

FINANCIAL STATEMENTS



At June 30, 2020
and December 31, 2019
and Auditors' Report

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FOR
GOOD

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 JUNE 30, 2020 AND DECEMBER 31, 2019
AND INDEPENDENT AUDITORS' REPORT



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

FINANCIAL STATEMENTS
AT JUNE 30, 2020 AND DECEMBER 31, 2019

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AUDITOR'S REPORT

(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 Stockholders 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 as at June 30, 2020 and December 31, 2019, and the statements of income and allocation of net income, statements of changes in the stockholders' 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 June 30, 2020 and December 31, 2019, 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-ISA). 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, and we have fulfilled our 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.a 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 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.

ADRIANZA, RODRÍGUEZ, CÉFALO & ASOCIADOS

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Without qualifying our opinion, we draw attention to Note 3 to the financial statements to the fact that since the end of 2018 the Central Bank of Venezuela issued new more restrictive monetary policies to cope with the economic emergency declared by the National Executive since 2016. Such policies have a direct impact on the banking sector being a recipient of the money supply and in its capacity of financial intermediation.

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 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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
July 7, 2020



FINANCIAL STATEMENTS

BALANCE SHEETS

AT JUNE 30, 2020 AND DECEMBER 31, 2019

(Expressed in bolivars)

	Notes	30-06-20	31-12-19
ASSETS			
Cash and due from banks:			
Cash		298,198,843,643	70,093,327,198
Banco Central de Venezuela	4	2,710,927,694,685	1,133,036,460,803
Domestic banks and other financial institutions		251,003	1,231,942,385
Foreign banks and correspondents		5,272,710,503,354	759,238,869,220
Clearing house funds		4,207,473,267	21,500,560,936
(Allowance for cash and due from banks)		-	-
		8,286,044,765,952	1,985,101,160,542
Investment securities:			
	5		
Placements with Banco Central de Venezuela and interbank transactions		479,000,000,000	117,000,000,000
Available-for-sale investment securities		204,234,145,997	348,080,558,946
Held-to-maturity investment securities		4,863,465,456,771	665,256,244,055
Restricted cash investments		1,240,433,012,263	281,764,983,332
Other investment securities		29,159	31,507
		6,787,132,644,190	1,412,101,817,840
Loan portfolio:			
	6		
Current loans		480,284,780,172	92,995,983,024
Restructured loans		-	-
Past-due loans		359,528,288	188,766,347
Loans in litigation		-	-
(Allowance for loan portfolio)		(8,485,803,233)	(1,647,229,826)
		472,158,505,227	91,537,519,545
Interests and commissions receivable:			
Accrued interest receivable from cash and due from banks		-	-
Accrued interest receivable from investment securities		49,954,232,795	9,650,527,568
Accrued interest receivable from loan portfolio		1,134,988,133	630,964,078
Commissions receivable		725,774,771	179,415,122
Accrued interest and commissions receivable from other accounts receivable		-	-
(Allowance for accrued interest receivable and other)		(11,916,188)	(2,033,586)
		51,803,079,511	10,458,873,182
Premises and equipment			
	8	19,507,631,785	8,063,063,461
Other assets			
	9	310,146,640,815	78,682,986,350
Total assets		15,926,793,267,480	3,585,945,420,920
Memorandum accounts:			
	18		
Contingent debit accounts		137,933,611,936	52,872,135,054
Trust assets		2,355,154,742,315	744,052,134,796
Other trusts		106,436,921,000	23,177,978,000
Other debit memorandum accounts		5,359,850,404,221	2,176,306,410,824
		7,959,375,679,472	2,996,408,658,674

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

BALANCE SHEETS

AT JUNE 30, 2020 AND DECEMBER 31, 2019

(Expressed in bolivars)

