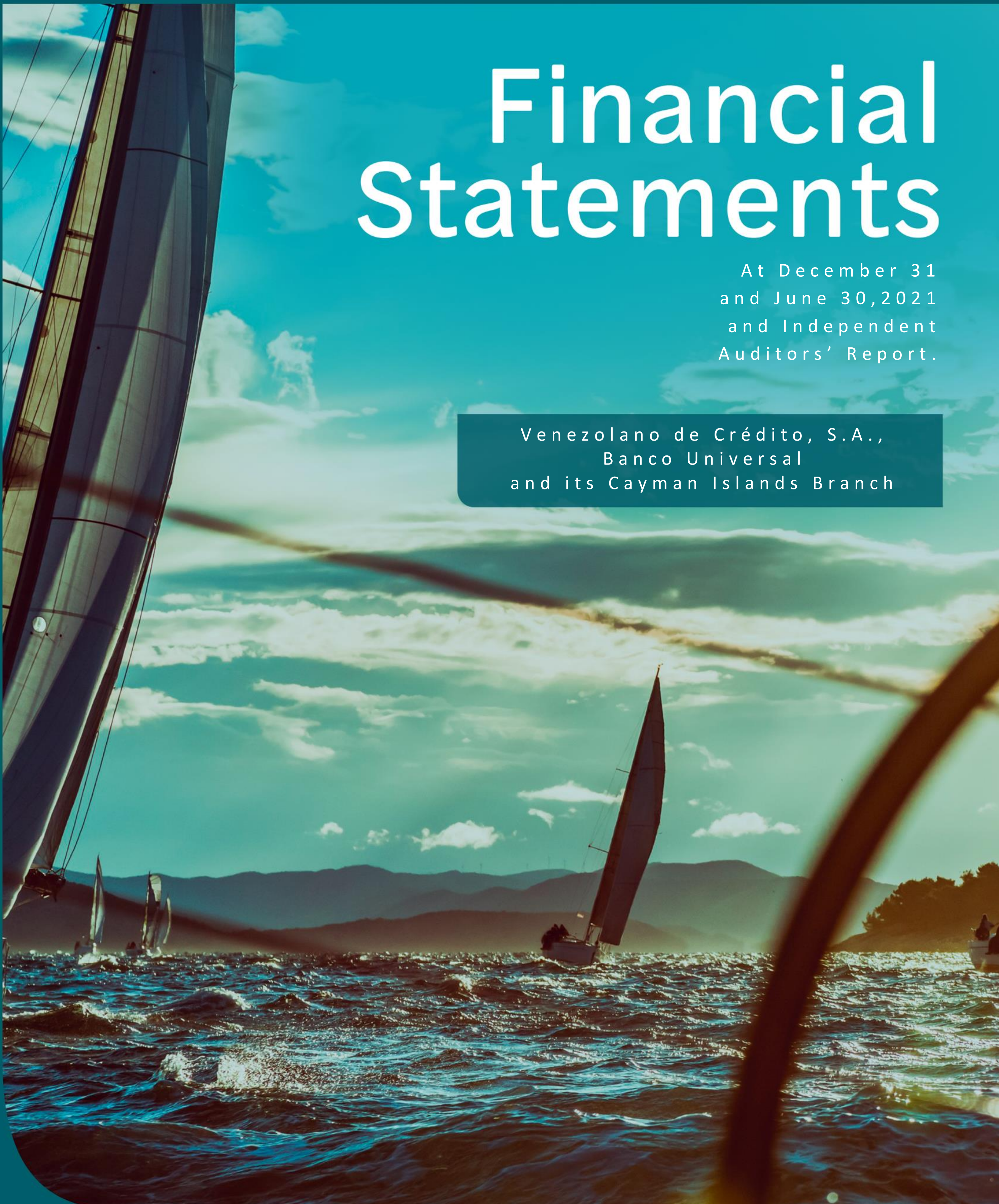
Financial Statements

At December 31
and June 30,2021
and Independent
Auditors' Report.

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



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

Financial Statements
at December 31
and June 30, 2021
and Independent Auditors' Report

**VENEZOLANO DE CRÉDITO, S.A., BANCO UNIVERSAL
AND ITS CAYMAN ISLANDS BRANCH**

FINANCIAL STATEMENTS
at December 31 and June 30, 2021

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Auditors' Report

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(Translation into English of financial statements and independent auditors' report originally in Spanish is made solely for reader's convenience)

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of **Venezolano de Crédito, S.A., Banco Universal and its Cayman Islands Branch** (hereinafter the "Bank"), which comprise the balance sheets at December 31 and June 30, 2021, the statements of income and allocation of net income, statements of changes in the shareholders' equity and statements of cash flows for the six-month periods then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Venezolano de Crédito, S.A., Banco Universal and its Cayman Islands Branch** at December 31 and June 30, 2021, and the results of their operations and their cash flows for the six-month periods then ended in conformity with accounting standards and guidelines provided by Superintendencia de las Instituciones del Sector Bancario de Venezuela (SUDEBAN).

Basis for opinion

We conducted our audits in accordance with international standards on auditing generally accepted in Venezuela (Ven-ISAs). 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 ethical requirements that are relevant to our audits of the financial statements in Venezuela. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the accompanying financial statements to the fact that the Bank, in its condition of financial institution of the Venezuelan banking sector, is liable to prepare and present its financial statements in conformity with accounting standards and instructions set forth by SUDEBAN, which significantly differ from accounting principles generally accepted in Venezuela. In Note 2 the Bank has identified the most significant criteria for valuation and exposure. The financial statements should be read, for their proper understanding, in the light of these circumstances.

Without qualifying our opinion, we draw attention to Notes 1 and 3 to the financial statements to the fact that the state of economic emergency, as declared by the National Executive since 2016, remained in effect during the six-month period. Within this context, the Central Bank of Venezuela has issued monetary policies by means of legal reserve standards and foreign exchange intervention for the banking sector, which have effects on the liquidity restrictions, and therefore on banking activities.

Without qualifying our opinion, we draw attention to Notes 1.c.5 and 3 to the financial statements, which describes the uncertainty related to the economic effects of measures implemented in the country and worldwide to prevent the spread of COVID 19. Our opinion is not qualified in respect of this matter; however, it is not possible to objectively foresee the effects and consequences in the financial statements and in future operations.

Responsibilities of Management and Those Charged with Governance of the Bank for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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, 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.

Management is 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 Ven-ISA 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 Ven-ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Adrianza, Rodríguez, Céfalo & Asociados
Members of the International Firm Mazars

Mercedes E. Rodríguez S.
Public Accountant N° 17.299
Registered with SUDEBAN under N° CP 564

Caracas, Venezuela
January 21, 2022

Financial Statements

VENEZOLANO DE CRÉDITO, S.A., BANCO UNIVERSAL AND ITS CAYMAN ISLANDS BRANCH
BALANCE SHEETS AT DECEMBER 31 AND JUNE 30, 2021
(EXPRESSED IN BOLIVARS)

	Notes	31-12-21	30-06-21
ASSETS			
Cash and due from banks:			
Cash		17,313,404	8,459,301
Banco Central de Venezuela	**4**	60,575,183	35,075,278
Domestic banks and other financial institutions		88	295
Foreign banks and correspondents		71,825,835	45,923,845
Clearing house funds		639,340	127
		150,353,850	89,458,846
Investment securities:	**5**		
Placements in Banco Central de Venezuela and interbank transactions		-	1,068,000
Held-to-maturity investment securities		133,398,503	110,215,340
Restricted cash investments		27,713,672	19,416,490
		161,112,175	130,699,830
Loan portfolio:	**6**		
Current loans		38,739,355	16,446,860
Past-due loans		217,022	304,851
(Allowance for loan portfolio)		(721,029)	(340,652)
		38,235,348	16,411,059
Interests and commissions receivable:			
Accrued interest receivable from investment securities		1,285,566	1,045,018
Accrued interest receivable from loan portfolio		152,979	43,882
Commissions receivable		84,147	23,739
(Allowance for accrued interest receivable and other)		(3)	(1)
		1,522,689	1,112,638
Premises and equipment	**8**	1,962,563	209,672
Other assets	**9**	16,570,093	7,112,092
Total assets		369,756,718	245,004,137
Memorandum accounts:	**18**		
Contingent debit accounts		3,084,288	1,307,357
Trust assets		64,584,519	35,368,448
Other trusts		1,052,221	602,324
Other debit memorandum accounts		40,303,216	17,361,204
		109,024,244	54,639,333

The accompanying notes (1 to 23) are an integral part of these financial statements.

VENEZOLANO DE CRÉDITO, S.A., BANCO UNIVERSAL AND ITS CAYMAN ISLANDS BRANCH
BALANCE SHEETS AT DECEMBER 31 AND JUNE 30, 2021
(EXPRESSED IN BOLIVARS)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31-12-21	30-06-21
Bank deposits:	**10**		
Demand deposits			
Non-interest-bearing current accounts		44,705,371	18,475,056
Interest-bearing current accounts		172,482,180	120,231,150
Current accounts under Foreign Exchange Agreement N° 20		1,430,729	1,141,807
Demand deposits and certificates		1,856,678	3,026,490
		220,474,958	142,874,503
Other demand obligations		11,446,644	6,321,490
Savings deposits		3,988,158	1,659,154
Restricted bank deposits		3,241,660	1,771,807
		239,151,420	152,626,954
Other borrowings:	**11**		
Obligations with domestic financial institutions due in one year or less		550,011	-
Obligations with foreign financial institutions due in one year or less		660	647
		550,671	647
Interests and commissions payable:			
Accrued expenses for bank deposits		175,704	33,459
Accrued expenses for other borrowings		527	-
		176,231	33,459
Accruals and other liabilities	**12**	93,693,982	55,218,063
Total liabilities		333,572,304	207,879,123
Shareholders' equity:	**15**		
Total shareholders' equity		36,184,414	37,125,014
Total liabilities and shareholders' equity		369,756,718	245,004,137
Per contra memorandum accounts	**18**	109,024,244	54,639,333

The accompanying notes (1 to 23) are an integral part of these financial statements.

VENEZOLANO DE CRÉDITO, S.A., BANCO UNIVERSAL AND ITS CAYMAN ISLANDS BRANCH
STATEMENTS OF INCOME AND ALLOCATION OF NET INCOME
FOR THE SIX-MONTH PERIODS ENDED DECEMBER 31 AND JUNE 30, 2021
(EXPRESSED IN BOLIVARS)

	Notes	31-12-21	30-06-21
Financial income:			
Cash and due from banks		22,471	15,664
Investment securities		3,063,391	3,682,554
Loan portfolio		6,429,989	11,700,014
Other accounts receivable		19,699	46,439
		9,535,550	15,444,671
Financial expenses:			
Bank deposits		(1,289,323)	(692,070)
Other borrowings		(1,132,074)	(645,375)
Other		(247,701)	(106,951)
		(2,669,098)	(1,444,396)
Gross financial margin		6,866,452	14,000,275
Expenses for uncollectible loans and other accounts receivable	**6**	(397,598)	(196,538)
Net financial margin		6,468,854	13,803,737
Other operating income	**16**	93,521,007	8,694,971
Other operating expenses	**16**	(55,411,967)	(3,160,320)
Financial intermediation margin		44,577,894	19,338,388
Less- operating expenses:			
Personnel		(14,162,840)	(6,337,511)
General and administrative expenses		(8,519,017)	(3,784,288)
Contributions to Fondo de Protección Social de los Depósitos Bancarios	**14**	(351,948)	(116,043)
Contributions to Superintendencia de las Instituciones del Sector Bancario	**14**	(418,306)	(222,807)
		(23,452,111)	(10,460,649)
Gross operating margin		21,125,783	8,877,739
Sundry operating income	**16**	387,898	11,943
Sundry operating expenses	**16**	(5,691,332)	(1,875,838)
		(5,303,434)	(1,863,895)
Net operating margin		15,822,349	7,013,844
Extraordinary expenses	**17**	(11,650)	(26,026)
Gross income before income taxes		15,810,699	6,987,818
Income taxes	**14**	(1,860,000)	(500,000)
Net income		13,950,699	6,487,818
Allocation of income, net			
Legal reserve	**15**	30	-
Statutory earnings			
Board of Directors		-	-
Other capital reserves	**15**	3	-
Retained earnings		13,950,666	6,487,818
		13,950,699	6,487,818

The accompanying notes (1 to 23) are an integral part of these financial statements.

VENEZOLANO DE CRÉDITO, S.A., BANCO UNIVERSAL AND ITS CAYMAN ISLANDS BRANCH
STATEMENTS OF CHANGES IN THE SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED DECEMBER 31 AND JUNE 30, 2021
(EXPRESSED IN BOLIVARS)

						Retained earnings			
	Notes	**Paid-in capital**	**Uncapitalized equity contributions**	**Capital reserves**	**Equity adjustments**	**Restricted undistributed earnings**	**Available undistributed earnings**	**Total**	**Total shareholders' equity**
BALANCES at December 31, 2020		-	30	-	10,704,841	1,511,063	602,092	2,113,155	12,818,026
Net income for the six-month period	15	-	-	-	-	-	6,487,818	6,487,818	6,487,818
Other income and expenses presented in equity accounts:									
-Unrealized net exchange gain from valuation of foreign currency assets and liabilities	15	-	-	-	18,373,886	-	-	-	18,373,886
-Financial income from UVC loans, net of collections and realized supplemental financial cost for legal reserve deficit for Bs. 58,277	15	-	-	-	85,040	-	-	-	85,040
-General allowances for UVC loans	15	-	-	-	(41,402)	-	-	-	(41,402)
Cash dividends declared	15	-	-	-	-	-	(598,354)	(598,354)	(598,354)
Transfer from/to restricted undistributed earnings:									
Transfer of 50% of available exchange gain to Available Undistributed Earnings, recorded during the second half of 2020, as authorized by SUDEBAN	15	-	-	-	-	(136,773)	136,773	-	-
Net income for the six-month period of foreign branch						1,857,910	(1,857,910)		
50% of net income for the six-month period (Res. Nº 329-99)	15	-	-	-	-	2,314,954	(2,314,954)	-	-
BALANCES at June 30, 2021		-	30	-	29,122,365	5,547,154	2,455,465	8,002,619	37,125,014
Net income for the six-month period	15	-	-	-	-	-	13,950,699	13,950,699	13,950,699
Capitalization of equity as per Official communication SIB-II-GGR-GA-07864	15	30	(30)	-	-	-	-	-	-
Other income and expenses presented in equity accounts:									
-Unrealized net exchange gains from valuation of foreign currency assets and liabilities net of transfer to income for Bs. 27,343,410 as authorized by SUDEBAN	15	-	-	-	(14,185,561)	-	-	-	(14,185,561)
-Financial income from UVC loans	15	-	-	-	1,748,486	-	-	-	1,748,486
-General allowances for UVC loans	15	-	-	-	(1,155)	-	-	-	(1,155)
Cash dividends declared	15	-	-	-	-	-	(2,453,069)	(2,453,069)	(2,453,069)
Transfer from/to restricted undistributed earnings:									
Legal reserve	15	-	-	30	-	(15)	(15)	(30)	-
Reserve for Fondo Social para Contingencias	15	-	-	3	-	(1)	(2)	(3)	-
Net income for the six-month period of foreign branch						3,436,795	(3,436,795)	-	-
50% of net income for the six-month period (Res. Nº 329-99)	15	-	-	-	-	5,256,952	(5,256,952)	-	-
BALANCES at December 31, 2021		30	-	33	16,684,135	14,240,885	5,259,331	19,500,216	36,184,414

The accompanying notes (1 to 23) are an integral part of these financial statements.

VENEZOLANO DE CRÉDITO, S.A., BANCO UNIVERSAL AND ITS CAYMAN ISLANDS BRANCH
STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED DECEMBER 31 AND JUNE 30, 2021
(EXPRESSED IN BOLIVARS)

	31-12-21	30-06-21
Cash flows provided by operating activities:		
Net income for the six-month period	13,950,699	6,487,818
Adjustments to reconcile net income to cash provided by operating activities-		
Provisions and depreciations in income accounts:		
Allowance for uncollectible and impaired financial assets	397,598	196,538
Accrual for employee benefits	1,788,846	825,007
Statutory earnings to directors	1,525,412	929,792
Depreciation and amortization	215,719	17,704
Income and expenses presented in equity accounts:		
Unrealized exchange gain from the valuation of foreign currency assets and liabilities with effect on equity, net of transfer to income	(14,185,561)	18,373,886
Financial income from loans adjusted at UVC, net of collections	1,748,487	26,764
Supplemental financial cost for legal reserve related to loans adjusted at UVCC and UVCP	-	58,277
General and counter-cyclical allowances for loans adjusted at UVC	(1,155)	(41,402)
	(8,510,654)	20,386,566
Net change in other assets	(9,478,973)	(4,776,127)
Net change in interests and commissions receivable	(410,053)	(675,321)
Net change in accruals and other liabilities	35,143,287	34,168,437
Net change in interests and commissions payable	142,772	16,417
Net cash provided by operating activities	30,837,078	55,607,790
Cash flows provided by financing activities:		
Net change in bank deposits	86,524,466	97,107,643
Net change in other borrowings	550,024	(1,279,446)
Dividends paid	(2,453,069)	(598,354)
Net cash provided by financing activities	84,621,421	95,229,843
Cash flows used in investing activities:		
Loans granted for the period	(303,748,720)	(44,724,497)
Loans collected for the period	281,545,208	34,281,117
Net change in placements in Banco Central de Venezuela and interbank transactions	1,068,000	(1,068,000)
Net change in held-to-maturity investment securities	(23,183,163)	(64,974,365)
Net change in restricted cash investments	(8,297,182)	(12,692,524)
Collections from assignment of premises and equipment	-	158
Additions to premises and equipment and foreclosed assets, net	(1,947,638)	(172,511)
Net cash used in investing activities	(54,563,495)	(89,350,622)
Net increase in cash and due from banks	60,895,004	61,487,011
CASH AND DUE FROM BANKS, at the beginning of the six-month period	89,458,846	27,971,835
CASH AND DUE FROM BANKS, at the end of the six-month period	150,353,850	89,458,846

The accompanying notes (1 to 23) are an integral part of these financial statements.

Note to the Financial Statements

NOTE 1.- INCORPORATION, OPERATIONS AND LEGAL FRAMEWORK:

a. Incorporation and operations-

Venezolano de Crédito, S.A., Banco Universal (the "*Bank"*) was incorporated in Caracas on June 4, 1925. The principal business purpose of the Bank and its foreign Branch is to carry out the banking business and operations allowed by laws. The Bank is domiciled in Caracas and has incorporated branches and agencies in the country and in Cayman Islands.

