currency throughout the national territory based on:

1. The BCV shall centralize the purchase and sale of foreign currencies in the country.
2. The existence of a single reference exchange rate, which will be fluctuating as a result of purchases and sales of foreign currency carried out by individuals with the intermediation of authorized foreign exchange operators.
3. The strengthening of the system established for the maintenance of foreign currency accounts in the national financial system with funds from lawful operations.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

4. The flexibilization of the foreign exchange system of the private sector in order to promote mainly the foreign investment, export activities, access to financing programs through specialized institutions and the provision of tourism-receiving services.

The previous foreign exchange agreements were rescinded, as well as all those provisions in so far as they comply with the provisions of this agreement, including any resolution, order or administrative act of normative content, which has been issued in the execution of the rescinded foreign exchange agreements.

**b) Operations through the Foreign Exchange Market System**

On May 2, 2019, the BCV issued Resolution N° 19-05-01, under which institutions from the national banking sector are enabled to act as foreign exchange operators in the Foreign Exchange Market System and may agree through their foreign exchange markets between clients of that institution, or in interbank transactions, purchase and sale of foreign currencies by individuals and legal entities. Those parties interested in submitting quotes of supply or demand of foreign currencies through the foreign exchange markets may do so without any restriction and must comply with the due diligence processes established by the foreign exchange operators and be a client of the particular bank. To carry out the purchase and sale of foreign currency, those interested shall resort directly to the foreign exchange operators or make use of the electronic banking services provided for this purpose. The BCV will publish daily, on its website, the weighted average exchange rate of the transactions traded in the foreign exchange markets of foreign exchange operators.

**c) Foreign currency balances reported in the balance sheets are detailed below:**

	June 30, 2022				December 31, 2021			
	Venezuela	Cayman Islands Branch	Total	Equivalent in bolivars	Venezuela	Cayman Islands Branch	Total	Equivalent in bolivars
<b>Assets:</b>								
Cash and due from banks	4,825,950	18,466,058	23,292,008	128,643,105	3,430,073	14,478,737	17,908,810	82,124,557
Investment securities	70,574	23,931,251	24,001,825	132,563,466	-	35,133,551	35,133,551	161,112,171
Loan portfolio	-	8,940,454	8,940,454	49,378,644	-	3,997,931	3,997,931	18,333,338
Interests and commissions receivable	-	250,346	250,346	1,382,675	-	295,839	295,839	1,356,630
Other assets	-	52,750	52,750	291,341	6,138	-	6,138	28,147
	<u>4,896,524</u>	<u>51,640,859</u>	<u>56,537,383</u>	<u>312,259,231</u>	<u>3,436,211</u>	<u>53,906,058</u>	<u>57,342,269</u>	<u>262,954,843</u>
<b>Liabilities:</b>								
Bank deposits	(1,300,592)	(33,034,144)	(34,334,736)	(189,632,730)	-	(33,643,755)	(33,643,755)	(154,280,402)
Interests and commissions payable	-	-	-	-	-	-	-	-
Accruals and other liabilities	(14,502,088)	(369,689)	(14,871,777)	(82,137,683)	15,777,525	-	(15,777,525)	(72,351,108)
	<u>(15,802,680)</u>	<u>(33,403,833)</u>	<u>(49,206,513)</u>	<u>(271,770,413)</u>	<u>15,777,525</u>	<u>(33,643,755)</u>	<u>(49,421,280)</u>	<u>(226,631,510)</u>
<i>Carrying asset position, net</i>	<u>(10,906,156)</u>	<u>18,237,026</u>	<u>7,330,870</u>	<u>40,488,818</u>	<u>19,213,736</u>	<u>20,262,303</u>	<u>7,920,989</u>	<u>36,323,337</u>
<i>Other debit memorandum accounts, net</i>	<u>4,100,075</u>	<u>-</u>	<u>4,100,075</u>	<u>22,573,328</u>	<u>-</u>	<u>2,510,338</u>	<u>2,510,338</u>	<u>11,519,358</u>

Amounts shown in dollars include minor amounts in euros, presented at their equivalent value in dollars.

At June 30, 2022 and December 31, 2021, the exchange rates used were Bs 5.523058/US\$1 and Bs 4.585707/US\$1, respectively.

At June 30, 2022, the net unrealized exchange gain amounted to Bs 4,249,533 (Bs 14,185,561 at December 2021) and is shown within "Equity adjustments" account.

During the six-month period ended June 30, 2022 SUDEBAN authorized the Bank to transfer the amount of Bs 11,471,059 (Bs 27,343,410 at December 2021) of unrealized accumulated exchange gains, net of losses, from "Equity adjustments" to income, which are shown for their gross amounts of exchange gains and losses within "Other operating income and other operating expenses" respectively (Note 15).

During the six-month period ended June 30, 2022, the Bank recorded realized gains mainly from operations carried out by the Bank as foreign exchange operator and by its foreign branch for Bs 5,390,737 (Bs 2,490,919 for the six-month period ended December 31, 2021), and losses for Bs 575,928 (Bs 478,260 for the six-month period ended December 31, 2021), shown in the accompanying statements of income under "Other operating income" and "Other



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the financial statements**  
**June 30, 2022 and December 31, 2021 (expressed in bolivars)**

operating expenses", respectively (Note 15).

"Bank deposits" result from customers' transactions in legally allowed foreign exchange markets, and where the Bank acts as foreign exchange operator, which are fully hedged by demand placements shown under "Cash and due from banks" (Note 9).

At June 30, 2022, the net foreign currency position maintained by the Bank, which is calculated based on its individual financial statements, amounts to US\$ 7,330,870 (US\$ 7,920,989 at December 2021. On April 8, 2019, the BCV provided, through its Resolution N° VOI-GOC-DNPC-004 that the net monetary asset position in foreign currency would temporarily not be subject to maximum limits.