	Notes	30-06-20	31-12-19
LIABILITIES AND STOCKHOLDERS' EQUITY			
Bank deposits:	10		
Demand deposits			
Non-interest-bearing current accounts		1,136,622,675,227	335,506,617,931
Interest-bearing current accounts		8,610,146,674,017	1,744,644,289,158
Current accounts under Foreign Exchange Agreement N° 20		80,316,856,622	18,221,010,644
Demand deposits and certificates		37,173,137,071	7,049,991,417
		9,864,259,342,937	2,105,421,909,150
Other demand obligations		733,723,112,162	277,345,133,955
Savings deposits		121,578,514,654	37,604,879,775
Term deposits		-	-
Restricted bank deposits		90,157,877,073	38,381,526,334
		10,809,718,846,826	2,458,753,449,214
Other borrowings:	11		
Obligations with domestic financial institutions due in one year or less		51	21,852
Obligations with foreign financial institutions due in one year or less		5,869,635	641,545
		5,869,686	663,397
Interests and commissions payable:			
Accrued expenses for bank deposits		1,502,261,340	1,075,343,579
Accrued expenses for other borrowings		-	-
Accrued expenses for other financial intermediation obligations		-	-
		1,502,261,340	1,075,343,579
Accruals and other liabilities	12	3,315,523,252,725	788,351,042,631
Total liabilities		14,126,750,230,577	3,248,180,498,821
Stockholders' equity:	15		
Paid-in capital		3,306	3,306
Capital reserves		3,636	3,636
Equity adjustments		1,596,930,724,017	294,108,714,202
Retained earnings		210,588,070,107	45,157,733,425
Unrealized loss from available-for-sale investment securities		(7,475,764,163)	(1,501,532,470)
Total stockholders' equity		1,800,043,036,903	337,764,922,099
Total liabilities and stockholders' equity		15,926,793,267,480	3,585,945,420,920
Per contra memorandum accounts	18	7,959,375,679,472	2,996,408,658,674

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 JUNE 30, 2020 AND DECEMBER 31, 2019

(Expressed in bolivars)

	Notes	30-06-20	31-12-19
Financial income:			
Cash and due from banks		1,469,983,589	2,377,102,934
Investment securities		129,851,728,669	24,495,000,610
Loan portfolio		249,337,815,668	50,473,325,277
Other accounts receivable		12,383,460,638	8,483,799,377
Other		64	226,146,677
		393,042,988,628	86,055,374,875
Financial expenses:			
Bank deposits		28,445,210,441	11,352,412,223
Obligations with Banco Central de Venezuela		-	-
Other borrowings		5,112,480,305	4,031,859,600
Other financial intermediation obligations		-	370,694,444
Other		6,967,603,874	1,883,760,081
		40,525,294,620	17,638,726,348
Gross financial margin		352,517,694,008	68,416,648,527
Income from recovery of financial assets		63	3,245,926
Expenses for uncollectible and impaired financial assets:			
Uncollectible loans and other accounts receivable	6	7,638,322,378	1,094,388,067
Creation of allowance and adjustments of cash and due from banks		-	-
Net financial margin		344,879,371,693	67,325,506,386
Other operating income	16	450,525,322,430	118,240,143,469
Other operating expenses	16	(143,523,093,048)	(31,304,844,419)
Financial intermediation margin		651,881,601,075	154,260,805,436
Less- operating expenses:			
Personnel		188,522,555,392	52,236,447,825
General and administrative expenses		195,681,643,885	44,299,814,842
Contributions to Fondo de Protección Social de los Depósitos Bancarios	14	9,486,030,408	1,452,664,655
Contributions to Superintendencia de las Instituciones del Sector Bancario	14	10,473,337,686	2,145,014,351
		404,163,567,371	100,133,941,673
Gross operating margin		247,718,033,704	54,126,863,763
Sundry operating income	16	399,275,310	62,254,069
Expenses for foreclosed assets		-	-
Sundry operating expenses	16	(59,742,640,582)	(14,398,469,665)
		(59,343,365,272)	(14,336,215,596)
Net operating margin		188,374,668,432	39,790,648,167
Extraordinary income	17	-	-
Extraordinary expenses	17	(679,385,283)	(274,300,000)
Gross income before income taxes		187,695,283,149	39,516,348,167
Income taxes	14	(5,435,000,000)	(620,000,000)
Net income		182,260,283,149	38,896,348,167
Allocation of income, net			
Statutory earnings-			
Board of Directors	15	17,267,096,812	3,699,618,239
Other mandatory reserves	12	-	-
Retained earnings	12	164,993,186,337	35,196,729,928
		182,260,283,149	38,896,348,167

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 STOCKHOLDERS' EQUITY FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND DECEMBER 31, 2019 (Expressed in bolivars)