The registered office of the Bank is: Avenida Alameda, Edificio Venezolano de Crédito, piso 3, Urbanización San Bernardino, Caracas.

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

b. Approval of the financial statements-

The Bank's financial statements for the six-month periods ended December 31 and June 30, 2021, were approved for public issue by the Board of Directors at meetings held on January 6, 2022 and July 8, 2021, respectively. The Bank's financial statements for the six-month period ended June 30, 2021, were approved by the Shareholders' Meeting on August 17, 2021, and the financial statements for the six-month period ended December 31, 2021 are expected to be approved without any changes.

c. Regulatory regime-

c.1 Legal framework for banking activities:

The Bank is ruled by the Decree Law on Banking Sector Institutions (hereinafter the "Law on Banking Sector Institutions") and the Trust Law, as well as by applicable standards and regulations of Superintendencia de las Instituciones del Sector Bancario (hereinafter "SUDEBAN"), Banco Central de Venezuela (hereinafter the "BCV") and Fondo de Protección Social de los Depósitos Bancarios (hereinafter "FOGADE").

The Cayman Islands Branch is subject to the supervision and control of The Cayman Islands Monetary Authority and by SUDEBAN in Venezuela.

Within the legal framework ruling the Venezuelan financial sector, banks are governed by other social, economic or monetary-policy laws and regulations that impose criteria for carrying out operations, including restrictions on interest rates, commissions and other bank services and/or that require funding in certain economic sectors. An overview of the most important regulations that have an impact on the performance of banking activities in Venezuela and the Bank's operational ability is shown below:

i. ***Legal reserve:*** Financial institutions shall maintain certain levels of liquidity deposited in BCV, determined on the basis of net obligations and assigned investments, as established by BCV. The minimum legal reserve for both six-month periods is 85% on net obligations in local currency and 31% in foreign currency. Certain activities such as those provided from foreign offices and deposits received in foreign currency in the national financial system, among others, are excluded from the legal reserve. However, deposits in foreign currency in the national territory are not subject to financial intermediation. The legal reserve related to computable foreign currency transactions shall be deposited in local currency in BCV. The BCV imposes financial sanctions and interests on those legal reserve deficits that have not been deposited on the corresponding date, representing financial costs for the Bank. The legal reserve thus calculated limits the financial intermediation activities of banks (*see Notes 3, 4 and 23*).

ii. ***Foreign exchange intervention mechanism:*** BCV is allowed to sell automatically foreign currencies to banks, as it deems appropriate, by debiting from the single account kept by these banks in the BCV and without prior authorization from the Bank for the amount in bolivars equivalent to the foreign exchange operation performed at the exchange rate for sales fixed by the BCV for foreign exchange intermediation, which may be different from the market exchange rate. Foreign currencies allocated under this mechanism must be sold to customers during the week when they were allocated. The foreign currency position that is not sold at the end of every week is automatically repurchased by the BCV at the exchange rate for sales of the foreign exchange intervention reduced by 5.2375 percentage points, thus generating an exchange loss. In addition, the unsold portion is not deducted from the legal reserve, resulting in additional financial costs that are calculated at an interest rate of 126%, and automatically debited from the single account maintained in BCV. The foreign exchange intervention mechanism may impact the cash availability in local currency required to cover the legal reserve amounts.

iii. ***Loan portfolio:*** The BCV issued new standards ruling the loans and the interest rates of the national financial system through Resolution Nº 21-01-02, as published in the Official Gazette dated January 19, 2021. These standards provide, among others, that commercial loans and microcredits, and loans granted within the framework of the Single National Productive Portfolio (hereinafter the “CPUN”), which are explained below (hereinafter collectively referred to as the "UVC loans") shall be expressed in Credit Value Units (hereinafter the “UVC”), which results from the division of the settled amount of the loan granted by the Investment Index (hereinafter the “IDI”)[1] effective at that date. The IDI is determined by the BCV considering the reference exchange rate fluctuation in the market and published daily on the website of the issuer. This rule also establishes the interest rates applicable to the different types of loan; as well as the mandatory terms and conditions to be included in loan agreements. Loans to employees and directors of the bank and credit cards, installment commercial loans for payroll and other consumer loans with limits or amounts lower than 20,400 UVC, which are expressed in historical bolivars, are excluded from this resolution.

iv. ***Mandatory loan portfolio:*** The loan portfolio of the Bank is subject to mandatory percentages destined to the Single National Productive Portfolio and Microcredits, which are subject to a special regime, as follows:

[1] At December 31 and June 30, 2021, the IDI is equal to 0.0224 and 0.01157 respectively.

- ***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 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.

  The aforementioned Resolution Nº 21-01-02 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.

- ***Microfinance portfolio:*** The Law on Banking Sector Institutions sets forth that banks must destine not less than 3% of the prior six-month period loan portfolio to the microfinance system. In addition, the microfinance portfolio amount must be distributed among marketing activities, public transport activities, community-based services and craft activities, among others, according to the following percentages on the total portfolio, established by SUDEBAN by means of Resolution N° 021.18 dated April 5, 2018:

Financing intended to:	**Required %**
Marketing activities	Max. 40%
Public transport activities	Max. 40%
Community-based services, craft activities and other	Min. 20%

  The microfinance loan portfolio is subject to creation of allowances based on default on loan payments.

The IDI is determined by the BCV considering the reference exchange rate fluctuation in the market and published daily on its website.

vi. ***Limits for lending and saving interest rates:*** BCV and the National Executive have set forth limits for lending and saving interest rates, in local currency, collectible from or payable to customers by the national financial system, considering the diverse banking products and economic sectors that benefit, as provided by social, economic and/or monetary policy laws and regulations.

A summary of limits for lending and saving interest rates in effect at the end of each six-month period follows:

Type of transaction:	December 31, 2021		June 30, 2021	
	Maximum	Minimum	Maximum	Minimum
	Limits		Limits	
UVC or UVCP productive loans[2]	2%	-	2%	-
UVC or UVCP loans in default[2]	0.8%	-	0.8%	-
UVC or UVCC commercial loans[2]	10%	4%	10%	4%
Microcredits (expressed in UVC or UVCC)[2]	10%	4%	10%	4%
Residential mortgage loans (effective until 29-01-20)[3]	12.66%	-	12.66%	-
Other mortgage loans (effective until 29-01-20)[4]	40%	-	40%	-
Credit cards[2 and 4]	60%	17%	60%	17%
Default other than UVC, UVCC and UVCP loans[2]	3%	-	3%	-
Credit transactions other than above[2]	36%	-	36%	-
Balances in favor of cardholders[2]	21%	-	21%	-
Savings deposits[2]	32%	-	32%	-
Term deposits[2]	36%	-	36%	-

vii. ***Law on Credit Cards, Debit Cards, Prepaid Cards and other Financing or Electronic Payment Cards:*** This law is aimed at regulating all aspects related to the credit card system and operators in order to ensure user rights. The most important regulations provided by this Law are as follows: (a) the amounts of borrowing interests may not be capitalized; hence, charging interest on interest is not allowed, (b) charging collection expenses not incurred or charging for maintenance expenses and costs for renewal of cards, or for issuance of statements of account are not allowed, and (c) BCV sets, on a monthly basis, the limits of the financial interest rate and maximum moratorium rate for the financing of credit cards, as well as commissions, fees or charges for services provided in the use of credit, debit or prepaid cards and other financing or electronic payment cards. In addition, the prudential rules provided by SUDEBAN set forth limits to lines of credit of this instrument and a fixed and controlled interest rate.

viii. ***Limits on commissions, surcharges and fees:*** The BCV has set forth limits or restrictions on the financial system's collection of commissions, fees, and other costs that customers are charged for different transactions or services, considering diverse banking products, type of customer (individual or company) and the economic and/or social sector involved.

In addition, BCV has issued prohibitions in respect of establishing maximum or minimum balances for opening or maintaining savings accounts and term deposits, as well as inactivating, blocking or canceling accounts.

ix. ***Countercyclical and general allowances:*** Under Resolution N° 146.13 dated September 10, 2013, of SUDEBAN, banks have to create a countercyclical allowance, in addition to the specific and general allowances for loan portfolio, which shall be equivalent to 0.75% of the gross loan portfolio. Under Resolution N° 070.19 dated December 20, 2019, SUDEBAN established that the creditor balance shown at the close of each month in account 358.00 "*Changes in commercial loans determined as established by the BCV*" under "*Equity adjustments*" may be applied for the creation of general and countercyclical allowances that are generated from the portions corresponding to the variation of the loan principal.

x. ***Limits of foreign currency balances:*** Universal banks shall maintain their net foreign currency positions within the limits provided by BCV through special resolutions. In accordance with BCV's Resolution 19-04-01, foreign currency position limits shall be established for each bank. On April 8, 2019, as provided by official communication N° VOI-GOC-DNPC-004, the BCV temporarily suspended the application of such index solely regarding the net foreign currency asset positions

[2] As provided by Resolution N° 21-01-02 published in Official Gazette N° 42.050 dated January 19, 2021.
[3] It is based on information monthly published by BCV. Current official notice as published in Official Gazette Nº 41.575 dated 30/01/2019.
[4] It is based on information monthly published by BCV. Current official notice as published in Official Gazette N°42.278 dated December 16, 2021.

and for the excess of foreign currency liabilities on assets, it provided the charge of an annual interest rate, which shall be equivalent to the discount and rediscount rate plus 10% applied on the exceeded amount. At December 31 and June 30, 2021, the annual discount and rediscount rate was 12%[5]. Furthermore, foreign currency arbitration and exchange transactions are subject to limits and restrictions set forth in the laws and standards pertinent to the current foreign exchange regime and resolutions issued by BCV (*see Notes 1.c.4. and 22*).

xi. ***Limits of interbank transactions:*** Interbank placements of funds should not exceed 10% of the lower of the net assets of the bank placing the funds or the bank receiving the funds, except for guaranteed transactions made through the system for interbank loans managed by BCV and those transactions carried out to meet the managed portfolios.

xii. ***Prohibition on investing in structured investment securities:*** On May 19, 2008, the Ministry of People's Power for Finance published Resolution N° 2.044 in Official Gazette N° 38.933, which prohibited domestic banks and other financial institutions from acquiring or accepting investment securities as payment or gift, including structured notes in bolivars, issued by foreign financial or nonfinancial institutions. The Bank does not maintain in its financial statements or in those of the trust fund, simple or derivative, financial instruments denominated in bolivars issued by foreign entities.

xiii. ***Minimum capitalization and solvency levels:*** Financial institutions shall maintain minimum capitalization levels, as provided by SUDEBAN through special resolutions (*see Note 15*).

xiv. ***Contributions:*** The Law on Banking Sector Institutions and other special laws require banks to make contributions and/or accruals from their profits, in addition to income taxes, for social projects with specific purposes:

- ***Special contributions to SUDEBAN and FOGADE:*** Banks and other financial institutions shall make special contributions in order to support the operations of SUDEBAN, which is calculated based on 0.6 (1 in effect until August 2021) per thousand of the average of assets for the two months prior to the bimonthly period, and of FOGADE's operations (calculated based on 0.75% of the bank deposits' balance at the end of the six-month period). These contributions are shown under "*Operating expenses*" in the accompanying statements of income.

- ***Contribution to community associations*:** 5% of gross income before taxes of banks is aimed at complying with the social responsibility that will finance community associations or other social organizations' projects. SUDEBAN, through Resolution N° 233.11 dated August 22, 2011, established that said contribution should be recorded as a prepaid expense and monthly amortized by 1/6, once the payment has been made and the related expense is shown under "*Other operating expenses*" (*see Note 14.h*).

- ***Contribution to the social fund for contingencies*:** Banks must create a social fund for contingencies, by way of cash transfers to a trust fund in another bank, which shall be equivalent to 10% of capital stock, to guarantee its employees the payment of their work-related liabilities in case the liquidation of the bank is decided. Such percentage will be reached through semiannual contributions of 0.5% of capital stock (*see Notes 5.e and 15.d.2*).

- ***Contribution to antidrug programs*:** The Law on Drugs published in Official Gazette N° 39.510 on September 17, 2010, and Resolution N° 119.10 issued by SUDEBAN on March 9, 2010, set forth that 1% of financial institutions' annual operating income is intended for Fondo Nacional Antidrogas to finance prevention plans, projects and programs to avoid illegal drug traffic, as provided by said Law (*see Notes 12 and 14.f*).

[5] As provided by Resolution N° 21-01-02 published in Official Gazette N° 42.050 dated January 19, 2021, in accordance with official notice monthly published.

- ***Contribution to scientific and technological activities*:** The Law on Science, Technology and Innovation sets forth that companies with annual gross income exceeding 100,000 Tax Units[6] shall contribute to finance scientific and technological activities that promote the social development, which is estimated based on a percentage of gross income obtained in the immediately previous year (*see Note 14.e*).

- ***Contribution to the development of sports*:** The Law on Sports and Physical Activity, published in Official Gazette N° 39.741 dated August 23, 2011, establishes that profit-making private and public companies must contribute 1% of their annual net income (when this amount exceeds 20,000 TU[6]), to Fondo Nacional para el Desarrollo del Deporte, la Actividad Física y la Educación Física, which shall be declared and paid within 120 days after the year-end and recognized as expenses as paid (*see Notes 12 and 14.g*).

c.2. Unit of measure:

The accompanying financial statements are presented in bolivars (Bs.) and any amount herein contained is expressed in this same unit of measure, unless otherwise indicated.

c.3. Decree of State of Emergency and Economic Emergency:

The decree of State of Emergency and Economic Emergency has been in force since January 14, 2016, in the country, date on which it was originally issued by the National Executive and has been successively extended; the latest was on February 23, 2021. Under this decree the National Executive assumes powers to adopt exceptional measures on agricultural production, feeding, health, personal hygiene, basic services, public security and any other social, economic, political and juridical measures it deems convenient to ensure population rights, preserve internal order, and timely access to goods, services, food, medicines and other products essential for life. As a result of this declaration of state of emergency, certain guarantees for exercising constitutional rights might be restricted, upon application of certain exceptional measures contemplated by this decree. In addition, the Ministry of People's Power for Banking and Finance, together with the BCV, may fix maximum limits of inflow or outflow of legal tender in cash, restrictions of certain commercial and financial transactions and limit payments to the use of duly authorized electronic payment means in the country. These measures are in force for 60 days and may be extended to additional 60 days, as allowed by the National Constitution; accordingly, this state of emergency under this last decree would be in force until April 24, 2021. To date, the National Executive has not made any pronouncement on the effectiveness of the circumstances that motivated the decree and therefore, its continuance.

c.4. Foreign exchange regime:

On January 21, 2003, the National Executive established a foreign exchange control that imposed limitations or restrictions on the free convertibility of the local currency and the transfer of funds from the country to abroad. Since its creation, the foreign exchange regime has been constantly reviewed thus implementing various controlled mechanisms for acquiring foreign currency.

On August 2, 2018, through a decree of the National Constituent Assembly published in the Official Gazette N° 41.452, the Law on the Foreign Exchange Regime and its Offenses was repealed, which defined the assumptions that might be considered to be foreign exchange offenses and established certain obligations, as well as pecuniary and criminal sanctions applicable.

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[6] At December 31 and June 30, 2021, one tax unit (TU) is equivalent to Bs. 0.02, for both six-month periods.

The Foreign Exchange Agreement N° 1 was published in the Official Gazette N° 6.405 on September 7, 2018, which established the current regulatory framework that governs the foreign exchange market in Venezuela and superseded the regime in force since 2003. The following are the main features of the new foreign exchange system:

i. ***Mechanism applicable to the public sector:*** The foreign exchange transactions of the public sector are centralized on the BCV, i.e., public bodies and entities only can purchase and sell foreign currency through the BCV.

ii. ***Mechanism applicable to the private sector:*** Purchases and sales of foreign currencies, by individuals and legal entities from the private sector are performed through authorized foreign exchange operators, through the use of the Foreign Exchange Market System (the "SMC"). This system consists of the purchase and sale of foreign currency, in bolivars, in which sellers and purchasers participate without any restriction. Such a system is ruled and managed by the BCV and operates under a form of auction, but participants ignore the quotations of supply and demand during the quotation process and cross-transactions. This information together with the identification of the resulting counterpart would be made public after the process for the purposes of the settlement of agreed transactions. The minimum amount for quotation of demand and supply through the SMC should be determined by the BCV. Other characteristics of this market are shown below:

- The exchange rate in force for the purchase and sale of foreign currencies will fluctuate freely in accordance with supply and demand through the SMC.

- The operations of retail in the private sector are allowed, i.e., foreign exchange transactions for amounts equal to or less than € 8,500 made directly before the foreign exchange operators. Universal banks and currency exchange offices governed by the Law on Banking Sector Institutions may perform operations as intermediaries specialized in the retail foreign exchange transactions.

- Universal banks are authorized to act as foreign exchange operators in the SMC. The BCV's Governing Body may authorize other banks to act as foreign exchange operators in such a system.

- Operations through investment securities issued by the private sector are allowed in the framework of the capital market. That is, security brokerage firms and currency exchange offices, as well as Bolsa Pública de Valores Bicentenaria, may perform trading operations, in local currency, of securities issued by any, national or foreign, private entity listed in regulated markets and of public offering.

- Contracts may be entered into by agreeing the foreign currency as the currency of account or payment.

- The reference exchange rate shall be a single fluctuating rate calculated by the BCV, according to the average of operations agreed on the SMC.

- Neither banks, insurance companies nor stock market institutions are allowed to make quotations of demand through the Foreign Exchange Market System nor in the stock market.

- The BCV must publish on the *website* the weighted average exchange rate of operations traded on the SMC. In addition, authorized foreign exchange operators must announce the reference exchange rate in their offices.

- While any economic operator may trade on this market, operations carried out on other than this foreign exchange system are not recognized. Individuals may carry out foreign exchange transactions solely in accordance with the regulation issued for such purposes.

The Foreign Exchange Agreement N° 1 sets forth that the application of the foreign exchange regime is subject to the regulation issued by the BCV. During 2019, the BCV issued Resolutions N° 19-01-04, 19-04-01, 19-05-01, 19-05-02 and 19-09-03, as well as diverse official notices and communications, through which it implements a new operating and regulatory scheme thus eliminating the participation of BCV, previously provided by the agreement and granting independence to the banking system for carrying out foreign currency arbitration operations with individuals and legal private entities under the following modalities:

- ***Retail transactions***: Banks are allowed for buying and/or selling (through counters) foreign currencies for amounts lower than € 8,500 from/to individuals of legal age, under the terms provided by the BCV.

- ***Foreign exchange market:*** Direct purchase-sale of foreign currencies with clients and/or in the interbank market is allowed without intermediation of the BCV. Each bank arranges its foreign exchange market according to availability of offers and its operational capacity to structure operations.