	Notes	Paid-in capital	Uncapitalized equity contributions	Capital reserves	Equity adjustments	Retained earnings			Unrealized gain or (loss) from available-for-sale investment securities	Total stockholders' equity
						Restricted undistributed earnings	Available undistributed earnings	Total		
BALANCES at June 30, 2019		3,306	29,997,461	3,636	32,176,821,220	7,156,925,584	5,502,522,518	12,659,448,101	(160,521,266)	44,705,752,458
Net income for the six-month period	15	-	-	-	-	-	38,896,348,167	38,896,348,167	-	38,896,348,167
Other income and expenses shown in equity accounts:										
Unrealized exchange gain from valuation of foreign currency assets and liabilities	15	-	-	-	246,654,110,252	-	-	-	-	246,654,110,252
Financial income from loans adjusted at UVCC or UVCP, net of collections	15	-	-	-	15,277,782,730	-	(437,150,345)	(437,150,345)	-	14,840,632,385
Actuarial loss for employee benefits	15.f	-	-	-	-	-	(2,291,291,720)	(2,291,291,720)	-	(2,291,291,720)
Statutory earnings - Board of Directors	15	-	-	-	-	-	(3,699,618,239)	(3,699,618,239)	-	(3,699,618,239)
Net unrealized loss from adjustment in market value of available-for-sale investment securities	5.c	-	-	-	-	-	-	-	(1,341,011,204)	(1,341,011,204)
Transfer from uncapitalized equity contributions to retained earnings, as instructed by SUDEBAN	15	-	(29,997,461)	-	-	14,998,731	14,998,731	29,997,461	-	-
Transfer from net income of the Bank and its branch to restricted undistributed earnings:										
Net income for the six-month period of foreign branch	15	-	-	-	-	24,992,473,062	(24,992,473,062)	-	-	-
50% of net income for the six-month period (Res. N° 329-99)	15	-	-	-	-	5,102,128,433	(5,102,128,433)	-	-	-
BALANCES at December 31, 2019		3,306	-	3,636	294,108,714,202	37,266,525,809	7,891,207,616	45,157,733,425	(1,501,532,470)	337,764,922,099
Net income for the six-month period	15	-	-	-	-	-	182,260,283,149	182,260,283,149	-	182,260,283,149
Other income and expenses shown in equity accounts:										
Unrealized exchange gain from valuation of foreign currency assets and liabilities	15	-	-	-	1,282,286,602,939	-	-	-	-	1,282,286,602,939
Financial income from loans adjusted at UVCC or UVCP, net of collections	15	-	-	-	23,834,136,072	-	-	-	-	23,834,136,072
Supplemental financial cost for legal reserve deficit	15	-	-	-	(3,236,418,692)	-	437,150,345	437,150,345	-	(2,799,268,347)
General allowances for loans adjusted at UVCC or UVCP	15	-	-	-	(62,310,504)	-	-	-	-	(62,310,504)
Statutory earnings - Board of Directors	15	-	-	-	-	-	(17,267,096,812)	(17,267,096,812)	-	(17,267,096,812)
Net unrealized loss from adjustment in market value of available-for-sale investment securities	5.c	-	-	-	-	-	-	-	(5,974,231,693)	(5,974,231,693)
Transfer from net income of the Bank and its branch to restricted undistributed earnings:										
Net income for the six-month period of foreign branch	15	-	-	-	-	90,003,007,584	(90,003,007,584)	-	-	-
50% of net income for the six-month period (Res. N° 329-99)	15	-	-	-	-	37,495,089,377	(37,495,089,377)	-	-	-
BALANCES at June 30, 2020		3,306	-	3,636	1,596,930,724,017	164,764,622,770	45,823,447,338	210,588,070,107	(7,475,764,163)	1,800,043,036,903

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 JUNE 30, 2020 AND DECEMBER 31, 2019

(Expressed in bolivars)

	30-06-20	31-12-19
Cash flows provided by operating activities:		
Net income for the six-month period	182,260,283,149	38,896,348,167
Adjustments to reconcile net income to cash provided by operating activities-		
Provisions and depreciations in income accounts:		
Allowance for uncollectible and impaired financial assets	6,848,456,009	883,839,680
Depreciation and amortization	2,488,618,135	1,143,410,139
Income and expenses shown in equity accounts:		
Unrealized exchange gain from valuation of		
foreign currency assets and liabilities with effect on equity	1,282,286,602,940	246,654,110,252
Financial income from loans adjusted at UVCC or UVCP, net of collections	23,834,136,072	15,277,782,730
Supplemental financial cost for legal reserve associated to		
loans adjusted at UVCC and UVCP	(2,799,268,348)	(437,150,345)
General and counter-cyclical allowances for loans adjusted at UVCC and UVCP	(62,310,504)	-
Statutory earnings to directors	(17,267,096,812)	(3,699,618,239)
	1,295,329,137,492	259,822,374,217
Net change in other assets	(232,189,436,071)	(66,983,594,266)
Net change in interest and commissions receivable	(41,354,088,931)	(9,282,020,128)
Net change in accruals and other liabilities	2,527,172,210,094	667,059,772,057
Net change in interest and commissions payable	426,917,761	475,644,618
Net cash provided by operating activities	3,731,645,023,494	889,988,524,665
Cash flows provided by financing activities:		
Net change in bank deposits	8,350,965,397,612	2,004,448,757,213
Net change in other borrowings	5,206,289	(21,611,863,763)
Net cash provided by financing activities	8,350,970,603,901	1,982,836,893,450
Cash flows used in investing activities:		
Loans granted for the period	(1,165,901,471,929)	(319,957,996,435)
Loans collected for the period	778,441,912,840	268,535,138,551
Net change in placements in Banco Central de Venezuela and		
interbank transactions	(362,000,000,000)	(116,999,974,157)
Net change in available-for-sale investment securities	137,872,181,257	(335,905,509,794)
Net change in held-to-maturity investment securities	(4,198,209,212,716)	(631,470,079,091)
Net change in restricted cash investments	(958,668,028,931)	(241,456,022,704)
Net change in other investment securities	2,348	1,085
Additions to premises and equipment and foreclosed assets, net	(13,207,404,854)	(1,195,182,294)
Net cash used in investing activities	(5,781,672,021,985)	(1,378,449,624,839)
Net increase in cash and due from banks	6,300,943,605,410	1,494,375,793,276
CASH AND DUE FROM BANKS, at the beginning of the six-month period	1,985,101,160,542	490,725,367,266
CASH AND DUE FROM BANKS, at the end of the six-month period	8,286,044,765,952	1,985,101,160,542

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



NOTE TO THE FINANCIAL STATEMENTS



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

NOTES TO THE FINANCIAL STATEMENTS
AT JUNE 30, 2020 AND DECEMBER 31, 2019
(EXPRESSED IN BOLIVARS)

NOTE 1.- INCORPORATION, OPERATIONS AND LEGAL FRAMEWORK:

a. Incorporation and operations-

El **Venezolano de Crédito, S.A., Banco Universal** (hereinafter 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 Bank and its Branch are members of Vencred Group and conduct transactions with other members of the Group.

b. Date of approval of the financial statements-

The Bank's financial statements were approved for public issue by the Board of Directors at meetings held on July 7, 2020 and January 14, 2020, respectively. The Bank's financial statements for the six-month period ended December 31, 2019 were approved by the Stockholders' Meeting on February 20, 2020.

c. Regulatory regime-

c.1 Legal framework for banking activities:

Venezolano de Crédito, S.A., Banco Universal 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 the "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, financial institutions are governed by other social, economic or monetary-policy laws and regulations that set forth restrictions on interest rates, commissions and other bank services and/or that require funding in certain economic sectors, or impose criteria for carrying out operations. 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. Effective March 2020, the legal reserve on net obligations in local currency is of 93% (57% before that date plus a marginal legal reserve of 100%). With respect to deposits in foreign currency, a legal reserve of 31% is determined, which is deposited in local currency in BCV and/or limited to conduct financial intermediation operations with these deposits, as applicable. 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 Note 3- Financial risk and Note 4- Legal reserve*).

- ii. **Foreign exchange intervention mechanism:** The BCV, when it deems it appropriate, might automatically sell foreign currencies to banks 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 might differ from the market exchange rate. Currencies allocated under this mechanism must be sold to customers during the week following their allocation. 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 purchases of the foreign exchange intervention, which is 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.
- iii. **Mandatory loan portfolio:** At June 30, 2020, the loan portfolio is subject to mandatory percentages destined to the Single National Productive Portfolio and Microcredits, which are subject to a special regime, as follows:
- **Single National Productive Portfolio:** The Single National Productive Portfolio (hereinafter 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 Productive 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 capital restatement, resulting from the application of the Commercial Credit Value Unit (UVCC) generated on commercial loans, 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, addressing, regulation and evaluation of the resources available for the financing of that portfolio. The debtors and amounts of UVCP loans are assigned by the National Executive to each bank through the Governing Committee.

Under the CPUN, the BCV issued Resolution N° 20-02-01 dated February 20, 2020 establishing the following rules on the regulation of loans and their interest rates:

- The loans granted under the CPUN shall be expressed at the date of their granting only through the use of the Productive Credit Value Unit (UVCP), (hereinafter "UVCP loans") the value of which shall be the result of dividing the settled amount in bolivars by the Investment Index (IDI)¹ effective at that date. The IDI is determined by the BCV considering the referential exchange rate fluctuation in the market and published daily on its website. The UVCP loans that contemplate the single payment modality at maturity will have an additional special charge of 20% also expressed in UVCP, which will be deducted from the debtor balance at the time of payment of the loan. These loans are non-interest-bearing.
- Commercial loans and microcredits shall be expressed at the granting date solely by using the Commercial Credit Value Unit (hereinafter the "UVCC loans"), which will result from the division of the settled amount in bolivars by the investment index in effect at that date. This index shall be determined by the BCV considering the referential exchange rate fluctuation in the market and published daily on its website. Banks may charge their customers for transactions agreed through this modality an annual interest rate between 4% and 6%.