The BCV regulates high-value foreign exchange transactions, retail transactions, transactions in foreign exchange markets and operations with investment securities. Operations agreed upon through foreign exchange markets shall be reported to the BCV on a daily basis.

iii. ***Foreign exchange intervention mechanism:*** Through Resolution N° 19-09-03 dated September 5, 2019 (formerly N° 19-05-03 dated May 25, 2019), the BCV established a foreign exchange intervention mechanism allowing it to sell foreign currencies to universal banks by debiting from the single account kept by these banks in the BCV for the amount in bolivars equivalent to the foreign exchange operation performed. This purchase of foreign currencies is carried out by BCV at the exchange rate for purchases fixed by BCV and without any authorization of the Bank. Foreign currencies assigned to the banks under this mechanism are for the mandatory sale to private sector customers at the exchange rate applied by the BCV for the foreign exchange intervention based on the objectives of the foreign exchange policy. Foreign currencies that are not sold to the public shall be returned to the BCV at the exchange rate for sale less 5.2375 percentage points, thus generating an exchange loss plus the monetary sanctions imposed by the Institution for such a refund.

As of October 7, 2021, the BCV established that, exceptionally and taking into account the situation of the foreign exchange market, its impact on macroeconomic variables, on events and fortuitous events or force majeure and in order to preserve the general interest, it may agree on the following measures: (i) not to apply to banks the reduction of 5.2375% of the exchange rate for purchases on the balance not sold to the public of the foreign exchange intervention at the end of the respective week, which had been required in the aforementioned Resolution No. 19-09-03, using instead the exchange rate for purchases in force at the day on which the sale of said intervention was made, (ii) not to apply the collection of the fee for legal reserve deficit provided for in the aforementioned Resolution, for those foreign currencies not sold to their customers, (iii) extend the period in which banks are liable to sell foreign currency to their customers, as a result of the foreign exchange intervention.

Additionally, the BCV established by means of official communication dated November 18, 2021, that the maximum limit of the free exchange rate of sale for those foreign currency positions in cash which have been acquired through their foreign exchange markets or those that were authorized to be non-accumulated in their foreign exchange markets from the retail, is the one established by the BCV for the last foreign exchange intervention of the respective week.

During the six-month period ended June 30, 2019, the Bank filed a claim for annulment with request of precautionary measure for the suspension of effects against the BCV's resolutions concerning the foreign exchange intervention mechanism; based on the argument that the foreign exchange intervention mechanism violates the principles of economic freedom enshrined in the National Constitution *(see Notes 3.b, 9 and 20).*

During the six-month periods ended December 31 and June 30, 2021, the BCV made automatic purchases and sales of foreign currency through debits and credits to the accounts maintained by the Bank in such institution, which generated losses from foreign exchange intermediation for a total amount of Bs. 599,813 (Bs. 687,481 at June 2021 *(see Notes 9 and 20).*

iv. Banks shall publish the weighted average exchange rate resulting from traded operations at the close of business, by indicating the traded volume.

The resulting exchange rates under the foreign exchange regime in force at December 31 and June 30, 2021, are as follows:

31-12-21		30-06-21	
Purchase	Sale	Purchase	Sale
Bs. per dollar			
4.585707	4.597200	3.212547	3.220598

c.5. Decree of state of alarm related to COVID-19:

On March 13, 2020, through the Extraordinary Official Gazette N° 6.519, the National Executive decreed a State of Alarm throughout the national territory in order to mitigate the epidemic risks associated with COVID-19. The health protection and control measures provided for in that decree include the restriction of vehicular and pedestrian traffic in the national territory, with alternative measures for the acquisition of essential goods, as well as the restriction of labor activities, except for priority sector activities including banking, energy, food and health, among others. The state of alarm is valid for 30 days and has been successively extended, the latest was enacted under Decree N° 4.448 dated February 28, 2021, therefore, the State of Alarm under this last decree would be in force until March 30, 2021. During the year 2021, the country operated under the restriction measures considered necessary by the national government and, in view of the fact that the pandemic crisis with the virus in its various variants is still maintained with high levels of contagion in the world and national population; at this time, it is not possible to foresee the effects of this situation in the future (see Note 3).

c.6. New monetary expression decree:

Decree No. 4.553 was published in Official Gazette No. 42.185 dated August 6, 2021, by which the National Executive establishes that, as of October 1, 2021, the monetary system unit will be expressed in the equivalent of the current Bs. 1,000,000. The Bolivar resulting from this new expression, will continue to be represented with the symbol "Bs.", being divisible by one hundred (100) cents. Consequently, any amount expressed in local currency before that date must be converted to the new unit, divided by one million (1,000,000).

The BCV will regulate under this decree all the matters concerning the applicable rounding.

NOTE 2.- ACCOUNTING POLICIES AND PRACTICES:

A summary of the most significant accounting policies and practices followed by the Bank and its Branch in the preparation of their financial statements follows:

a. Basis of presentation-

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. The financial statements shall be read, for their proper understanding, in the light of these circumstances**.** For reporting purposes of the Bank, the most significant differences of presentation, valuation and exposure are the following:

i. ***Historical cost basis:*** The financial statements are presented on the historical cost basis, i.e., without recognition of the effects of inflation considered to be relevant under Ven-NIF for financial reporting interpretation purposes (*see Notes 2.b and 3*).

ii. ***Complete set of financial statements:*** In conformity with accounting principles for banks, a complete set of financial statements comprises a statement of income for the period instead of the statement of comprehensive income. Those items of income and expense that are not recognized in income for the period are recorded in *Other comprehensive income* under equity. Ven-NIF require entities to present a statement of income for the period and other comprehensive income as part of the complete set of financial statements, either in a single statement or in a separate statement but with equal prominence for all of the financial statements for the adequate explanation of the entity's financial performance and financial position.

iii. ***Cash and equivalents:*** The accounting framework for banks does not consider funds placed in other financial institutions to be cash and equivalents although they are easily convertible into cash, have maturities of 3 months or less and are not subject to significant fluctuation risks. Interbank placements are classified as "*Investment securities*", and amount to Bs. 1,068,000, at June 30, 2021.

iv. ***Limitation of classification of available-for-sale investment securities:*** The accounting framework for banks provides that investments may be classified as available-for-sale only for one year or less, which is not required under Ven-NIF.

v. ***Transfers between investment categories:*** 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.

vi. ***Presentation of financial income:*** The amortization of premiums and discounts resulting from held-to-maturity investment securities is presented within the gain or loss from the sale of investment securities within *"Other operating income".* In conformity with Ven-NIF it is part of income from the investment securities, and accordingly, it is presented as part of financial income.

vii. ***Impairment of financial assets:*** The accounting standard for banks provides (i) models of estimation of losses incurred in the determination of allowances for uncollectible financial assets, including the loan portfolio and interest receivable; (ii) criteria for the allowance for interest on past-due and restructured loan portfolio that consider parameters additional to recovery assessments based on applicable risks, (iii) creation of general, countercyclical and voluntary allowances for the loan portfolio, which is not required under Ven-NIF; and (iv) temporary criteria of allowances under the state of alarm caused by Covid-19 pandemic. To this purpose, *IFRS 9 – Financial Instruments* requires an expected credit loss model for which financial assets are classified in three stages, based on changes in credit risk since initial recognition. This model provides how an entity estimates impairment losses and applies the effective interest method.

viii. ***Amortization of foreclosed assets:*** The accounting framework for banks provides criteria for the amortization of repossessed chattels and real estate, idle assets and other foreclosed assets, which is not required under Ven-NIF that require their presentation at fair value.

ix. ***Deferred tax recognition:*** 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 Nº 198 dated June 17, 1999, Resolution Nº 025.17 dated March 28, 2017, and Resolution Nº 101.17 dated September 12, 2017, issued by SUDEBAN. Under Ven-NIF, deferred tax assets or liabilities are fully recognized using the balance sheet method with effect on income (profit and loss) or as a decrease in its related account under equity in accordance with the item originating the deferred taxes.

x. ***Revenue and expense recognition and presentation:*** The accounting practices for banks provide for the recognition of certain significant revenues and expenses resulting from banking business operations, which differ from Ven-NIF; mainly regarding their recording in the single account of "*Equity adjustments*" or regarding their deferral, while other significant financial costs are recorded in income; the consequences are the exclusion of such revenues/expenses from the analysis of the business and operating performance, among others. The most significant are as follows:

- ***Financial income from loans expressed in UVC:*** The effects of the valuation of loans expressed in UVC resulting from the application of IDI[7], are recognized within equity under "*Equity adjustments",* and are reclassified to income as the corresponding loans are collected. Under Ven-NIF, UVC loans should be valued at amortized cost by applying the effective interest method and the related revenues should be presented in income for the six-month period as "*Financial income"* as earned, as well as the related financial costs (*see Note 15.c*).

- ***Exchange gain:*** The unrealized exchange gain from the valuation of foreign currency assets and liabilities at the official exchange rate in effect at each half-yearly closing is presented in equity accounts and might be reclassified to income for the period where there are no deficit balances of provisions or expenses to be offset and as authorized by SUDEBAN, which may occur during a period other than that when it arose. Under Ven-NIF, unrealized exchange gains or losses resulting from the valuation of foreign currency balances at the closing exchange rate are presented in income for the period as earned or incurred and are presented as part of operating income. At December 31, 2021, the net unrealized exchange loss amounts to Bs. 14,185,561 and at June 30, 2021, the net unrealized exchange gain amounts to Bs. 18,373,886 and is shown within "*Equity adjustments*" account (*see Note 15.c*).

- ***Interest income due after 180 days***: It is recognized in income on the cash basis instead of on the accrual basis of accounting. Ven-NIF require interest income to be recognized as earned and subsequently provisioned in accordance with expected recovery.

- ***Operating and extraordinary income:*** Accounting guidelines for banks provide the recognition of certain operating revenues as collected and the presentation of realized gains from the sale of assets as extraordinary income. Ven-NIF recognize revenues as earned and no income or expense item is recognized as extraordinary item in the statements of income for the period and other comprehensive income or in the notes to the financial statements.

[7] At December 31 and June 30, 2021, the IDI is equal to 0.0224 and 0.0157, respectively.

- ***Allowance for loan portfolio***: Basically, the allowances for the loan portfolio are recognized in income for the period, which consider specific allowances for uncollectible loans and additional general and/or countercyclical allowances determined on the total amount of gross loan portfolio and contingent loans; except for general and countercyclical allowances resulting from changes in the principal of UVC loans, which may be created, at the Bank's discretion, and charged to unrealized gains from valuation of UVC loans, which are presented within "*Equity adjustments*", as instructed by SUDEBAN under Resolution Nº 070.19 dated December 20, 2019. Ven-NIF do not consider general allowances or creation of allowances charged to equity accounts.

- ***Allowances:*** Under prudential standards entities are required to record automatic allowances for certain items based on aging criteria; these standards impose or permit general, countercyclical and voluntary risk allowances. Under Ven-NIF allowances are recorded based on the particular analysis of recovery but they do not establish criteria of terms or aging.

- ***Leases:*** Leases are recognized as expenses based on lease terms. Under IFRS 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-NIFs 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.

b. 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 critical judgements that have been made in the process of applying the accounting policies and that have a significant effect on the amounts recognized in the financial statements:

i. ***Historical financial statements and effects of inflation on the financial information (Notes 2.a and 3):*** The Bank presents its financial statements on the historical cost basis, in conformity with the accounting guidelines of SUDEBAN. For the last years, the country has maintained levels of annual hyperinflation and depreciation of the exchange rate, which for 2021 is of 686% and of 315%, respectively. Although the accompanying financial statements at December 31 and June 30, 2021, are presented in historical bolivars rather than in constant currency, their amounts are not comparative between them in terms of purchasing power; accordingly, the significant increase in all their accounts shall be analyzed in the light of the prevailing economic environment and shall not be interpreted exclusively as an increase in the turnover.

ii. ***Fair value of financial instruments, including held-to-maturity investments (Note 5):*** Fair value of financial instruments that are not traded in active markets, on initial recognition and on subsequent assessment of permanent potential losses, if any, is determined using the price reported by the custodian agent for foreign investments. The Bank does not estimate permanent losses from those investment securities considered to be a higher risk. The Bank uses judgement to make estimates mainly based on market conditions at the balance sheet date.

iii. ***Useful life and fair value of premises and equipment (Note 8)****:* The useful life of these assets is determined based on the parameters established by SUDEBAN. The Bank analyzes the asset and market conditions at the balance sheet date to recognize losses, if necessary.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial statements for the next six-month period:

i. ***Foreign currency assets and liabilities (Notes 1.c.4 and 3.b):*** Foreign currency assets and liabilities are translated into bolivars by applying the exchange rate published by BCV. If the foreign currency transactions were not completed under the estimates provided by the accounting standard, there were changes in the foreign exchange regime and/or for effects of exchange rate fluctuations, these might involve more cash flows than estimated.

ii. ***Allowances for credit risk of financial assets and other assets (Notes 5, 6 and 9)****:* Estimates for potential losses are based on the assessment of probability of occurrence on each individual analysis of cases considering the factors for the classification of the loan portfolio provided by current accounting guidelines, and sometimes based on the opinions of external legal advisors, as required.

iii. ***Impairment loss on premises and equipment (Note 8):*** When there is an indication that the long-lived assets may be impaired the Bank reduces their value based on estimates of market value made by independent experts that base their judgement on market values. At December 31 and June 30, 2021, the Bank has not observed any indication of impairment losses for its long-lived assets.

iv. ***Labor obligations for employee benefits and retirement plan (Note 12):*** Labor liabilities are estimated based upon actuarial surveys, considering their labor conditions in effect at year-end and projected, which include seniority and salary factors that may vary in the future.

v. ***Deferred taxes:*** Estimates of income taxes and deferred taxes are made on the historical cost basis, as provided by tax legislation and the accounting basis, an uncertainty exists regarding their applicability in the future because they are subject to potential changes in tax legislation and interpretations. In addition, the Bank recognizes neither deferred tax liabilities of long-lived assets, regarding gains and losses recognized in equity, nor deferred tax assets resulting from temporary differences derived from the accounting and tax basis due to their uncertain recovery and/or application of the banking accounting standards.

c. Translation and integration of the foreign branch’s financial statements-

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 in effect at year-end, as reported by BCV.

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

At December 31 and June 30, 2021, the exchange rates applied by the Bank for the translation of the financial statements of its foreign branch were Bs. 4.585707/US$1 and Bs. 3.212,547/US$1, respectively (*see Note 7*).

d. Cash and equivalents-

For reporting purposes of the statements of cash flows, the Bank considers cash and due from banks in local and foreign currency represented by cash, gold in coins and bars, deposits in BCV, deposits in banks and other financial institutions and clearinghouse funds, which are available on demand to be cash.

e. Investment securities-

"Placements in BCV and interbank placements" include liquidity surplus placements made in BCV and/or in domestic banks due in 12 months or less, which are recorded at their realizable value, equivalent to cost and nominal value.

"Restricted cash investments" include term deposits in other financial institutions presented at their nominal value, which is similar to their fair value and the investment trust of social fund for contingencies presented at the net equity value of the trusts' financial statements.

The Bank analyzes whether investment securities other than those referred to in the preceding paragraphs are classified as trading, available-for-sale and held-to-maturity. This classification is based on the Management's intent with respect to these investment securities and based on the time estimated to hold such securities. Those investment securities acquired to obtain benefits from price fluctuations within 90 days or less and whose market value can be easily determined are classified as "*Trading investment securities"* and carried at fair market value; the unrealized gains/losses are included in income for the six-month period. "*Held-to-maturity investment securities"* correspond to debt securities for which the Bank has the intention and the capacity of holding until maturity. Such investment securities are accounted for at cost adjusted for the amortization of premiums or discounts, which are included in income for the six-month period. "*Available-for-sale investment securities"* are those that do not classify in the foregoing categories; they are valued at fair market values and the unrealized gains/losses are reported in equity, and investments in shares with minority interest with no market value (i.e. Suiche 7B and Caja Venezolana de Valores), which are recorded and valued at the acquisition cost. "*Available-for-sale investment securities"* may remain in this classification for up to one year.

The Bank uses the acquisition cost of the specific securities to be traded as calculation basis to determine the realized gain or loss from the sale of investment securities.

Permanent decreases in fair values of available-for-sale or held-to-maturity investment securities are charged to income for the period as they arise.

f. Loan portfolio

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[8] *(see Note 1.c).*

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[8] 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"*.

[8] At December 31 and June 30, 2021, the IDI is equal to 0.0224 and 0.0157 respectively.

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.

A detail of unrealized and realized gains from UVC loans (commercial loans, microcredits and CPUN loans) is presented under *“Equity adjustments”* in *Note 15*.

g. Allowance for loan portfolio and contingent portfolio-

The specific allowance for the loan portfolio and the contingent portfolio is maintained at levels adequate to cover potential losses from loans determined based on the standards provided by SUDEBAN, through Resolution Nº 009-1197 dated November 28, 1997, in Resolution N° 010.02 dated January 24, 2002, and Resolution N° 021.18 dated April 5, 2018, for the microcredit portfolio, and in Resolutions N° 027.13 dated March 14, 2013 and N° 028.13 dated March 18, 2013 for the agriculture portfolio. Management determines the adequacy of such allowances through specific credit reviews, recent loss experience, current economic conditions, risk characteristics of the loan categories, fair value of the guarantees received and other relevant factors.

In addition to the individual allowances determined on the criteria mentioned in the preceding paragraph, the allowance for loan portfolio includes a general allowance of at least 1% of the gross loan portfolio, except for the microfinance loan portfolio that requires a general allowance of 2%, and a countercyclical allowance of at least 0.75% of the gross loan portfolio. The balance of the allowance for loan portfolio shall not be less than the balance of the past due and in litigation portfolio. Furthermore, the off-balance sheet risk loan portfolio that is shown within “*Contingent memorandum accounts*” requires a general allowance of 1% of the balance of such portfolio, which is shown under “*Accruals and other liabilities”.*

The allowance for loan portfolio is increased with charges to income and reduced for recognized portfolio losses, as incurred, except for general and countercyclical allowances resulting from changes in the principal of UVC loans, which may be created, at the Bank’s discretion, charged to unrealized gains from valuation of UVC loans, which are presented within “*Equity adjustments*”, as instructed by SUDEBAN under Resolution Nº 070.19 dated December 20, 2019.

h. Premises and equipment-

Premises and equipment correspond to chattels and real estate owned by the Bank for its use. These assets are recorded at acquisition cost and depreciated using the straight-line method based on the estimated useful lives of assets.