¹ At June 30, 2020 and December 31, 2019, the IDI is equal to 989.19 and 224.28, respectively.

On April 8, 2020 by Resolution N° 2020-01, the CPUN Governing Committee established that the mandatory percentage of the CPUN to be maintained by banks is 25% of their gross portfolio, excluding the increase resulting from the UVCP loan principal restatement.

- ***Microfinance portfolio:*** The Law on Banking Sector Institutions sets forth that financial institutions must destine not less than 3% of the prior six-month period loan portfolio to the microfinance system. At June 30, 2020, these loans shall be expressed in UVCC and bear a maximum annual interest rate of 6% (40% at December 31, 2019).

At December 31, 2019, the National Executive, empowered by special laws, required that universal banks placed minimum amounts of their loan portfolio in certain economic sectors of the country and contemplated pecuniary sanctions in case of noncompliance which, in some cases, significantly exceeded those imposed by the Law on Banking Sector Institutions. This mandatory loan portfolio bore controlled preferential interest rates. The following mandatory portfolios, in addition to the above-mentioned microfinance portfolio, were in force until January 29, 2020 when they were repealed under the Constituent Decree for the creation of the CPUN portfolio; therefore, the loan portfolio at December 31, 2019 has been classified according to these parameters (see Note 6):

- ***Mortgage portfolio:*** The Law on the Housing and Habitat Subsidy Benefit Regime, the Special Protection Law on Housing Mortgage Debtors and Resolutions issued by the Ministry of People's Power for Housing and Habitat set forth that at least 20% of the Banks' gross loan portfolio balance at December 31 of the prior year should be aimed at financing primary residence projects, bearing preferential interest rates under the control of the National Executive for the banking sector, as shown below.
- ***Tourism portfolio:*** The Tourism Law and the Tourism Investment and Credit Law set forth that a minimum amount equivalent to 3% of universal banks' annual loan portfolio should be aimed at financing the tourism sector. The financing terms for these loans were 5, 10 and 15 years, in accordance to the purpose of the loan, and bearing preferential interest rates, as published by the BCV for this sector, as shown below.
- ***Agriculture portfolio:*** The Law on Loans for the Agricultural Sector, which was published on July 31, 2008, and resolutions issued by the Ministries of People's Power for Productive Agriculture and Lands set forth that universal banks should assign funds aimed at financing the agricultural sector until reaching at December 31, 2019, 20% over the year-end amount of the gross loan portfolio of the immediately prior quarterly period, as provided by the Resolution of such Ministry of People's Power for Productive Agriculture and Lands. These loans were bearing preferential interest rates based on parameters mentioned in that Law, which were published by the BCV on a weekly basis, as shown below.

Additionally, the amount of the mandatory monthly agriculture portfolio should be distributed to borrowing operations intended to primary production of strategic items, in accordance with the percentages set by laws.

In Official Gazette No. 41.661 dated June 25, 2019, the Ministry of the People's Power for Productive Agriculture and Lands through Article 1 of Resolution DM/N° 022/2019 dated June 12, 2019, authorized banks to grant to the state-owned company Conglomerado Agrosur, S.A., credits that in the aggregate exceeded the maximum percentage established in Article N° 15 of the Law of Credit for the Agricultural Sector. the funds granted would be allocated to the loan portfolio for the agricultural sector during the year 2019-2020.

- **Manufacturing portfolio.** The Law on Loans for the Manufacturing Sector, as published on April 17, 2012, set forth that at least 10% of the universal banks' gross portfolio of the immediately prior year should be aimed at financing this sector. The Resolution of the Ministry of People's Power for Economy and Finance, published in Official Gazette N° 41.438 dated July 12, 2018, set forth that the amount of the mandatory manufacturing portfolio should be allocated between the borrowing of small and medium-sized industries, joint ventures, community-based enterprises, state-owned companies; and large-sized enterprises aimed at meeting social needs, replacing imports and promoting an alternative export basis for the country.

- iv. **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.
- v. **Limits for lending and saving interest rates:** The BCV and the National Executive have set forth limits for lending and saving interest rates, 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:	June 30, 2020		December 31, 2019	
	Maximum	Minimum	Maximum	Minimum
	Limits		Limits	
Agricultural sector loans (effective until 29-01-20)	-	-	17%	-
Tourism sector loans (effective until 29-01-20)	15% and 12%	-	15% and 12%	-
Mortgage sector loans (effective until 29-01-20)	12.66%	-	12.66%	-
Other mortgage loans (effective until 29-01-20)	40%	-	40%	-
Manufacturing sector loans (effective until 29-01-20)	-	-	22% and 19.80%	-
Classic microfinance sector loans	40%	-	40%	-
UVCC microfinance sector loans	6%	4%	-	-
UVCC commercial loans	6%	4%	6%	4%
Credit cards	40%	17%	40%	17%
Credit transactions other than those aforementioned transactions	6%	-	36% and 3% past due	-
Balances in favor of cardholders	21%	-	21%	-
Savings deposits	21%	-	21%	-
Term deposits	24%	-	24%	-

At December 31, 2019, the limits related to economic sectors are determined and published by ministries of the corresponding area or by BCV, as applicable, based on economic, social and regulating factors. The limits related to other credit transactions have been determined on the basis of interest rates set by BCV for discount, rediscount, repurchase and advance transactions, as provided by the respective resolutions.

- vi. **Limits on banks' commissions and fees:** The BCV has set forth limits or restrictions on the banks' 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 have 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.

- vii. ***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 reflected 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.
- viii. ***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 1 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.
- ix. ***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 limit regarding the net foreign currency asset positions and for the excess of foreign currency liabilities on assets, the collection of an annual interest rate is established, which shall be equivalent to the discount and rediscount rate plus 10% applied on the exceeded amount. 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 control and resolutions issued by BCV (*see Notes 1.c.4. and 22*).
- x. ***Limits of interbank operations:*** 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.
- xi. ***Prohibition on investing in structured investment securities:*** On May 19, 2008, the Ministry of People's Power for Finance issued 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.
- xii. ***Minimum capitalization and solvency levels:*** Financial institutions shall maintain minimum capitalization levels, as provided by SUDEBAN through special resolutions (*see Note 15*).
- xiii. ***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:

- i. *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).
- ii. *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).
- iii. *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).
- iv. *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 Units² shall make contributions 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).
- v. *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 TU²), 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 May 4, 2020. 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

² At June 30, 2020 and December 31, 2019, one tax unit (TU) is equivalent to Bs. 1,500 and Bs. 50, respectively.

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 July 3, 2020, date on which the circumstances that motivated the decree enactment would be assessed, and therefore, its continuance (*see Note 23*).

c.4. Foreign exchange control:

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 to those who incurred therein.

The Foreign Exchange Agreement N° 1 was published in the Official Gazette N° 6.405 on September 7, 2018, which established a new 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 should be ruled and managed by the BCV and should operate 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 Foreign Exchange Market System shall 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 Foreign Exchange Market System. 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 Bicentennial, 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 referential exchange rate shall be a single fluctuating rate calculated by the BCV, according to the average of operations agreed on the foreign exchange market system.
- Neither banks, insurance nor stock market institutions are allowed to make quotations of demand through the Foreign Exchange Market System or in the stock market.
- The BCV must publish on the website the weighted average exchange rate of operations traded on the Foreign Exchange Market System. In addition, authorized foreign exchange operators must announce the referential exchange rate in their offices.
- While any economic operator may trade on this market, operations apart from 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 new 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 BCV's intervention, formerly 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 B.C.V. 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 that allows this institution to sell foreign currencies with 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. The Bank shall purchase the foreign currencies at the exchange rate for purchases fixed by BCV and without its authorization. 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, thus generating an exchange loss plus the monetary sanctions imposed by the Institution for such a refund.

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 June 30, 2020 and December 31, 2019, 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 and expenses for sanctions imposed by the BCV for a total amount of Bs. 14,636,941,719 (Bs. 8,421,056,812 at December 2019) (*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 June 30, 2020 and December 31, 2019 are as follows:

30-06-20		31-12-19	
Purchase	Sale	Purchase	Sale
Bs. per dollar			
203,906.6473	204,417.6916	46,504.2785	46,620.8306

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, with the exception of those linked to priority sectors including the banking, energy, food and health sectors; among others. The alarm state is valid for 30 days and has been successively extended, the latest under Decree N° 4.230 dated June 11, 2020, so the State of Alarm under this last decree would be in force until July 11, 2020, date on which the validity of the circumstances that generated it would be assessed and , therefore, its continuity (*see Note 3*).