As provided by SUDEBAN, those assets with a cost lower than 320 TU[9] (Bs. 6.4 at December and June 2021), or useful life under 4 years are expensed as acquired. Expenditures for maintenance and repairs are charged directly to income and improvements and renewals that may increase the capacity of service and efficiency or extend useful life are added to the cost of the related properties. Upon sale or disposal of assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is shown in income for the six-month period.

i. 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.

[9] At December 31 and June 30, 2021, one tax unit (TU) is equivalent to Bs. 0.02, for both six-month periods.

j. Allowance for other uncollectibility and impairment risks-

Management determines the adequacy of the allowance for potential losses from uncollectibles or recovery of other assets through the application of criteria similar to those applied to the loan portfolio, as applicable, by considering the aging analysis of balances, as required by SUDEBAN, and by assessing other relevant risk factors. The allowance for other assets is increased through charges to income and reduced by losses recognized from such assets through the related write-offs, as known.

k. Employees and directors' benefits-

Employees and directors' 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. Employee benefits are classified as follows:

- ***Short-term employee benefits****:* The bylaws, legal provisions and the collective and individual bargaining contracts 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, (with charge to shareholders' equity in the prior six-month period, in case of directors), in conformity with undiscounted calculations, based on labor legislation and the current collective bargaining agreement.

- ***Defined benefit plans***: It considers the accrual for employees' termination benefits, which is estimated on a discounted basis that considers the employee's salary and length of service based on current labor regulations and conditions at the balance sheet date. Employee benefit costs are determined based on actuarial calculations made by independent actuaries using actuarial assumptions such as: discount rate, rate of inflation, employee turnover, mortality rates and salary increases, among others. These assumptions are revised on an annual basis and may impact the obligation amount and future contributions if significant variations are determined. The costs of employee severance benefits and interest expenses are recognized in income for the six-month period. Gains or losses resulting from changes in assumptions derived from new measurements of actuarial calculations are recorded under the "*Available undistributed earnings*" account.

- ***Employee termination benefits****:* The current regulation sets forth the payment of an additional indemnity in the event of unjustified dismissal, which is calculated based on severance benefits and in addition thereto. Termination benefits are expensed when the entity has made a plan, without the possibility of waiving thereto, to terminate the employment contract or has made offers to encourage termination. The Bank has determined that at the date of the balance sheets there are no obligations or plans to encourage termination. Additional indemnities paid for unjustified dismissals are recorded as known.

l. Taxation-

The income tax provision is calculated on the basis of net taxable income determined pursuant to the current tax legislation. The income tax liability calculated on this basis 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. Also, as provided by SUDEBAN's accounting guidelines, the Bank has not recognized the deferred tax liabilities for the resulting temporary difference in equity accounts.

m. 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.

n. Financial income and expenses-

Gains or losses from the valuation of UVC loans (CPUN, commercial loans and microcredits) that are adjusted at IDI value are recognized in equity as caused and reported in income as collected. Alternatively, the accumulated gains may be used for creating general or countercyclical allowances for the relevant loan portfolio. At December and June 2021, such financial cost is reported in income as paid.

Interest income and expense are recorded in the income for the period as earned or incurred, respectively, depending on the effectiveness of the transactions generating them, in conformity with the following accounting criteria provided by SUDEBAN:

- Interest on past due loans and loans in litigation and the loan portfolio classified as high-risk or irrecoverable are recorded under memorandum accounts and recognized as income when collected.
- Accrued interest receivable is provisioned based on the same risk classification percentage as that determined for the loan portfolio that originated them. Nevertheless, accrued interest on the portfolio with a loss risk over 15% classified as actual risk, high-risk or irrecoverable, accrued interest on the loan portfolio classified as past due and in litigation, as well as interest on installment loans past due in 30 days or more, are fully provisioned.
- Interest payable in terms of 180 days or after is deferred and recognized as collected.

The Bank determines lending and saving interest rates with its customers taking into account the financial market conditions and limitations for lending and saving rates for each type of loan fixed by BCV through special resolutions (see Note 1.c).

Commissions and other financial interests resulting from transactions where the Bank assumes risks are recorded as caused and shown in "*Income from other accounts receivable*" under "*Financial income*" caption.

o. Other operating income-

Income from commissions and nonfinancial services where the Bank does not assume any risk, income from the sale of nonfinancial assets, from foreign exchange intermediation operations and income from the recovery of disposed, written-off or depreciated assets, are recorded when they are settled or collected under "*Other operating income*", "*Income from foreclosed assets*", "*Extraordinary income*", "*Miscellaneous operating income*" and "*Income from recovery of financial assets*".

Commissions, fees, surcharges and supplementary and related services are agreed by the Bank with its customers, considering the financial market conditions and in accordance with the limitations fixed by BCV through special resolutions (*see Note 1.c*).

p. Foreign currency transactions and balances-

Foreign currency transactions are recorded at the official exchange rate in effect at the transaction date. At the end of every six-month period, foreign currency balances are adjusted at the official reference exchange rate for purchases in effect at that date, as published by BCV. Unrealized exchange gains resulting from the valuation of foreign currency balances are recognized as "*Equity adjustments*" under *"Shareholders' Equity",* except for minor amounts resulting from fluctuations of other currencies as compared to the dollar, which are recognized in income. As provided by SUDEBAN, exchange gains might be reclassified to income where there are no deficit balances of provisions or expenses to be offset and as authorized by SUDEBAN, which may occur during a period other than that when they arose (*see Notes 1.c.4, 15.c and 22*).

During the six-month period ended December 31, 2021, SUDEBAN authorized the Bank to transfer the amount of Bs. 27,343,410 of unrealized accumulated exchange gains 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 (see Notes 15 and 16).

At December 31 and June 30, 2021, the exchange rates used were Bs. 4.585707/US$1 and Bs. 3.212547/US$1, respectively.

The foreign currency balances reported in the balance sheets, at December 31 and June 30, 2021, are detailed in Note 22.

q. Fair value of financial instruments-

Prudential accounting standards require the disclosure of information on the fair value of those financial instruments for which it is practical to estimate this value. Fair values included herein do not necessarily show the amounts for which the Bank might trade its financial instruments in the market. The Bank applied the following methods and assumptions to estimate the fair value of those financial instruments for which it is practical to calculate such value:

i. ***Cash and due from banks****:* The carrying value for these short-term instruments is equivalent to fair value.

ii. ***Investment securities****:*

- *Listed investment securities*: The market price effective at the half-year closing is considered as fair value.

- *Unlisted debt securities*: (i) the fair value of placements in BCV is equivalent to nominal value since they are short-term investments, (ii) the fair value of investments in mid-term obligations or papers corresponds to the quoted value on stock exchange, the price reported by the foreign custodian agent.

iii. ***Loan portfolio****:* The productive loan portfolio of the Bank (current and restructured loans) is mainly composed of short-term loans and as applicable, the value of loans is adjusted on a daily basis based on the IDI published by BCV; accordingly, the carrying value of the productive loan portfolio (except for the general and counter-cyclical allowance) is equivalent to its fair value. The commercial loan and microcredit portfolio (past due and in-litigation loans), totally or partially provisioned, and their interests are recorded as collected, the net carrying value of which is equivalent to their fair value.

iv. ***Bank deposits, other financial intermediation obligations and other borrowings****:* These are demand and short-term instruments; accordingly, the fair values approximate the nominal value equivalent to their carrying value.

NOTE 3.- FINANCIAL RISK MANAGEMENT:

Due to the nature of its business, the Bank is exposed to market risk (i.e., 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.

Since January 2016, the National Executive has declared a state of economic emergency in the whole country, through which it is granted extraordinary powers to legislate and adopt social, political and economic measures for dealing with the current economic situation of the country, which has had 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.

On the other hand, on March 11, 2020, the World Health Organization characterized the outbreak of coronavirus disease (COVID-19), which was first reported in Wuhan, China on December 31, 2019, as a pandemic, that is, as an epidemic disease that simultaneously spreads in several countries around the world. This announcement has prompted governments around the world, including Venezuela, to take measures that restrict people's mobility in cities, regions and countries to contain the spread, which have an impact on all economic activities. It is not yet possible to establish the effects and consequences of these measures on the future financial position and operating results of companies and, therefore, banks; hence, the accompanying financial statements must be read taking into account these circumstances.

Considering these challenges, the Bank has created mechanisms to monitor these risks, reviews its business model, as deemed appropriate, and has created provisions 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:

a. Price risk-

Financial assets are mainly maintained in placements in BCV, in domestic and foreign banks, and in obligations in foreign companies, which are classified as held-to-maturity investment securities, totally accounting for 89% (93%, at June 30, 2021), and are therefore 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.

b. Exchange rate risk-

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 65% 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 as shown as "*Cash and due from banks"* in the accompanying balance sheets (*see Note 10*).

On the other hand, as a foreign exchange operator, the Bank is subject to the foreign exchange intervention mechanism implemented by the BCV for foreign exchange intermediation operations, which stipulates that in the event that the Bank is not able to sell to customers the foreign currencies that were automatically sold thereto by the BCV, they will be repurchased by the BCV at a price lower than the sale price and, furthermore, the Bank would be imposed additional costs for failing to perform the foreign exchange intermediation. As a result, this activity has generated financial expenses for the penalties, which are shown in income under "*Other operating expenses",* and losses from the allocation of foreign currencies by the BCV, which are shown under "*Other assets*" as recoverable expenditures, based on the expected recovery supported by the annulment appeal filed before the Supreme Court of Justice for the unconstitutional measure. Therefore, the exchange rate risks of the Bank are determined by future financial transactions as exchange operator *(see Notes 1.c.4, 9 and 20)*.

c. Cash flow and fair value interest rate risk-

The Bank's interest rate risks may arise mainly from short and long-term financial assets and liabilities at fixed or variable interest rates, as the case may be. Variable interest rates expose the Bank to cash flow risks while fixed interest rates expose the Bank to fair value risks.

The Bank's operating income and cash flows are exposed to risk of changes in market interest rates. The Bank maintains obligations issued by foreign financial institutions. Furthermore, the cash flow risks might result from restrictions on cash and due from banks in the BCV destined to the legal reserve limiting its main financial intermediation activity.

The loan portfolio bears fixed interest rates that are agreed with customers considering the limits published by BCV and variable income from the portfolio expressed in UVC and valued based on the IDI. The National Executive maintains restrictions on interest rates for loans and losses from fluctuation of IDI are limited to the amount of previously recognized gains (*see Note 1.c.1*).

Since the Bank's financial liabilities consist of bank deposits mainly demand or term deposits due within 6 months or less and at fixed interest rates, considering the limits published by BCV, the exposure to cash flow risk is considered as moderate.

d. Credit risk-

The Bank has determined that financial instruments that could be exposed to credit risk are mainly comprised of cash equivalents, investment securities and actual and contingent loan portfolio.

Cash and due from banks account for 43% of financial assets (38%, at June 30, 2021), including BCV and four foreign banks, 38% in foreign financial and nonfinancial entities resulting from the operations in the Cayman Islands, which individually do not exceed 5% of financial assets (46%, at June 30, 2021) and 11% is placed in sundry debtors of the loan portfolio (7%, at June 30, 2021).

The country remains under a state of economic emergency decreed by the National Executive and in an ongoing process of enactment of new laws, regulations and economic and monetary policy measures, including expropriation of goods or intervention of companies, which have economic impact on companies and modify the way of doing business. The Bank's Management is constantly interpreting and evaluating the economic and operating effects of the current situation and the new laws and the credit risks that could derive therefrom (*see Note 1.c.3*).

The Bank has policies to limit the amounts exposed to risk with issuing companies and institutions and financial transactions are limited to financial entities with adequate creditworthiness.

e. Liquidity risk-

The nature of the business requires maintaining adequate levels of liquidity to finance the operation through sufficient cash and availability of credit financing. The Bank maintains its investments mainly on demand and/or with short-term maturities for managing liquidity risks and it makes cash flow forecasts for assessing available liquid assets and borrowing requirements.

In compliance with standards ruling the legal reserve, "*Cash and due from banks*" includes the amounts as required by BCV, which have effect on liquidity indicators. Given their nature, they are restricted-use deposits and limit the credit activity.

On the other hand, the Bank is subject to the foreign exchange intervention mechanism of the BCV, through which the Institute, as deemed appropriate, and without prior authorization from the Bank, assigns and sells to the Bank amounts in dollars, whose equivalent in bolivars, calculated at the exchange rate discretionally established by the BCV for each foreign exchange intervention operation, is automatically debited from the account maintained in the BCV. Given their modality, these mechanisms for buying foreign currencies, carried out on a weekly basis, restrict the free availability of liquidity by the Bank.

The maturities of financial assets and liabilities at December 31 and June 30, 2021, are shown below:

	At December 31, 2021					
	Due within 6 months	Due after 6 through 12 months	Due after 12 through 18 months	Due after 18 through 24 months	Due after 24 months	Total
			(In bolivars)			
Assets:						
Cash and due from banks	150,353,850	-0-	-0-	-0-	-0-	150,353,850
Investment securities	67,057,623	4,536,201	12,950,949	1,196,076	75,371,326	161,112,175
Loan portfolio, net	33,114,905	5,119,008	-0-	-0-	1,435	38,235,348
Interest and commissions receivable	1,522,689	-0-	-0-	-0-	-0-	1,522,689
	252,049,067	9,655,209	12,950,949	1,196,076	75,372,761	351,224,062
Liabilities:						
Bank deposits	239,151,420	-0-	-0-	-0-	-0-	239,151,420
Other borrowings	550,671	-0-	-0-	-0-	-0-	550,671
Interest and commissions payable	176,231	-0-	-0-	-0-	-0-	176,231
	239,878,322	-0-	-0-	-0-	-0-	239,878,322

	At June 30, 2021					
	Due within 6 months	Due after 6 through 12 months	Due after 12 through 18 months	Due after 18 through 24 months	Due after 24 months	Total
			(In bolivars)			
Assets:						
Cash and due from banks	89,458,846	-0-	-0-	-0-	-0-	89,458,846
Investment securities	1,068,000	27,271,517	29,657,644	3,204,769	69,497,900	130,699,830
Loan portfolio, net	16,399,382	7,891	-0-	3,786	-0-	16,411,059
Interest and commissions receivable	1,112,638	-0-	-0-	-0-	-0-	1,112,638
	108,038,866	27,279,408	29,657,644	3,208,555	69,497,900	237,682,373
Liabilities:						
Bank deposits	152,626,954	-0-	-0-	-0-	-0-	152,626,954
Other borrowings	647	-0-	-0-	-0-	-0-	647
Interest and commissions payable	33,459	-0-	-0-	-0-	-0-	33,459
	152,661,060	-0-	-0-	-0-	-0-	152,661,060

NOTE 4.- LEGAL RESERVE, OTHER DEPOSITS MAINTAINED IN BANCO CENTRAL DE VENEZUELA AND OTHER RESTRICTED CASH AND DUE FROM BANKS

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 regular legal reserve fixed by BCV is created based on 85%[10] of net obligations in local currency, excluding certain obligations exempted by regulations. BCV deducts operations with other banks and financial institutions, amounts resulting from the sale of foreign currencies under the foreign exchange intervention mechanism, penalties accumulated at January 3, 2021, and those resulting from deficits, if any.

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[10]. However, these bank deposits may not be destined to financial intermediation and accordingly are totally maintained in bank accounts and/or in cash in the same currency in which they originate (*see Note 10*).

As set out in such resolutions, the legal reserve deficit causes a financial cost comprised of the interest rate applicable to the deficit plus the variation of the Investment Index (IDI) since the effective interest rate cannot be less than 138% per year. In addition, the unsold amounts of foreign currency provided from foreign exchange intervention mechanism, the countervalue of which in bolivars was previously debited automatically by the BCV from cash and due from banks maintained by banks in the single account in the BCV are not deducted for the calculation of the legal reserve, resulting in an additional payment of a financial cost to BCV, calculated on the basis of an annual interest rate of 126% for each day in which the legal reserve deficit occurred, determined by BCV at the end of every week[11].

During the six-month period ended December 31, 2021, the Bank received financial charges from BCV for Bs. 4,660,131 (Bs. 4,654,670 at June 30, 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 a total of Bs. 55.209,079 (Bs. 33,453,322, at June 30, 2021), and the Bank maintained balances available in BCV to cover such legal reserve.

NOTE 5.- INVESTMENT SECURITIES:

Investments in debt and equity securities have been classified in the financial statements based on Management's intent. "*Investment securities"* are composed as follows:

	31-12-21	30-06-21
	(In bolivars)	
Investment securities-		
Placements in Banco Central de Venezuela and/or interbank transactions	-0-	1,068,000
Held-to-maturity investment securities	133,398,503	110,215,340
Restricted cash investment securities	27,713,672	19,416,490
	161,112,175	130,699,830

[10] Resolution N° 21-01-01 published in Official Gazette Nº 42.050 del 19 January 2021.
[11] Resolution Nº 19-09-03 published in Official Gazette Nº 41.742 dated October 21, 2019.

a. Placements in Banco Central de Venezuela and/or interbank transactions-

At June 30, 2021, "*Placements in Banco Central de Venezuela and/or interbank transactions*" correspond to a placement in Banco Provincial, S.A., Banco Universal with a nominal value of Bs. 1,068,000, at annual interest rate of 204% and due in one day.

During the six-month period ended December 31, 2021, interbank placements generated financial income for Bs. 323,127 (Bs. 1,295,266 at June 2021), shown under "*Income from investment securities*" within "*Financial income*" in the accompanying statements of income.

b. Available-for-sale investment securities-

During the six-month periods ended December 31 and June 30, 2021, the Bank maintains investments, in the following institutions: (i) Sociedad de Garantías Recíprocas para la Pequeña y Mediana Empresa del Sector Turismo, SOGATUR, S.A. (4,476 class "B" shares, nominal value of Bs. 0.000000018 each) and (ii) Corporación Suiche 7B, C.A. (89,217 shares, nominal value of Bs. 0.0000000001 and 0.08% of equity share), with a cost considered equivalent to fair value with a "zero" balance after the monetary reconversion.

c. 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 December 31 and June 30, 2021:

	At December 31, 2021		
	Acquisition cost	Amortized cost/ carrying value	Fair value
		(In bolivars)	
Obligations issued by foreign financial institutions-			
Morgan Stanley (annual interest rate between 3.125% and 4.875%, nominal value of US$ 1,975,000 and due between November 2022 and January 2023).	9,471,402	9,198,272	9,304,872[12]
Société Générale SA (annual interest rate of 5.000%, nominal value of US$ 1,600,000 and due in January 2024).	8,063,571	7,770,558	7,813,357[12]
Bank of America (annual interest rate of 4.183%, nominal value of US$ 1,550,000 and due in November 2027).	8,228,753	8,061,104	7,781,601[12]
Barclays Bank PLC (annual interest rate between 4.375% and 5.200%, nominal value of US$ 1,500,000 and due between January and May 2026).	7,878,887	7,624,898	7,574,052[12]
Standard Chartered PLC REGS (annual interest rate of 5.700%, nominal value of US$ 1,629,000 and due in January 2022).	7,965,116	7,486,203	7,490,560[12]
Wells Fargo & CO (annual interest rate between 3.069% and 4.100%, nominal value of US$ 1,500,000 and due between January 2023 and June 2026).	7,313,584	7,168,717	7,129,101[12]
BPCE SA REGS (annual interest rate between 3.000% and 4.625%, nominal value of US$ 1,500,000 and due between May 2022 and July 2024).	7,252,332	7,071,999	7,080,355[12]
Bayer US Finance II LLC (annual interest rate of 2.850%, nominal value of US$ 1,350,000 and due in April 2025).	6,571,167	6,470,180	6,322,314[12]
Harley-Davidson Financial Services INC REGS (annual interest rate of 3.350%, nominal value of US$ 1,000,000 and due in June 2025).	4,820,894	4,758,111	4,810,200[12]
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[12]
General Motors Financial Company INC (annual interest rate of 3.450%, nominal value of US$ 1,000,000 and due in April 2022).	4,701,221	4,599,845	4,599,739[12]
Ford Motor Credit (annual interest rate of 3.339%, nominal value of US$ 1,000,000 and due in March 2022).	4,653,346	4,598,364	4,593,732[12]
General Electric (annual interest rate of 0.560%, nominal value of US$ 1,000,000 and due in May 2026).	4,530,679	4,559,403	4,510,501[12]
	86,110,255	83,962,767	83,620,904

[12] Fair value is equivalent to quotation value on a foreign stock exchange.

	At December 31, 2021		
	Acquisition cost	Amortized cost/ carrying value	Fair value
		(In bolivars)	
Obligations issued by foreign private nonfinancial entities-			
Molson Coors Beverage Company (annual interest rate between 3.000% and 3.500%, nominal value of US$ 2,500,000 and due between May 2022 and July 2026).	12,031,244	11,769,208	11,737,988[13]
Ralph Lauren Corp (annual interest rate of 3.750%, nominal value of US$ 1,500,000 and due in September 2025).	7,272,014	7,153,593	7,416,808[13]
Kraft Heinz Food (annual interest rate of 3.500%, nominal value of US$ 1,500,000 and due in June 2022).	7,127,051	6,924,839	6,946,933[13]
Micron Technology INC (annual interest rate of 4.975%, nominal value of US$ 1,000,000 and due in February 2026).	5,372,156	5,203,489	5,091,510[13]
AT&T (annual interest rate of 4.450%, nominal value of US$ 1,000,000 and due in April 2024).	5,006,294	4,829,515	4,895,426[13]
Walgreens Boots Alliance INC (annual interest rate of 3.450%, nominal value of US$ 1,000,000 and due in June 2026).	5,080,826	4,966,733	4,881,669[13]
General Motors Company (annual interest rate of 6.125%, nominal value of US$ 490,000 and due in October 2025).	2,648,535	2,551,597	2,582,317[13]
CVS Health Corp (annual interest rate of 2.750%, nominal value of US$ 500,000 and due in December 2022).	2,343,764	2,309,298	2,324,976[13]
Dell International LLC (annual interest rate of 5.450%, nominal value of US$ 280,000 and due in June 2023).	1,415,869	1,354,870	1,354,590[13]
Dupont de Nemours (annual interest rate of 4.205%, nominal value of US$ 250,000 and due in November 2023).	1,238,829	1,196,076	1,212,443[13]
Viacom INC (annual interest rate of 3.875%, nominal value of US$ 250,000 and due in April 2024).	1,198,337	1,176,518	1,208,192[13]
	50,734,919	49,435,736	49,652,852
	136,845,174	133,398,503	133,273,756

	At June 30, 2021		
	Acquisition cost	Amortized cost/ carrying value	Fair value
		(In bolivars)	
Obligations issued by foreign financial institutions-			
Morgan Stanley (annual interest rate between 3.125% and 4.875%, nominal value of US$ 1,975,000 and due between November 2022 and January 2023).	6,635,252	6,495,323	6,635,792[13]
Société Générale SA (annual interest rate of 5.000%, nominal value of US$ 1,600,000 and due in January 2024).	5,648,987	5,518,507	5,595,823[13]
Bank of America (annual interest rate of 4.183%, nominal value of US$ 1,550,000 and due in November 2027).	5,764,707	5,704,279	5,581,562[13]
Barclays Bank PLC (annual interest rate between 4.375% and 5.200%, nominal value of US$ 1,500,000 and due between January and May 2026).	5,519,605	5,405,290	5,433,091[13]
Standard Chartered PLC REGS (annual interest rate of 5.7000%, nominal value of US$ 1,629,000 and due in January 2022).	5,580,014	5,327,446	5,379,307[13]
Wells Fargo & CO (annual interest rate between 3.069% and 4.100%, nominal value of US$ 1,500,000 and due between January 2023 and June 2026).	5,123,579	5,055,058	5,068,756[13]
BPCE SA REGS (annual interest rate between 3.000% and 4.625%, nominal value of US$ 1,500,000 and due between May 2022 and July 2024).	5,080,669	4,994,508	5,058,798[13]
Bayer US Finance II LLC (annual interest rate of 2.850%, nominal value of US$ 1,350,000 and due in April 2025).	4,603,474	4,562,719	4,506,037[13]
Harley-Davidson Financial Services INC REGS (annual interest rate of 3.350%, nominal value of US$ 1,000,000 and due in June 2025).	3,377,309	3,351,037	3,435,144[13]
General Motors Financial Company INC (annual interest rate of 3.450%, nominal value of US$ 1,000,000 and due in April 2022).	3,293,471	3,240,676	3,272,005[13]
Citigroup (annual interest rate of 2.750%, nominal value of US$ 1,000,000 and due in April 2022).	3,264,105	3,229,676	3,268,892[13]
Ford Motor Credit (annual interest rate of 3.339%, nominal value of US$ 1,000,000 and due in March 2022).	3,259,932	3,240,162	3,259,771[13]
General Electric (annual interest rate of 0.560%, nominal value of US$ 1,000,000 and due in May 2026).	3,173,996	3,191,983	3,150,288[13]
	60,325,099	59,316,663	59,645,266

[13] Fair value is equivalent to quotation value on a foreign stock exchange.

	At June 30, 2021		
	Acquisition cost	Amortized cost/ carrying value	Fair value
		(In bolivars)	
Obligations issued by foreign private nonfinancial entities-			
Molson Coors Beverage Company (annual interest rate between 3.000% and 3.500%, nominal value US$ 2,500,000 and due between May 2022 and July 2026).	8,428,566	8,298,674	8,388,021[14]
Walgreens Boots Alliance INC (annual interest rate between 3.300% and 3.450%, nominal value of US$ 2,000,000 and due between November 2021 and June 2026).	6,839,464	6,735,805	6,731,847[14]
Ralph Lauren Corp (annual interest rate of 3.750%, nominal value of US$ 1,500,000 and due in September 2025).	5,094,457	5,037,678	5,309,569[14]
Kraft Heinz Food (annual interest rate of 3.500%, nominal value of US$ 1,500,000 and due in June 2022).	4,992,902	4,889,236	4,948,398[14]
HP Inc. (annual interest rate of 4.375%, nominal value of US$ 1,515,000 and due in September 2021).	5,073,052	4,891,417	4,908,251[14]
Sysco Corp (annual interest rate of 5.650%, nominal value of US$ 1,000,000 and due in April 2025).	3,854,992	3,739,967	3,722,796[14]
Micron Technology INC (annual interest rate of 4.975%, nominal value of US$ 1,000,000 and due in February 2026).	3,763,499	3,698,496	3,693,883[14]
AT&T (annual interest rate of 4.450%, nominal value of US$ 1,000,000 and due in April 2024).	3,507,192	3,421,584	3,508,165[14]
Dell International LLC (annual interest rate of 5.450%, nominal value of US$ 1,000,000 and due in June 2023).	3,542,491	3,451,323	3,484,810[14]
General Motors Company (annual interest rate of 6.125%, nominal value of US$ 490,000 and due in October 2025).	1,855,448	1,816,197	1,864,154[14]
CVS Health Corp (annual interest rate of 2.750%, nominal value of US$ 500,000 and due in December 2022).	1,641,939	1,624,122	1,650,729[14]
Macy's Retail Holdings INC (annual interest rate of 3.875%, nominal value of US$ 500,000 and due in January 2022).	1,649,286	1,617,967	1,614,305[14]
Dupont De Nemours (annual interest rate of 4.205%, nominal value of US$ 250,000 and due in November 2023).	867,870	847,274	870,154[14]
Viacom INC (annual interest rate of 3.875%, nominal value of US$ 250,000 and due in April 2024).	839,503	828,937	864,545[14]
	51,950,661	50,898,677	51,559,626
	112,275,760	110,215,340	111,204,892

During the six-month period ended December 31, 2021, certain obligations issued by foreign private nonfinancial entities and held by the Bank's Cayman Islands Branch were redeemed early. The following entities redeemed securities: (i) Sysco Corporation, on December 14, 2021, being April 2025 their original maturity date, (ii) Dell International LLC, partial redemption in November 2 for US$ 400,000, and December 15, 2021 for US$ 320,000, being June 2023 their original maturity date, (iii) Walgreens Boots Alliance INC on September 20, 2021, being November 2021 their original maturity date, (iv) HP Inc. on July 7, 2021, being September 2021 their original maturity date and (v) Macy's Retail Holdings INC on October 18, 2021, being January 2022 their original maturity date, thus generating gains for US$ 6,988 equivalent to Bs. 32,045, which are shown under "*Other operating income"*.

During the six-month period ended June 30, 2021, certain obligations issued by foreign private nonfinancial entities and held by the Bank's Cayman Islands Branch were redeemed early. The following entities redeemed securities: (i) Dupont de Nemours INC, on May 13, 2021, being May 2023 their original maturity date, (ii) Dow Chemical CO, on June 02, 2021, being October 2024 their original maturity date, and (iii) Sysco Corporation on June 15, 2021, being April 2025 their original maturity date, thus generating gains for US$ 25,168 equivalent to Bs. 80,853, which are shown under "*Other operating income"*.

Investments in obligations issued by foreign private entities are held by the Bank's Cayman Islands Branch and listed on the New York Stock Exchange.

[14] Fair value is equivalent to quotation value on a foreign stock exchange.

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

	December 31, 2021		June 30, 2021	
	Amortized cost/ carrying value	Fair value	Amortized cost/ carrying value	Fair value
	(In bolivars)			
Due within one year	44,252,290	44,382,670	37,774,944	38,122,886
Due after one year through five years	81,085,109	81,109,487	63,309,830	64,058,682
Due after five years through ten years	8,061,104	7,781,599	9,130,566	9,023,324
	133,398,503	133,273,756	110,215,340	111,204,892

During the six-month period ended December 31, 2021, the Bank recorded gains from amortization of discounts in the acquisition of investment securities for Bs. 35,096 (Bs. 82,955, at June 30, 2021) and losses from amortization of premiums for Bs. 1,394,795 (Bs. 1,231,375, at June 30, 2021), which are shown under "*Other operating income*" and "*Other operating expenses",* respectively (*see Note 16*).

d. Restricted cash investments-

"Restricted cash investments" are composed as follows:

	December 31, 2021		June 30, 2021	
	Cost/ carrying value	Fair value	Cost/ carrying value	Fair value
	(In bolivars)			
Investment securities pledged in guarantee-				
JP Morgan Chase Bank, New York nominal value of US$ 5,446,356, noninterest-bearing and due in January 2022 (nominal value of US$ 5,446,356, noninterest-bearing and due in July 2021)	24,975,393	24,975,393[15]	17,496,675	17,496,672[15]
PNC Bank nominal value of US$ 515,982, annual interest of 0.00838% and due in January 2022 (nominal value of US$ 515,960, annual interest of 0.0201% and due in July 2021)	2,366,142	2,366,142[15]	1,657,546	1,657,549[15]
	27,341,535	27,341,535	19,154,221	19,154,221
Restricted funds delivered to trust-				
Trust fund of Fondo Social para contingencias, maintained in Banco exterior, Banco Universal (Note 15.d)	3	3[16]	-0-	-0-
Other restricted cash investments-				
MasterCard, Inc. (22,940 class "B" shares, nominal value of US$ 0.0001 for US$ 70,574).	323,632	323,632[18]	226,722	226,722[17]
Swift 2 shares, nominal value of € 4,665 each	48,502	62,953[19]	35,547	46,135[18]
	372,137	386,588	262,269	272,858
	27,713,672	27,728,123	19,416,490	19,427,078

At December 31 and June 30, 2021, the Bank holds 2,542,896 shares in Caja Venezolana de Valores, S.A., at a nominal value of Bs. 0.00000000003 each and 17.64% of equity share, with a "zero" balance after the monetary reconversion. The carrying value is considered as fair value.

During the six-month period ended June 30, 2021, as a result of the reassignment of shares made by Swift SC, as provided by its standards, the Branch reduced its shares held at December 31, 2020, from 13 shares to 11 and received the amount of US$ 70,013. Accordingly, the Bank derecognized the carrying value of such shares for US$ 43,367 and generated a realized gain on investments for US$ 26,707, equivalent to Bs. 85,797, which is shown under "*Other operating income".*

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[15] Fair value corresponds to nominal value that is equal to cost.
[16] Fair value corresponds to the net asset value obtained from the financial statements of the trusts issued by the trustee.
[17] Fair value corresponds to nominal value that is equal to cost.
[18] It is shown at the release value at December 31 and June 30, 2021 issued by SWIFT, for € 6,055.

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 December 31, 2021, there was a cash contribution for Bs. 3 in order to comply with the limit amount of 10% of the share capital (see Note *15.c*).

e. Concentration of operations-

The Bank has focused its investing activities on the following:

	31-12-21		30-06-21	
	Bs.	%	Bs.	%
Obligations issued by diverse foreign financial entities	83,962,767	52.11	59,316,663	45.38
Foreign private nonfinancial entities	49,435,736	30.68	50,898,677	38.94
Term deposits in foreign financial institutions-				
JP Morgan Chase Bank (VISA)	24,975,393	15.50	17,496,675	13.39
Other	2,689,774	1.68	1,884,268	1.44
	27,665,167	17.18	19,380,943	14.83
Interbank transactions	-0-	-0-	1,068,000	0.82
Swift shares and other	48,505	0.03	35,547	0.03
	161,112,175	100.00	130,699,830	100.00

The Cayman Islands Branch maintains placements and obligations issued by financial institutions and diverse foreign private entities, denominated in U.S. dollars, which individually 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.

f. Custody of investment securities-

At December 31 and June 30, 2021, the investment securities maintained by the Bank are under the following custodians:

Investment portfolio	Name of Custodian 31-12-21	Name of Custodian 30-06-21
National Public Debt bonds, Fondo Simón Bolívar para la Reconstrucción, S.A.	-	BCV
Shares in Sociedad de Garantías Recíprocas para la Pequeña y Mediana Empresa de Sector Turismo (Sogatur)	Sogatur	Sogatur
Placements and obligations issued by foreign financial and nonfinancial institutions	Raymond James/ Venecredit Securities/ Brown Brothers Harriman/ Sabadell/ Amerant Investments, Inc/ JP Morgan/ PNC Bank.	Morgan Stanley/ Venecredit Securities/ Brown Brothers Harriman/ JP Morgan/ PNC Bank.
Shares held in foreign financial institutions	SWIFT / Master Card Inc.	SWIFT / Master Card Inc
Shares held in domestic nonfinancial institutions	Suiche7B/ CVV	Suiche7B/ CVV
Restricted funds delivered in trust	Banco Exterior	Banco Exterior

NOTE 6.- LOAN PORTFOLIO:

a. Classification of the loan portfolio-

The loan portfolio is mainly composed of loans and discounts granted to private entities in accordance with the objectives of the Bank and its Branch. The loan portfolio, which is consolidated with the foreign Branch, is classified by the debtor's economic activity as follows:

	31-12-21	30-06-21
	(In bolivars)	
Agriculture and fishing	12,818,244	4,635,916
Manufacturing industry	9,809,317	5,243,009
Wholesale and retail trade, restaurants and hotels	9,281,423	3,086,956
Community-based, social and personal services	6,938,499	3,565,128
Construction, engineering and related services	105,859	93,211
Financial establishments, insurance, real estate	3,025	127,416
Transportation, warehouse and communication services	10	55
Mining and quarrying	-0-	20
	38,956,377	16,751,711
Allowance for loan portfolio	(721,029)	(340,652)
	38,235,348	16,411,059

The loan portfolio is classified by type of loan as shown below:

	31-12-21	30-06-21
	(In bolivars)	
Fixed-term loans	36,536,783	14,521,396
Installment loans	2,411,514	2,216,823
Consumer loans	8,057	11,725
Current account loans	23	1,767
	38,956,377	16,751,711
Allowance for loan portfolio	(721,029)	(340,652)
	38,235,348	16,411,059

The loan portfolio includes UVC loans, composed of commercial loans, microcredits and CPUN loans, which are adjusted at the IDI value[19], as determined by the BCV based on the quotation of the dollar with respect to the bolivar on the free exchange market.

The loan portfolio is classified by type of guarantee as shown below:

	December 31, 2021			June 30, 2021		
	Current	Past-due	Total	Current	Past-due	Total
		(In bolivars)			(In bolivars)	
Guarantees	26,562,812	216,922	26,779,734	10,260,621	303,001	10,563,622
Pledge	2,442,146	-0-	2,442,146	918,982	-0-	918,9832
Mortgage and guarantee	1,427	-0-	1,427	3,751	-0-	3,751
Pledge and guarantee	-0-	-0-	-0-	5,152	-0-	5,152
Unsecured	9,732,970	100	9,733,070	5,258,354	1,850	5,260,204
Total	38,739,355	217,022	38,956,377	16,446,860	304,851	16,751,711
Allowance for loan portfolio			(721,029)			(340,652)
			38,235,348			16,411,059

[19] At December 31 and June 30, 2021, the IDI is equal to 0.0224 and 0.0157 respectively.