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 practices required or provided by Sudeban. These practices differ in certain respects 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. Therefore, 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. 479,000,000,000 (Bs. 117,000,000,000, at December 31, 2019).
- 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 under "*Other operating income*" instead of presenting it as part of financial income.
- vii. ***Impairment of financial assets:*** The accounting framework 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; and (iii) Creation of general, countercyclical and voluntary allowances for the loan portfolio, which is not required under Ven-NIF. 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. ***Partial revaluation model of premises and equipment:*** The revaluation model has been applied for certain stories of the building of the main office and its subsequent revaluation surplus resulting from comparing the revalued asset with the carrying value in historical amounts. Under Ven-NIF, Selective revaluations on historical amounts are not applicable and the Revaluation Model may be applied on the balance of assets previously adjusted for inflation and for all the items that belong to a same class of assets (*see Notes 8 and 15.c*).

- x. **Deferred tax recognition:** Neither deferred tax assets resulting from certain allowances for loan portfolio nor deferred tax liabilities resulting from equity accounts are recognized, in conformity with the accounting interpretation resulting from the accounting guidelines contained in the Accounting Manual for Banks, Resolution N° 198 dated June 17, 1999, Resolution N° 025.17 dated March 28, 2017, and Resolution N° 101.17 dated September 12, 2017, issued by SUDEBAN. Under Ven-NIF, deferred tax assets or liabilities are fully recognized in income (profit and loss) or as a decrease in its related account under equity in accordance with the item originating the deferred taxes.
- xi. **Revenue and expense recognition:** 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 business and operating performance, the accounting non-segregation depending on the nature of transactions and/or accounting anomalies that may have an impact on the interpretation of performance results. The most significant are as follows:
- **Financial income from loans expressed in UVCP and UVCC:** The effects of the valuation of loans expressed in UVCP and UVCC resulting from the application of IDI, are recognized as equity under “*Equity adjustments*”, net of the financial cost supplementary to the legal reserve also determined by applying IDI that may be assigned to such income, and is reclassified to income as the corresponding loans are collected. Under Ven-NIF, UVCP and UVCC 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 and are presented as part of operating income. The net unrealized exchange gain for the six-month period ended June 30, 2020, amounts to Bs. 1,282,286,602,939 (Bs. 246,654,110,252, for the six-month period ended December 31, 2019), and is shown in “*Equity adjustments*” account (see Note 15.c).
 - **Interest income due after 180 days:** It is recognized on the cash basis instead of on the accrual basis of accounting. Ven-NIF require interest income to be recognized as earned and 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 may be presented as extraordinary items in the statements of income for the period and other comprehensive income or in the notes to the financial statements.
 - **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 UVCP/UVCC loans that may be charged, at the Bank’s discretion, to

unrealized gains from valuation of UVCC loans, which are presented within "*Equity adjustments*", as instructed by SUDEBAN under Resolution N° 070.19 dated December 20, 2019. Ven-NIF require neither general allowances nor creation of allowances charged to equity accounts.

- ***Statutory earnings:*** Statutory earnings are reported as a decrease in equity. Ven-NIF require their recognition as expenses in the statement of income.
- ***Other expenses:*** Under accounting standards for banks, expenses may be deferred while under Ven-NIF they are charged to income as incurred. On the other hand, certain taxes, such as contributions for community projects and development of sports are recognized on the basis of the amount paid.

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 (see Notes 2.a and 3):*** The Bank presents its financial statements on the historical cost basis, in conformity with the accounting guidelines of SUDEBAN. The country has been impacted by a macroeconomic environment with a sustained increase of the monetary supply with an interannual hyperinflation of about 3,524% and an exchange rate fluctuation of 439% for the last six-month period, according to certain estimations, thus passing from Bs. 46,504.28/US\$1 to Bs. 203,906.65/US\$1. Although the accompanying financial statements at June 30, 2020 and December 31, 2019, 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, is determined using the price reported by the custodian agent for foreign investments and the yield curve methodology calculated on the basis of quotations published by BCV under SICET system for domestic investments, if there are no market values. 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 analyses 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):** The official exchange rate is applied to foreign currency assets and liabilities. 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 cause 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, and sometimes on the opinions of external legal advisors.
- 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 June 30, 2020 and December 31, 2019, 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 or 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 June 30, 2020 and December 31, 2019, the exchange rates applied by the Bank for the translation of the financial statements of its foreign branch were Bs. 203,906.6473/US\$1 and Bs. 46,504.2785/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 with BCV and interbank placements" include liquidity surplus placements made in BCV due within one year 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.

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 Stockholders' Equity, except for certificates of participation for the financing of social programs of governmental institutions "*Fondo Simón Bolívar para la Reconstrucción S.A.*", 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, bearing financial interest, CPUN loans expressed in UVCP obtaining gains or losses from adjustment for valuation derived from fluctuation of IDI³ (non-interest bearing) and commercial loans and microcredits expressed in UVCC bearing financial interest and gains or losses derived from fluctuation of IDI. UVCC commercial loans and microcredits have been granted since November 2019 and UVCP loans since June 2020, in accordance with the new regulations established by the BCV (*see Note 1.c.c.*).