The loan portfolio is classified by original maturity as shown below:

	December 31, 2021			June 30, 2021		
	Current	Past-due	Total	Current	Past-due	Total
		(In bolivars)			(In bolivars)	
Due within 30 days	9,202,311	100	9,202,411	8,364,969	1,850	8,366,819
Due after 31 through 60 days	2,879,018	-0-	2,879,018	2,043,410	-0-	2,043,410
Due after 61 through 90 days	19,918,640	-0-	19,918,640	3,890,326	-0-	3,890,326
Due after 91 through 180 days	2,435,090	-0-	2,435,090	1,404,143	-0-	1,404,143
Due after 181 through 360 days	4,302,835	216,922	4,519,757	740,159	303,001	1,043,160
Due after 360 days	1,461	-0-	1,461	3,853	-0-	3,853
Total	38,739,355	217,022	38,956,377	16,446,860	304,851	16,751,711
Allowance for loan portfolio			(721,029)			(340,652)
			38,235,348			16,411,059

b. Single National Productive Portfolio (CPUN)-

At December 31 and June 30, 2021, the Bank maintains UVC loans, within the framework of the CPUN, which is composed of debtors and amounts assigned to the national banking sector by the Governing Committee of the CPUN. To date, the Bank has been instructed to grant borrowing to agriculture sector companies, as summarized below:

At December 31, 2021					
Activity	UVCP Computable amount	Required % on semiannual CCB	N° of debtors	N° of loans	Maximum annual interest rates
Single Productive Portfolio - Agriculture	3,711,226	min 10% max 25%	5	5	2%

At June 30, 2021					
Activity	UVCP Computable amount	Required % on semiannual CCB	N° of debtors	N° of loans	Maximum annual interest rates
Single Productive Portfolio - Agriculture	1,707,143	min 10% max 25%	3	4	2%

c. Microfinance portfolio-

Information on the microfinance portfolio is summarized below:

At December 31, 2021						
Activity	Computable amount in loan portfolio	Computable maintained %	Required %	N° of debtors	N° of loans	Maximum annual interest rates
Microcredits	673,711	4.32%	3.00%	45	47	10%

At June 30, 2021						
Activity	Computable amount in loan portfolio	Computable maintained %	Required %	N° of debtors	N° of loans	Maximum annual interest rates
Microcredits	305,511	4.87%	3.00%	55	66	10%

The microfinance portfolio is distributed as follows based on amounts and percentages, in accordance with the activities to be financed:

Financing intended to:	Required %	At December 31, 2021 Amount of microfinance portfolio (In bolivars)	At December 31, 2021 Maintained %	At June 30, 2021 Amount of microfinance portfolio (In bolivars)	At June 30, 2021 Maintained %
Marketing activities	Max. 40%	510,416	75.76%	167,402	54.79%
Public transport activities	Max. 40%	-0-	0.00%	-0-	0.00%
Community-based services, craft activities and other	Min. 20%	163,295	24.24%	138,109	45.21%
Total		673,711	100.00%	305,511	100.00%

d. Allowance for loan portfolio-

The movement of the allowance for loan portfolio is shown below:

	31-12-21	30-06-21
	(In bolivars)	
Balances, at the beginning of six-month period	340,652	111,181
Add: Increase in allowance-		
Charged to income	379,223	188,074
Charged to equity	1,167	41,402
Transfers from "*Allowance for interest receivable"* and other	(13)	3
Less: Decrease in allowance-		
Write-offs	-0-	(8)
Balances, at the end of six-month period	721,029	340,652

The allowance for loan portfolio, which is consolidated with the foreign branch, includes general and counter-cyclical allowances for a total amount of Bs. 688,482 (Bs. 295,188, at June 30, 2021).

The increase in allowance for loan portfolio includes the increase in the counter-cyclical allowance for Bs. 160,584 charged to income for the six-month period presented within "*Expenses for uncollectible and impaired financial assets"* (Bs. 79,649, at June 30, 2021) and Bs. 1,167 charged to equity, presented within "*Equity adjustments*", as allowed by Resolution N° 070.19 of SUDEBAN dated December 20, 2019 (Bs. 41,402, at June 2021).

The non-interest bearing past-due portfolio decreases to Bs. 217,022 (Bs. 304,851, at June 30, 2021).

NOTE 7.- FINANCIAL STATEMENTS OF THE FOREIGN BRANCH:

Below is a summary of the financial statements of the Cayman Islands Branch, which have been integrated with the financial statements of the Bank:

	31-12-21		30-06-21	
	Bs.	US$	Bs.	US$
Assets*:*				
Cash and due from banks	60,112,091	13,108,576	31,778,862	9,892,109
Investment securities	160,788,540	35,062,977	129,405,108	40,281,158
Loan portfolio	18,333,338	3,997,931	1,154,911	359,500
Interest and commissions receivable	1,356,630	295,839	1,051,124	327,193
Other assets	28,147	6,138	191,061	59,473
	240,618,746	52,471,461	163,581,066	50,919,433
Memorandum accounts:				
Other debit memorandum accounts	13,466,236	2,936,567	1,090,660	339,500

	31-12-21		30-06-21	
	Bs.	US$	Bs.	US$
Liabilities:				
Bank deposits	149,942,346	32,697,760	102,554,017	31,922,964
Interest and commissions payable	-0-	-0-	11	3
Accruals and other liabilities	3,430,230	748,028	2,313,836	720,250
	153,372,576	33,445,788	104,867,864	32,643,217
Allocated capital and accumulated surplus	87,246,170	19,025,673	58,713,202	18,276,216
	240,618,746	52,471,461	163,581,066	50,919,433
Per contra memorandum accounts:				
Other credit memorandum accounts	13,466,236	2,936,567	1,090,660	339,500
Statements of income:				
Financial income	2,853,226	622,200	2,334,139	726,570
Financial expenses	(6,459)	(1,409)	(4,484)	(1,396)
	2,846,767	620,791	2,329,655	725,174
Other operating income	2,987,940	651,577	1,786,384	556,065
Other operating expenses	(1,981,766)	(432,161)	(1,671,510)	(520,307)
Operating expenses	(458,857)	(100,064)	(377,608)	(117,544)
Other income or expenses, net	42,713	9,314	(209,012)	(65,061)
	590,030	128,666	(471,746)	(146,844)
Net income for the six-month period	3,436,797	749,457	1,857,909	578,327

NOTE 8.- PREMISES AND EQUIPMENT:

"Premises and equipment" shown in the balance sheets are composed as follows:

	At December 31, 2021				
	Useful life	Balance at June 30, 2021	Additions	Disposals	Balance at December 31, 2021
			(Expressed in bolivars)		
Cost:					
Computers	3 and 4	15,544	1,413,080	-0-	1,428,624
Sundry office equipment	3 and 4	210,219	534,558	-0-	744,777
Vehicles	5 and 4	2,097	-0-	-0-	2,097
Furniture	10	32	-0-	-0-	32
		227,892	1,947,638	-0-	2,175,530
Accumulated Depreciation		(18,220)	(194,747)	-0-	(212,967)
		209,672	1,752,891	-0-	1,962,563

	At June 30, 2021				
	Useful life	Balance at December 31, de 2020	Additions	Disposals	Balance at June 30, 2021
			(Expressed in bolivars)		
Cost:					
Computers	3 and 4	3,675	11,868	-0-	15,544
Sundry office equipment	3 and 4	49,576	160,643	-0-	210,219
Vehicles	5 and 4	2,362	-0-	(266)	2,097
Furniture	10	32	-0-	-0-	32
		55,646	172,511	(266)	227,892
Accumulated Depreciation		(5,3819)	(12,946)	108	(18,220)
		50,265	159,565	(158)	209,672

The Bank recognized expenses for depreciation of premises and equipment amounting to Bs. 194,747 (Bs. 12,946, for the six-month period ended June 30, 2021), which are reported as "*General and administrative expenses*" under "*Operating expenses*".

NOTE 9.- OTHER ASSETS:

"Other assets" shown in the balance sheets are composed as follows:

	31-12-21	30-06-21
	(In bolivars)	
Prepaid expenses:		
Prepaid taxes	2,345,611	423,794
Prepaid professional services	2,166,692	408,285
Prepaid maintenance contracts	1,449,949	925,755
Advances to suppliers for sundry services	931,786	466,284
Prepaid insurance premiums	228,510	309,630
	7,122,548	2,533,748
Advances to suppliers	2,275,638	1,853,781
Accounts receivable from other banks for P2P operations	2,168,066	964,606
Items to be applied	2,145,806	78,040
Recoverable expenditures	1,370,709	912,723
Cost of foreign currencies acquired in point-of-sale terminals (US$ 171,594 and US$ 88,503, respectively)	783,643	280,104
Deferred expenses (net of accumulated amortization for Bs. 27,870 and Bs. 7,358, respectively)	331,070	37,738
Other	378,782	455,678
	9,453,714	4,582,670
	16,576,262	7,116,418
Allowances for other assets	(6,169)	(4,326)
	16,570,093	7,112,092

"*Prepaid taxes"* are mainly composed of: (i) prepaid income taxes as special taxpayers for Bs. 2,291,514 (Bs. 269,647, at June 2021), (ii) value-added tax credits for Bs. 47,948 (Bs. 27,451, at June 2021), and (iii) taxes paid by the Branch for the annual operating license in the Cayman Islands for Bs. 117,532 at June 2021.

"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 P2P*" are mainly composed of customers' debit and credit card transactions 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. 1,287,295 (Bs. 746,217, at June 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. 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 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 4, are charged to income, in compliance with the instructions of SUDEBAN through official communication Nº SIB-II-GGIBPV-GIBPV6-02729 dated May 22, 2020. Consequently, during the six-month period ended December 31, 2021, Bs. 58,734 (Bs. 12,539, at June 2021) were amortized for recoverable expenditures aged over one year, and in addition the Bank recognized expenses for penalty of legal reserve derived from failure to participate in the foreign exchange intervention mechanism for Bs. 174,802 (Bs. 251,010, at June 2021), shown under "*Other operating expenses*" in the accompanying statements of income (*see Note 1.c.4*).

"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 ATMs and 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 December 31, 2021, the Bank sold US$ 2,077,445 (US$ 839,670 at June 30, 2021)) and accordingly, it has recognized realized net exchange gains for Bs. 64,268 (Bs. 166,272 at June 30, 2021).

The movement of "*Deferred Expenses*" is shown below:

	At December 31, 2021				
	Useful life	Balance at June 30, 2021	Additions	Disposals	Balance at December 31, 2021
			(Expressed in bolivars)		
Expenses:					
Licenses purchased	4	30,101	206,836	(274)	236,663
Monetary reconversion software	4	-0-	79,351	-0-	79,351
Leasehold improvements	3 and 4	55	16,804	-0-	16,859
Software	4	14,864	-0-	-0-	14,864
Advertising for monetary reconversion	3	-0-	11,203	-0-	11,203
Other deferred expenses	2 and 3	76	-0-	(76)	-0-
		45,096	314,194	(350)	358,940
Accumulated amortization:					
Licenses purchased		(6,346)	(15,878)	274	(21,949)
Monetary reconversion software		-0-	(2,148)	-0-	(2,148)
Leasehold improvements		(7)	(357)	-0-	(364)
Software		(929)	(1,858)	-0-	(2,787)
Advertising for monetary reconversion		-0-	(622)	-0-	(622)
Other deferred expenses		(76)	-0-	76	-0-
		(7,358)	(20,863)	350	(27,870)
		37,738			331,070

	At June 30, 2021				
	Useful life	Balance at December 31, 2020	Additions	Disposals	Balance at June 30, 2021
			(Expressed in bolivars)		
Expenses:					
Licenses purchased	4	30,142	-0-	(41)	30,101
Leasehold improvements	3 and 4	55	-0-	-0-	55
Software	4	-0-	14,864	-0-	14,864
Other deferred expenses	2 and 3	105	-0-	(29)	76
		30,302	14,864	(70)	45,096
Accumulated amortization:					
Licenses purchased		(2,587)	(3,800)	41	(6,346)
Leasehold improvements		-0-	(7)	-0-	(7)
Software		-0-	(929)	-0-	(929)
Other deferred expenses		(84)	(21)	29	(76)
		(2,671)	(4,757)	70	(7,358)
		27,631			37,738

During the six-month period ended December 31, 2021, the Bank made disbursements for Bs. 314,194, 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 (Bs. 14,864, during the six-month period ended June 30, 2021, for security management software, collaborative enterprise support and the development of financial messaging exchange system software, and the improvement of the counter).

The Bank recorded amortization expenses of deferred charges for a total amount of Bs. 20,863 (Bs. 4,757, for the six-month period ended June 30, 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:

	31-12-21	30-06-21
	(In bolivars)	
Balances, at the beginning of the six-month period	(4,326)	(1,486)
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	(1,843)	(2,840)
Balances, at the end of the six-month period	(6,169)	(4,326)

NOTE 10.- BANK DEPOSITS:

"*Bank deposits*" bear annual interest rates fluctuating between the following parameters:

	31-12-21		30-06-21	
	Rates denominated in Bs.	Rates denominated in US$	Rates denominated in Bs.	Rates denominated in US$
Interest-bearing current accounts	0.01%	0.01%	0.01%	0.01%
Demand deposits and certificates	0.01%	-	0.01%	-
Other demand obligations	0.01%	-	0.01%	-
Savings deposits	32%	-	32%	-
Term deposits	36%	0.02% - 0.03%	36%	0.02% - 0.03%
Restricted bank deposits	0.10% 21.00%	0.01%	0.10% 21.00%	0.01%

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

The balances of bank deposits classified under "*Foreign Exchange Agreement N° 20*" for US$ 311,998, equivalent to Bs. 1,430,730 (US$ 355,421, equivalent to Bs. 1,141,807, at June 30, 2021), correspond to transactions provided by the foreign exchange agreements, which are fully hedged by demand deposits in foreign currency within *"Foreign banks and correspondents"*, shown under "*Cash and due from banks"*.

"*Other demand obligations"* are mainly composed of: (i) cashier's checks for Bs. 5,851,733 (Bs. 1,427,594, at June 30, 2021, (ii) drafts and transfer payable for Bs. 2,766,535 (Bs. 1,672,165, at June 30, 2021), (iii) trust current accounts managed by the Bank for Bs. 2,658,431 (Bs. 1,162,911, at June 30, 2021), (iv) payment orders on behalf of customers to be applied to their accounts for Bs. 1,191,201, at June 30, 2021, and (v) other obligations for offsetting accounts for Bs. 763,373, at June 30, 2021.

"Restricted bank deposits" include balances of customers of the Branch for US$ 703,649, equivalent to Bs. 3,226,730, which guarantee loan transactions (US$ 550,114, equivalent to Bs. 1,767,267, at June 30, 2021).

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.

The maturity of "*Bank deposits*" is shown in *Note 3.e*.

NOTE 11.- OTHER BORROWINGS:

"*Other borrowings*" shown in the balance sheets consist of the following:

	31-12-21	30-06-21
	(In bolivars)	
Obligations with domestic financial institutions due within one year or less	550,011	-0-
Obligations with foreign financial institutions due within one year or less	660	647
	550,671	647

Obligations with financial institutions are composed of obligations with Bancrecer, S.A., Banco Microfinanciero, due in January 2022, bearing annual interest rate of 34.5%.

NOTE 12.- ACCRUALS AND OTHER LIABILITIES:

"Accruals and other liabilities" shown in the balance sheets are composed as follows:

	31-12-21	30-06-21
	(In bolivars)	
Allowance for contingencies (US$ 14,423,661 and US$ 14,332,699)	66,170,411	46,055,536
Items to be applied (US$ 1,522 and US$ 533)	16,075,422	3,048,490
Profit-sharing payable to directors and employees (including US$ 934,015 and US$ 968,339, respectively)	4,283,179	3,110,870
Provision for taxes (*Note 14.a.1*)	2,385,713	516,533
Accrual for employee benefits payable	1,186,069	594,776
Contracted services payable	510,190	283,975
Contribution payable provided by Law on Drugs (*Note 14.f*)	228,362	70,138
Other sundry accounts payable in foreign currency (US$ 47,571 and US$ 64,110)	218,148	205,956
Contribution payable provided by Sports Law (*Note 14.g*)	204,386	64,989
Other (US$ 370,756 and US$ 232,104)	2,432,102	1,266,800
	93,693,982	55,218,063

"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:

	31-12-21	30-06-21
	(In bolivars)	
Balances, at the beginning of six-month period	46,055,535	15,766,247
Increases charged to income, except for those referred to foreign exchange fluctuation effects for the valuation of foreign currency balances, shown within equity (*Note 15.c*)	19,397,742	30,398,650
Decrease for payments and other	(101,818)	(109,361)
Balances, at the end of six-month period	66,170,411	46,055,535

"Items to be applied" mainly include amounts received from customers to pay credit transactions for Bs. 16,074,665 (Bs. 3,047,225, at June 30, 2021), which were applied to the relevant accounts during the first business days following year-end.

"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 contract 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.

"Provision for taxes" mainly correspond to the provision for income taxes for Bs. 2,360,006 (Bs. 500,006, at June 30, 2021).

"Accrual for employee benefits payable" accounts for the estimated guarantee for Bs. 934,515 (Bs. 435,314, at June 30, 2021), net of advances, which represents the amount that each employee would be entitled to in case of retirement, estimated on a quarterly basis being equivalent to a 15-day integral salary and accrued interests, plus an estimate on the expected employee benefits in addition to the quarterly amount previously estimated for Bs. 251,554 (Bs. 159,462, at June 30, 2021), determined on the basis of the last salary, as provided by the current labor laws.

Defined benefits are obtained based on the employee's salary and the years of service. The obligation for the additional benefit is estimated based on actuarial surveys conducted on an annual basis by independent actuaries using the *Projected Unit Credit* method. The obligation of termination benefits of guarantee is credited into a trust in a local bank on behalf of the employee and the additional termination benefits are accrued in the Bank's accounting records.

Independent actuaries made an actuarial calculation of the projected obligation of the termination benefits, under the assumption that the initial application date was December 31, 2021. The movement of results for the period is as follows:

	31-12-21	30-06-21
	(In bolivars)	
Accrued actuarial liabilities at the beginning	159,462	20,754
Cost of interest	83,980	15,989
Cost of services	8,112	1,353
Benefits paid	(15,009)	(3,365)
Actuarial losses (gains) from obligations	(62,536)	124,731
Estimated actuarial liabilities	174,009	159,462

During the six-month period ended December 31, 2021, the Bank recorded expenses for Bs. 1,756,845 (Bs. 815,615 at June 30, 2021), corresponding to Accrual for employee benefits and credits to the trust fund, which are shown under "*Personnel expenses"*.

The assumptions used by independent actuaries to calculate the projected benefit obligation, the costs of services and interest, according to the last actuarial report at December 31 and June 30, 2021, are the following:

	31-12-21
	%
Turnover rate	22.12%
Mortality rate	GAM 83
2022 Rate of salary increase	150%
2022 Discount rate	170%
Long-term geometric mean inflation rate	1,000%

"*Contracted services payable*" includes a variety of services that the Bank engages during the six-month period where it records the corresponding provisions.

"Other sundry accounts payable in foreign currency" mainly correspond to checks pending to be claimed for Bs. 218,148 (Bs. 152,825, at June 30, 2021).

NOTE 13.- POST-EMPLOYMENT BENEFIT PLAN:

The Bank manages a post-employment benefit plan for its employees in conformity with the collective bargaining contract. The benefits payable under this plan are obtained on the basis of age, the years of services provided and the employee's last salary. The obligation under this plan is calculated on the basis of actuarial surveys conducted on an annual basis by independent actuaries using the *Projected Unit Credit* method.

On September 25, 2017, the Bank and its employees jointly and severally, represented by their labor union, entered into an agreement to replace the retirement plan then in force by a Post-employment Benefit Plan that covers all its employees, regardless of their aging in the bank, with benefits that include the withdrawal of contributed funds upon termination of the employment relationship. In cases of greater seniority, retirement possibilities are maintained according to the replaced plan. The Post-Employment Benefit 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 December 31, 2021, the Bank has made extraordinary and regular contributions set forth by the contractual agreement.

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.

The reconciliation of the plan's financial position of the estimated retirement pensions, as per the last actuarial survey, is as follows:

	31-12-21	30-06-21
	(In bolivars)	
Estimated obligation for benefits	38,195	4,854
Cost of interest	22,153	4,126
Cost of services	627	81
Benefits paid	(378)	(42)
Actuarial losses (gains) from obligations	(21,733)	29,176
Net financial position of the estimated pension plan	38,864	38,195

At December 31, 2021, the Bank does not maintain any accrual for the post-employment benefit plan. At June 30, 2021, the Bank maintained accruals for the post-employment benefit plan for Bs. 35,134, which were presented within "*Accruals and other liabilities"* under *Other*.

The net assets placed in trusts were taken from the actuary's report and from the financial statements of the trust.

At December 31, 2021, the actuarial net gain amounts to Bs. 21.73 (the actuarial net loss amounted to Bs. 29,176 at June 2021), in accordance with the last actuarial plan projection, and results from differences between the actuarial assumptions applied and the actual values arising from differences in salary increases, higher or lower turnover, and mortality occurred, among others. These net losses are generally amortized over the remaining average years for retirement of the active group, which was estimated in 9 years determined on the basis of statistical experience of personnel benefitted from this plan. The assumptions used by independent actuaries to calculate the projected benefit obligations, the costs of services and interest, according to the last actuarial report projected at December 31 and June 30, 2021, are the following:

	31-12-21
	%
Turnover rate	22.12%
Mortality rate	GAM 83
2022 Rate of salary increase	150%
2022 Discount rate	170%
Long-term geometric mean inflation rate	1,000%

Independent actuaries made an actuarial calculation of the projected obligation of the post-employment benefit plan under the assumption that the initial application date was June 30, 2000, in order to determine the unrecognized initial obligation, which is amortized by the Bank since July 1, 2000, over the remaining average years necessary for retirement of the active group of employees, and made the corresponding updating of the assumptions considering changes in contractual conditions during the six-month period.

During the six-month period ended December 31, 2021, the Bank recorded expenses for Bs. 44,191 (Bs. 45,628 for the six-month period ended June 30, 2021), corresponding to the cost of contributions (regular and extraordinary) to the post-employment benefit plan and the actuarial cost of retirement pensions, which are shown under "*Personnel expenses".*

NOTE 14.- TAXATION REGIME AND OTHER CONTRIBUTIONS:

a. 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 concepts related to the calculation of the income tax expense impacting the Bank in accordance with current Venezuelan laws are described below:

a.1- Book to tax reconciliation of income tax expense:

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 provisions for income taxes are calculated on the basis of an income that differs from book income due to nontaxable or deductible items, which are permanent or temporary. The reconciliation of the estimated tax expense determined on book income and the estimated tax expense calculated on taxable income is shown below:

	Six-month period ended 31-12-21	Six-month period ended 30-06-21
	(In bolivars)	
Income tax expense determined on book income	9,119,407	2,795,127
Differences between book and tax expense, net due to:		
Sundry provisions, net of payments	(25,951)	(42,172)
Income (expense) from gold revaluation	806	38,614
Other, net	(6,735,161)	(2,309,868)
	(6,760,306)	(2,313,426)
Estimated income tax expense	2,359,101	481,701

The movement of the provision for income taxes is as follows:

	31-12-21	30-06-21
	(In bolivars)	
Beginning balance	500,006	251,850
Add: Provisions with charge to expenses	1,860,000	500,000
Less: Payments	-0-	(251,844)
Ending balance	2,360,006	500,006

a.2- Loss carryforwards:

The Venezuelan Income Tax Law allows carrying forward operating tax losses that have not been offset for up to three years subsequent to the period in which they were incurred. The Bank does not maintain tax loss carryforwards.

a.3- 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.

a.4- 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.

b. 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 December and June 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 Authorities 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 reported paid on a semimonthly basis, according to the schedule provided for special taxpayers.

c. Law for Taxes on Large Financial Transactions-

The Decree-Law of Tax on Large Financial Transactions (IGTF) was enacted in Official Gazette N° 41.520 on November 8, 2018, which has been in force since November 19, 2018, and consists of a 2% tax of the amount of each debit on bank accounts, levied transaction or cashier's check amount of special taxpayers qualified as such by SENIAT or on the amounts of settlements of debts by means other than the financial system. Banks are qualified as withholding or collection agents and are liable to transfer on a daily basis those taxes paid to the account provided by the Finance Ministry to this purpose. Taxpayers other than banks shall declare and pay in accordance with the payment schedule provided for value-added tax withholdings. This tax is not deductible from income taxes.

The Constituent Decree amending the Decree-Law of Tax on Large Financial Transactions was published in Extraordinary Official Gazette N° 6.396 dated August 21, 2018 (the original decree had been published in Official Gazette Nº 6.210 dated December 30, 2015), thus modifying the rate from 0.75% to 1%. Subsequently, the Presidential Decree N° 3.654 was published in Official Gazette N° 41.520 dated 08/11/2018 adjusting again the rate to 2%.

During the six-month period ended December 31, 2021, the Bank, in its capacity of withholding agent, collected and paid to the National Treasury Bs. 12,749,455 (Bs. 5,149,316, during the first half of 2021).

During the six-month period ended December 31, 2021, the Bank recognized expenses for taxes on large financial transactions for Bs. 328,393, (Bs. 88,868, during the six-month period ended June 30, 2021), within "*General and administrative expenses*" in the accompanying statement of income. The liability generated by the Bank in its capacity of withholding agent is shown under "*Accruals and other liabilities"* (*see Note 12*).

d. Constitutional Law for the Tax on Large Assets (LIGP)-

The Constitutional Law for the Tax on Large Assets (LIGP) was published in Official Gazette Nº 41.667 dated July 3, 2019 and enacted by the National Constituent Assembly, the most important aspects of which are the following: (i) this tax is applicable to individuals and legal entities considered as special taxpayers, (ii) net assets of the taxpayer are levied with a tax rate of 0.25%, (iii) the first fiscal year for applying this tax shall be on the net assets existing at September 30, 2019, (iv) for individuals, this tax is applicable where their net assets exceed 36 million TU[20], currently equivalent to Bs. 720,000; for legal entities, where their net assets exceed 100 million TU[20], currently equivalent to Bs. 2,000,000. Taxes shall be determined on the portion exceeding such amounts, (v) the IGP return shall be filed as the taxpayer owns or has an asset equal or exceeding 150 million TU[20], and (vi) this tax is not deductible for income tax purposes (ISLR).

During the six-month period ended December 31, 2021, the Bank recognized an expense for the Tax on Large Assets for Bs. 50,512 (Bs. 11,916, at June 30, 2021), which is shown under "*General and administrative expenses"* within *"Operating expenses".*

e. Law on Science, Technology and Innovation-

The Law on Science, Technology and Innovation enacted since December 16, 2010 and its Regulation set forth that those companies with gross revenues exceeding 100,000 TU[20] are liable to contribute with the competent authority under the Ministry of Science and Technology for technological and scientific activities of social development mentioned by the Law. Such contribution ranges from 0.5% to 2% of total gross revenues obtained in the country in the prior fiscal year, depending on the economic activity of the company and those entities liable to make this contribution shall be registered with Observatorio Nacional de Tecnología (National Technology Observatory) and file a return and pay the contribution during the second quarter following year end.

During the six-month period ended December 31, 2021, the Bank recorded expenses for Bs. 18,325 (Bs. 18,395, at June 2021), with effect on income for the period, which are shown under "*General and administrative expenses"* within *"Operating expenses".* At June 30, 2021, the Bank paid the contribution corresponding to year 2020 for Bs. 36,650. The balance of prepaid taxes is Bs. 18,325, which is shown under "*Other assets*". At December 31 and June 30, 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.

[20] At December 31 and June 30, 2021, one tax unit (TU) is equivalent to Bs. 0.02, for both six-month periods.

f. Law on Drugs-

The Law on Drugs 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 recognized expenses for this concept amounting to Bs.158,223 (Bs. 70,138, at June 2021), which are shown under "*Sundry operating expenses".* During the six-month period ended June 30, 2021, the Bank paid Bs. 23,607, for the 2020 contribution. The related liability amounting to Bs. 228,362 (Bs. 70,138, at June 30, 2021) is shown under "*Accruals and other liabilities"* (*see Note 12*).

g. 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 respective contract.

During the six-month period ended June 30, 2021, the Bank submitted a formal request to IND to have 50% of the 2020 contribution at its disposal (Bs. 10,541 of the contribution amounting to Bs. 21,081). The Bank received authorization to finance two sport projects under the Direct Contribution from the Taxpayer modality. The first of these projects is named "*El Deporte y la Recreación como Herramienta de Protección Integral*" year 2021 to be executed by the Bank itself; and the second one is named Aguas Abiertas – Isla de Margarita, of the entity Tu Torneo Deportivo, C.A. for the promotion of sport. The approved amount was Bs. 5,270 for each project.

The Bank recognized expenses for this concept amounting to Bs. 139,507 (Bs. 64,878, at June 2021), which are shown under "*Sundry operating expenses",* and the related liability amounting to Bs. 204,386 (Bs. 64,989, at June 30, 2021) is shown within "*Accruals and other liabilities"* (*see Note 12*).

h. 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. 349,391 (Bs. 109,477, for the six-month period ended June 30, 2021), which are shown under "*Sundry operating expenses".*

i. Contribution to SUDEBAN-

For the financial periods ended June 30 and December 31, 2021, financial institutions must make special contributions in order to support the operations of SUDEBAN, which are calculated based on 0.6 (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. 418,306 (Bs. 222,807, for the six-month period ended June 30, 2021), which are shown separately under "*Operating expenses*" in the accompanying statements of income.

j. 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. 351,948 (Bs. 116,043, for the six-month period ended June 30, 2021), which are shown separately under "*Operating expenses*" in the accompanying statements of income.

NOTE 15.- SHAREHOLDERS' EQUITY:

The movement of the shareholders' equity for the six-month periods ended December 31 and June 30, 2021, is as follows:

	31-12-21	30-06-21
	(In bolivars)	
Net shareholders' equity at the beginning of period	37,125,014	12,818,026
Net income for the six-month period with effect on income	13,950,699	6,487,818
Other performance results, net with effect on equity	(14,891,299)	17,819,170
Total results for the six-month period	(940,600)	24,306,988
Net shareholders' equity at the end of period	36,184,414	37,125,014

The shareholders' equity accounts are composed as follows:

a. Paid-in capital-

During a General Extraordinary Meeting held on July 7, 2020, the Shareholders 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 by the current shareholders of the Bank. SUDEBAN, in official communication N° SIB-GGR-GA dated September 22, 2021, authorized such capital stock increase. Accordingly, the balance of "*Uncapitalized equity contributions"* at June 30, 2021, has been reclassified to the capital stock account, and at December 31, 2021, this account amounts to Bs. 30, and it is composed of 1,268,606,976 shares, with a nominal value of Bs. 0.0000000236480 each, which are fully subscribed and paid as detailed below:

	At December 31, 2021			At June 30, 2021		
Shareholders	N° of shares (Class "A")	Nominal value Bs.	Percentage	N° of shares (Class "A")	Nominal value Bs.	Percentage
Vencred, S.A.	196,517,150	5	15.49%	19,086	-0-	13.65%
Tabay Netherlands B.V.	125,339,883	3	9.88%	13,811	-0-	9.88%
Great White Investment Fund, Ltd	38,949,190	1	3.07%	3,981	-0-	2.85%
Green View Investment Enterprises L	38,782,866	1	3.06%	3,964	-0-	2.84%
Alivium, Inc	38,401,298	1	3.03%	3,925	-0-	2.81%
Addendum, Inc	37,765,353	1	2.98%	3,860	-0-	2.76%
Roraima B.V.	23,441,913	1	1.85%	2,000	-0-	1.43%
Inversiones Bella Vista B.V.	23,432,129	1	1.85%	2,000	-0-	1.43%
Inversiones Bonorum, C.A.	23,383,211	1	1.84%	2,390	-0-	1.71%
Diverse shareholders with individual interest less than 1.7%	722,593,983	15	56.95%	84,759	-0-	60.64%
	1,268,606,976	30	100.00%	139,776	-0-	100.00%

The balances of the Bank's capital stock, which are presented at their nominal value, have been reduced as a result of the monetary reconversion.

b. Capital reserves-

c.1- 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.

c.2- 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 (*see Note 5.c*). 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 SUDEBAN's accounting guidelines. "*Equity adjustments*" are composed as follows:

	31-12-21	30-06-21
Equity adjustments-	(In bolivars)	
Net accumulated exchange gains from the valuation of foreign currency assets and liabilities and transactions in foreign exchange systems	13,272,933	27,458,494
Accumulated unrealized income or gains from the valuation of UVC loans adjusted at IDI value	3,411,202	1,663,871
	16,684,135	29,122,365

The movement of "*Equity adjustments*" is as follows:

	Six-month period ended December 31, 2021			
	Exchange gain	Income from UVC	Cost of legal reserve	Equity adjustments
		(In bolivars)		
Beginning balance	27,458,494	1,663,871	-0-	29,122,365
Unrealized exchange gain for the six-month period, net	13,157,849	-0-	-0-	13,157,849
Transfer to income of exchange gains, net as authorized by SUDEBAN	(27,343,410)	-0-	-0-	(27,343,410)
Accrued income from UVC loans	-0-	6,854,265	-0-	6,854,265
Transfer from collected revenues to income	-0-	(5,105,779)	-0-	(5,105,779)
Transfer to general and counter-cyclical allowances	-0-	(1,155)	-0-	(1,155)
Financial cost of legal reserve attributable to income from UVC loans	-0-	-0-	2,814,767	2,814,767
Transfer from cost of legal reserve to expenses upon collection of loan	-0-	-0-	(2,814,767)	(2,814,767)
Ending balance	13,272,933	3,411,202	-0-	16,684,135

	Six-month period ended June 30, 2021			
	Exchange gain	Income from UVC	Cost of legal reserve	Equity adjustments
	(In bolivars)			
Beginning balance	9,084,608	1,678,510	(58,277)	10,704,841
Unrealized exchange gain for the six-month period, net	18,373,886	-0-	-0-	18,373,886
Accrued income from UVC loans	-0-	14,285,058	-0-	14,285,058
Transfer from collected revenues to income	-0-	(14,258,295)	-0-	(14,258,295)
Transfer to general and counter-cyclical allowances	-0-	(41,402)	-0-	(41,402)
Financial cost of legal reserve attributable to income from UVC loans	-0-	-0-	613,417	613,417
Transfer from cost of legal reserve to expenses upon collection of loan	-0-	-0-	(555,140)	(555,140)
Ending balance	27,458,494	1,663,871	-0-	29,122,365

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: (i) extinguish operating losses or deficit maintained in shareholders' equity accounts, (ii) creation or hedging of deficit balances in allowances for contingent assets, adjustments or certain losses, (iii) increase capital stock, (iv) offset the amounts paid to local suppliers for supplies required for operations of the Bank, such as hardware, software, among others, and (v) creation of 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 (*see Notes 9 and 22*).

  On June 23, 2021 and August 26, 2021, the Bank requested authorization from SUDEBAN to reclassify to income the net credit balance of exchange gains accumulated in the account "*Equity adjustments*". On August 02, 2021, and October 25, 2021, SUDEBAN, through official communications N° SIB-II-GGIBPV-GIBPV6-06133 and N° SIB-II-GGIBPV-GIBPV6-08891, respectively, authorized the Bank to record the balance of net exchange gains accumulated at December 31, 2020 and June 30, 2021, within income for the six-month period, for amounts of Bs. 8,994,095 and Bs. 18,349,315, respectively, totaling Bs. 27,343,410; which is recorded in income by segregating the amounts corresponding to gains for Bs. 77,886,335 and losses for Bs. 50,542,925, which are shown under "*Other operating income"* and "*Other operating expenses",* respectively, for the six-month period ended December 31, 2021 (see Notes 2p and 16).

- *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 Nº 070.19 dated December 20, 2019. During the six-month period ended December 31, 2021, the Bank created general allowances with charge to these gains for the amount of Bs. 1,155 (Bs. 41,402, at June 30, 2021).

d. Retained earnings-

e.1- Restricted earnings:

"Restricted undistributed earnings" are composed as follows:

	31-12-21	30-06-21
	(In bolivars)	
Restricted earnings as per Resolution Nº 329-99	8,353,628	3,096,676
Retained earnings of foreign branch	5,887,273	2,450,478
Legal reserve	(1)	-0-
Reserve for Fondo Social para Contingencias	(15)	-0-
	14,240,885	5,547,154

- On December 28, 1999, SUDEBAN issued Resolution Nº 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 December 31, 2021, the Bank restricted a total amount of Bs. 5,256,952 (Bs. 2,314,954, at June 30, 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 December 31, 2021, the Bank restricted the total amount of net income generated by its foreign branch for Bs. 3,436,795 (Bs. 1,857,910, at June 30, 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.

e.2 Cash dividends declared and paid:

During a Regular General Shareholders' Meeting held on August 17, 2021, it was approved to declare a cash dividend for 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.

During a Regular General Shareholders' Meeting held on February 18, 2021, it was approved to declare a cash dividend for Bs. 4 per share, which in the aggregate amounts to Bs. 598,354. These dividends were declared with charge to "*Available undistributed earnings"* during the six-month period ended June 30, 2021.

e.3 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:

	31-12-21		30-06-21	
	Index maintained	Index required	Index maintained	Index required
Total equity adequacy	15.75%	12%	22.71%	12%
Solvency declaration	15.75%	6%	22.71%	6%
Carrying equity adequacy	11.88%	9%	17.75%	9%

For the calculation of equity indexes the prudential standards of SUDEBAN set forth the following regulatory exceptions, based on the applicable index: (a) exclusion of balances with BCV and PDVSA bonds from the total assets, (b) inclusion of general and counter-cyclical allowances as equity Tier 1 in the carrying equity, (c) 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 December 31, 2021, the Bank does not have any amounts to deduct for investment securities within this category.

NOTE 16.- OTHER OPERATING INCOME AND EXPENSES:

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

	31-12-21	30-06-21
	(In bolivars)	
Other operating income		
Exchange gains from "*Equity adjustments*", authorized by Sudeban *(Note 15)*	77,886,335	-0-
Commissions for services	13,108,657	5,652,789
Gain from foreign exchange transactions (*Note 22*)	2,490,919	2,959,227
Gains from investment securities (*Notes 5.c and 5.d*)	35,096	82,955
	93,521,007	8,694,971
Other operating expenses		
Exchange losses from "Equity adjustments", authorized by Sudeban (Note 15)	50,542,925	-0-
Commissions for services	2,995,987	1,436,663
Losses from investment securities (*Notes 5.c and 5.d*)	1,394,795	1,231,375
Loss from foreign exchange transactions (*Note 22*)	478,260	492,282
	55,411,967	3,160,320
Other sundry operating income		
Sundry operating income ME	376,680	-0-
Refunds of favorable experience of insurance policies	-0-	8,369
Other minor revenues	11,218	3,574
	387,898	11,943
Other sundry operating expenses		
Costs related to legal reserve deficits *(Note 4)*	4,660,131	1,412,677
Allowance for contingent losses *(Note 12)*	316,532	208,405
Other operating expenses (*Note 14)*	714,669	254,756
	5,691,332	1,875,838

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.

NOTE 17.- EXTRAORDINARY EXPENSES:

"*Extraordinary expenses*" shown in the statements of income correspond to donations made by the Bank for Bs. 11,650 and Bs. 26,026, for the six-month periods ended December 31, 2021 and June 30, 2021.

NOTE 18.- MEMORANDUM ACCOUNTS:

"*Memorandum accounts",* shown in the balance sheets, correspond to the following transactions:

	31-12-21	30-06-21
	(In bolivars)	
Contingent debit accounts:		
Guarantees granted	3,043,750	1,261,113
Automatic-use line of credit	40,538	46,244
	3,084,288	1,307,357
Trust assets	64,584,519	35,368,448
Other trusts	1,052,221	602,324
Other debit memorandum accounts:		
Guarantees received	25,626,962	9,732,773
Custodial services received	7,855,975	5,500,443
Other record accounts	6,316,279	2,127,988
Deposits received	504,000	-0-
	40,303,216	17,361,204
	109,024,244	54,639,333

a. Contingent debit accounts and other debit memorandum accounts-

Credit financial instruments:

In the normal course of business, the Bank maintains off-balance sheet credit financial instruments issued to meet its customers' financial needs. These instruments mainly consist of bonds and lines of credit amounting to Bs. 3,084,288, bonds and letters of credit at December 31, 2021 (Bs. 1,307,357, bonds and letters of credit at June 30, 2021), and are recorded under "*Contingent debit accounts*".

The maximum potential credit risk of the off-balance sheet contingent commitments is equal to the nominal value of the contracts if the other parties involved in the financial instrument fail to comply with the terms of the contracts. The Bank controls the credit risk of these instruments by establishing mechanisms of credit approvals, collateral requirements and other monitoring and control procedures. The Bank evaluates each customer's credit capacity, based on the same criteria applied for credit financial instruments recognized in the balance sheet.

The allowances for contingent portfolio for Bs. 32,266 (Bs. 13,892 at June 30, 2021) are determined based on 1% of the balances of guarantees granted and are shown under "*Accruals and other liabilities"* under the *"Other"* item (*see Note 12*).

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:

	31-12-21	30-06-21
	(In bolivars)	
Assets:		
Cash and due from banks	11,395,026	6,418,742
Investment securities	4,649,407	1,474,885
Loan portfolio, net	47,904,904	27,323,811
Interest and commissions receivable	291,227	78,419
Assets received for management	-0-	-0-
Other assets	343,955	72,591
	64,584,519	35,368,448
Liabilities and net assets:		
Liabilities	91,251	25,298
Trust net assets	61,765,123	34,625,855
Retained earnings	2,728,145	717,295
	64,493,268	35,343,150
	64,584,519	35,368,448

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

	At December 31, 2021				
Types of trust	Individuals	Companies	Public, state and municipal and Capital District administrations	Decentralized and other special-regime bodies	Total
			(In bolivars)		
Administration	66	59,510,571	-0-	2,254,455	61,765,092
Investment	-0-	31	-0-	-0-	31
Guarantee	-0-	-0-	-0-	-0-	-0-
	66	59,510,602	-0-	2,254,455	61,765,123
Participation percentage	0.000107%	96.349848%	0.00000%	3.650045%	100%

Types of trust	Individuals	Companies	Public, state and municipal and Capital District administrations	Decentralized and other special-regime bodies	Total
	At June 30, 2021				
			(In bolivars)		
Administration	24	3,449,936	-0-	126,443	3,462,582
Investment	-0-	31	-0-	-0-	31
Guarantee	-0-	-0-	-0-	-0-	0
	24	34,499,387	-0-	126,443	34,625,854
Participation percentage	0.000069%	99.634758%	0.00000%	0.365172%	100%

In accordance with Article N° 71 of the Law on Banking Sector Institutions and Resolution N° 083.12 published in Official Gazette N° 39.941 dated June 11, 2012, all the trust funds shown in the account *"Net assets assigned to trust funds"* may not exceed 5 times the total net assets of the trust institution, excluding the balance of the account "*Contributions for principal increases"*. At December 31 and June 30, 2021, the total amount of trusted funds does not exceed the net assets ratio.

At December 31, 2021, trusted funds contributed by decentralized bodies account for 3.650045% of the total net assets allocated to trusts (0.365172%, at June 30, 2021).

At December 31, 2021, four customers of termination benefit administration trust in foreign currency account for 62% of net assets allocated to trusts (four customers account for 76%, at June 30, 2021).

b.1 Cash and due from banks:

The balances shown in the combined balance sheets of the Trust Department as "*Cash and due from banks"* are composed as follows:

	31-12-21	30-06-21
	(In bolivars)	
Deposits in foreign institutions (US$ 1,800,782 and US$ 1,335,999, respectively)	8,257,858	4,291,960
Deposits in the institution (including US$ 267,395 and US$ 291,341, respectively)	2,658,431	1,162,911
Other cash and due from banks available on cash (US$ 104,395 and US$ 300,033, respectively)	478,725	963,871
Deposits in other institutions	12	-0-
	11,395,026	6,418,742

"Deposits in foreign institutions" are maintained in two institutions: Brown Brothers Harriman & Co and Amerant.

"*Deposits in the institution*" correspond to interest-bearing current accounts maintained in Venezolano de Crédito, S.A. Banco Universal, for the deposit of liquid funds provided from trusts.

The Accounting Manual for Banks and other Financial Institutions sets forth that the balances shown in the accounts of Banks and Other financial institutions shall be monthly reconciled and that debit items recorded in books with an aging over 30 days if accounts in domestic banks and 60 days if accounts in foreign banks shall be fully provisioned in the account "*Allowance for cash and due from banks*" under *"Cash and due from banks"*, but they shall be removed 180 days after they are recorded. At December 31, 2021 and June 30, 2021, the trust does not have reconciling items that require provisioning.

b.2 Investment securities:

The balances of "*Investment securities*", which are mainly composed of debt securities, are shown below:

	31-12-21		30-06-21	
	Amortized cost/ carrying value	Fair value	Amortized cost/ carrying value	Fair value
	(In bolivars)			
Demand and term deposits in domestic financial institutions-				
Banco Mercantil, C.A., Banco Universal, with annual interest rate between 120% and 130%, nominal value of Bs. 2,113,433, and due between 25 and 29 days, at December 2021 (annual interest rate between 105% and 130%, nominal value of Bs. 534,479, and due in 28 days, at June 2021).	2,113,433	2,113,433[21]	534,479	534,479[21]
Banco del Caribe, C.A., Banco Universal, with annual interest rate between 125% and 132%, nominal value of Bs. 991,856, and due between 28 and 29 days, at December 2021 (annual interest rate between 120% and 132%, nominal value of Bs. 212,989, and due in 28 days, at June 2021).	991,856	991,856[21]	212,989	212,989[21]
Bancrecer S.A., Banco Microfinanciero, with annual interest rate between 130% and 135%, nominal value of Bs. 710,104, and due between 28 and 29 days, at December 2021 (annual interest rate between 130% and 140%, nominal value of Bs. 226,391, and due in 28 days, at June 2021).	710,104	710,104[22]	226,392	226,392[21]
Banco Exterior, C.A., Banco Universal, with annual interest rate of 145%, nominal value of Bs. 395,792, and due in 28 days, at December 2021 (annual interest rate between 130% and 140%, nominal value of Bs. 348,142, and due between 27 and 28 days, at June 2021).	395,792	395,792[21]	348,143	348,143[21]
	4,211,185	4,211,185	1,322,003	1,322,003
Corporate commercial papers issued by domestic private entities-				
Mercantil Servicios Financieros, C.A., 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 (annual interest rate of 100%, acquisition cost of Bs. 32,045, nominal value of Bs. 41,000, and due between 7 and 54 days, at June 2021).	249,161	256,341[22]	36,808	37,891[22]
Calox International C.A., 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.	96,671	97,340[22]	-0-	-0-
COCA-COLA Femsa de Venezuela, S.A., 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 (annual interest rate of 100%, acquisition cost of Bs. 79,220, nominal value of Bs. 100,000, and due in 35 days, at June 2021).	92,390	92,409[22]	91,444	936,633[22]
Comercial Belloso, C.A., with annual interest rate of 100%, acquisition cost of Bs. 11,720, nominal value of Bs. 15,000, and due in 15 days, at June 2021.	-0-	-0-	14,459	14,573[22]
Charcutería Venezolana, C.A. (CHARVENCA), with annual interest rate of 100%, acquisition cost Bs. 9,388 and nominal value of Bs. 12,000, and due in 63 days, at June 2021.	-0-	-0-	10,171	10,670[22]
	438,222	446,090	152,882	156,797
	4,649,407	4,657,275	1,474,885	1,478,801

The maturities of investment securities are the following:

	31-12-21		30-06-21	
	Amortized cost or acquisition cost	Fair value	Amortized cost or acquisition cost	Fair value
	(In bolivars)			
Due within six months	4,649,407	4,657,275	1,474,885	1,478,801

[21] Fair value corresponds to nominal value.
[22] Fair value is equivalent to the current value of discounted future cash flows.

Investment securities are mainly concentrated as follows:

	31-12-21		30-06-21	
	In bolivars	%	In bolivars	%
Placements in domestic financial institutions-				
Banco Mercantil, C.A., Banco Universal	2,113,433	45%	534,479	36%
Banco del Caribe, C.A., Banco Universal	991,856	21%	212,989	14%
Bancrecer, S.A., Banco Micro Financiero	710,104	15%	226,391	15%
Banco Exterior, C.A., Banco Universal	395,792	9%	348,142	25%
	4,211,185	90%	1,322,001	90%
Obligations and corporate commercial papers issued by three domestic private companies	438,222	10%	152,882	10%
	4,649,407	100%	1,474,883	100%

b.3 Loan portfolio:

The balances shown in the combined balance sheets of the Trust Department as "*Loan portfolio"* are mainly composed of loans granted to beneficiaries.

"Guarantees on monies" mainly corresponds to loans granted to beneficiaries guaranteed on their termination benefits in foreign currency for Bs. 34,498,030 (Bs, 23,988,877 at June 30, 2021).

At December 31, 2021, loans receivable from beneficiaries, which are classified by type of guarantee on their monies, amount to Bs. 47,904,904 (Bs. 27,323,811 at June 30, 2021). They have no maturity or have different maturities. The Trust Department does not maintain any allowance for loan portfolio.

Loans with undefined maturity mainly correspond to loans receivable from beneficiaries guaranteed by their termination benefits or monies maintained in trust funds or savings funds, which have no payment dates or amortization of principal, in conformity with trust contracts. However, the total payment of such loans will be effective as the beneficiary terminates its employment or contractual employment relationship with the trustor or employer.

c. Other trusts-

Trusts for Bs. 1,052,221 and Bs. 602,324, at December 31 and June 30, 2021, respectively, 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 December 31, 2021, the Bank obtained income from commissions for Bs. 1,121,002 (Bs. 486,319, for the six-month period ended June 30, 2021) which are presented within *"Other operating income*" in the statements of income.

NOTE 19.- FAIR VALUE OF FINANCIAL INSTRUMENTS:

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

	31-12-21		30-06-21	
	Carrying value	Fair value	Carrying value	Fair value
	(In bolivars)			
Assets*:*				
Cash and due from banks	150,353,850	150,353,850	89,458,846	89,458,846
Investment securities	161,112,175	161,001,879	130,699,830	131,699,970
Loan portfolio	38,235,348	38,235,348	16,411,059	16,411,059
Interests and commissions receivable	1,522,689	1,522,689	1,112,638	1,112,638
	351,224,062	351,113,766	237,682,373	238,682,513

	31-12-21		30-06-21	
	Carrying value	Fair value	Carrying value	Fair value
	(In bolivars)			
Liabilities:				
Bank deposits	239,151,420	239,151,420	152,626,954	152,626,954
Other borrowings	550,671	550,671	647	647
Interests and commissions payable	176,231	176,231	33,459	33,459
	239,878,322	239,878,322	152,661,060	152,661,060
Memorandum accounts:				
Contingent debit accounts	3,084,288	3,084,288	1,307,357	1,307,357

NOTE 20.- 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. At December 31, 2021, the Bank maintains exchange losses from the intervention mechanism aged under one year as recoverable expenditures within "*Other assets*" for Bs. 1,287,295 (Bs. 746,217, at June 30, 2021) (see Note 9).

NOTE 21.- 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 effects of which are presented below:

	31-12-21	30-06-21
	(In bolivars)	
Operating expenses:		
Vencred, S.A.	52,413	44,057
Inversiones 120915, C.A.	46,965	39,443
Inversiones Las Monjas, C.A.	31,088	8,729
	130,466	92,229

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

	31-12-21	30-06-21
	(In bolivars)	
Bank deposits and other demand obligations:		
Vencred, S.A.	22,721	1,602
Inversiones Bonorum, C.A.	8,411	3,043
Valores Vencred Casa de Bolsa, S.A.	4,125	9,337
Other	4,525	9,115
	39,782	23,097

NOTE 22.- FOREIGN CURRENCY BALANCES AND TRANSACTIONS:

Foreign currency balances and transactions reported in the balance sheets are detailed below:

	31-12-21		30-06-21	
	US$	Bs.	US$	Bs.
Assets:				
Cash and due from banks	17,908,810	82,124,557	17,100,050	54,934,712
Investment securities	35,133,551	161,112,171	40,351,732	129,631,830
Loan portfolio	3,997,931	18,333,338	359,500	1,154,911
Interests and commissions receivable	295,839	1,356,630	327,193	1,051,124
Other assets	6,138	28,147	59,473	191,061
	57,342,269	262,954,843	58,197,948	186,963,638
Liabilities:				
Bank deposits	(33,643,755)	(154,280,402)	(32,799,296)	(105,369,275)
Interests and commissions payable	-0-	-0-	(3)	(11)
Accruals and other liabilities	(15,777,525)	(72,351,108)	(15,597,785)	(50,108,616)
	(49,421,280)	(226,631,510)	(48,397,084)	(155,477,902)
Carrying asset position, net	7,920,989	36,323,337	9,800,864	31,485,736
Other debit memorandum accounts, net	2,510,338	11,519,358	2,130,922	6,845,686

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

During the six-month period ended December 31, 2021, the Bank recorded unrealized exchange losses from the valuation of foreign currency balances for a net amount of Bs. 14,185,561 (Bs. 18,373,886, unrealized exchange gains for the six-month period ended June 30, 2021), which are recorded under "*Equity adjustments*" within equity caption, net of the transfer to income of exchange gains accumulated at December 31, 2021, for Bs. 27,343,410, as authorized by SUDEBAN (*see Note 15.d and 16*).

During the six-month period ended December 31, 2021, the Bank recorded realized gains mainly from operations carried out by the Bank, as foreign exchange operator, and by its foreign branch for Bs. 2,490,919 (Bs. 2,959,227, for the six-month period ended June 30, 2021), and losses for Bs. 478,260 (Bs. 492,282, for the six-month period ended June 30, 2021), shown in the accompanying statements of income under "*Other operating income"* and "*Other operating expenses"*, respectively (*see Note 16*).

"Bank deposits" result from customer's 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"* (*see Note 10*).

At December 31 and June 30, 2021, the net foreign currency position maintained by the Bank, calculated based on its individual financial statements, amounts to US$ 7,920,989 (Bs. 36,323,337) and US$ 9,800,864 (Bs. 31,485,736), respectively. On April 8, 2019, the BCV provided, through its Resolution Nº VOI-GOC-DNPC-004 that the net monetary asset position in foreign currency will temporarily not be subject to maximum limits.

NOTE 23.- SUBSEQUENT EVENTS:

Resolution N° 21-12-01 *"Rules on the Creation of Legal Reserves"*

On December 15, 2021, the BCV published Resolution N° 21-12-01 in Official Gazette N° 42.284 dated December 27, 2021, through which it establishes the new Rules that will govern the establishment of the Legal Reserve from its entry into force, on January 5, 2022. The main modifications with respect to the previous norm are the following:

1. The annual base interest rate for the collection of the legal reserve deficit is increased from 2 to 9 percentage points additional to the rate fixed by the BCV in its ordinary discount, rediscount and advance operations.

2. The minimum base of 138% of annual interest on the legal reserve amount is eliminated.

3. Banking institutions that fail to sell the foreign currencies assigned under the foreign exchange intervention system shall be charged an additional cost calculated on the basis of an interest rate of 25% per annum on the unsold balance, from the date of the execution of the foreign exchange intervention and for each day on which the legal reserve deficit occurred, as determined by the BCV at the end of each week. The previous regulations established an interest rate of 126% for each day that the legal reserve deficit occurred and the exclusion of the deduction of the unsold amount for the calculation of the legal reserve, as provided by Article 5 of Resolution No. 19-03-01 on the foreign exchange intervention mechanism.

In communication dated January 5, 2022, the BCV established that the provisions contained in Resolution Nº 21-12-01, mentioned above, will enter into force as of January 5, 2022.

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