Upon settlement, loans are expressed in UVCP or UVCC, as the case may be, and are valued on a daily basis in accordance with the fluctuation of IDI, which is determined by the BCV based on the referential exchange rate fluctuations of the free exchange market. Unrealized gains or losses from the valuation of the UVCC and UVCP loan portfolio at IDI are recorded on the accrual basis of accounting in equity, within the account "*Equity adjustments*" and they are subsequently reclassified to income as collected. These realized gains are presented under "*Financial income*".

In conformity with Resolution 20-02-01 dated March 20, 2020 issued by BCV, UVCP loans that contemplate the single payment modality at maturity will have an additional special charge of 20% upon settlement of the loan, which shall be also expressed in UVCP, and will be deducted from the debtor balance of the loan at the time of payment. As provided by the SUDEBAN this special charge shall be recognized in income under "*Financial income*".

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

³ At June 30, 2020 and December 31, 2019, the IDI is equal to 989.19 and 224.28, respectively.

On the other hand, in applying the association principle of revenues and expenses, the Bank recognizes also in equity the portion of supplemental financial costs calculated on the basis of the IDI fluctuation over the legal reserve deficit considered to be attributed to UVCP and UVCC loans at IDI value and transferred to income as *"Other operating expenses"* in the same proportion as revenues from collected loans (see Notes 2.f and 15).

A detail of unrealized and realized gains from UVCC commercial loans and microcredits and from UVCP loans is presented under *"Equity adjustments"* of 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 N° 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 loan portfolio at risk 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 UVCP/UVCC loans that may be created, at the Bank's discretion, charged to unrealized gains from valuation of UVCC loans, which are presented within *"Equity adjustments"*, as instructed by SUDEBAN under Resolution N° 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, except for some stories of the building where the main office of the Bank is located, including a revaluation recognized in 2017 and determined using the appraisal of independent experts at that date, reduced to an amount of less than Equity Tier 1 in effect at December 31, 2017.

As provided by SUDEBAN, those assets with a cost lower than 320 TU⁴ (Bs. 480,000 and Bs. 16,000, at June 30, 2020 and December 31, 2019), 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.

⁴ At June 30, 2020 and December 31, 2019, one tax unit (TU) is equivalent to Bs. 1,500 and Bs. 50, respectively.

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.

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, in case of employees, and with charge to stockholders' equity 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 estimated on the basis of employee benefits. In addition, 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 stockholders' equity, as required for the Bank.

n. Financial income and expenses-

Gains or losses from the valuation of UVCP loans and UVCC commercial loans and microcredits that are adjusted at IDI value are recognized in equity as caused and reported in income as collected. On the other hand, they may be used for the creation of general or countercyclical allowances for the relevant loan portfolio. In addition, the supplemental financial costs applied to the legal reserve deficit are recognized in equity based on IDI and directly attributable to UVCP and UVCC loans that are also adjusted at IDI value and transferred to expenses in the same proportion as income from collected loans where they are not applied to the creation of general or countercyclical allowances, as allowed by the accounting guidelines for banks (*see Notes 2.f and 15*).

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 or the National Executive through special resolutions (*see Note 1.c*).

Commissions and other financial returns 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 reference official 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 "*Stockholders' 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 it arose (*see Notes 1.c.4, 15.c and 22*).

At June 30, 2020 and December 31, 2019, the exchange rates used by the Bank were Bs. 203,906.6473/US\$1 and Bs. 46,504.2785/US\$1, respectively.

The foreign currency balances reported in the balance sheets, at June 30, 2020 and December 31, 2019, are detailed in *Note 22*.

q. Fair value of financial instruments-

SUDEBAN's 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 presented 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 the 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 or the value resulting from the application of the yield curve, as applicable, (iii) the fair value of investment securities issued or guaranteed by the Venezuelan Government is that published by BCV of the SICET system, and (iv) the fair value of mortgage securities under the program "*Gran Misión Vivienda Venezuela*" of the National Government is the acquisition cost, as required by SUDEBAN.
- iii. ***Loan portfolio:*** The productive loan portfolio of the Bank (current and restructured loans) is mainly composed of short-term loans. The Bank modifies the price of its loans on a monthly basis, according to the indices fixed 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 controls 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, which grants 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 seven consecutive years, according to the latest indicators published by the BCV and other estimates, 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. In addition, the sanctions imposed by the United States, other American countries and the European Union on PDVSA and other Venezuelan entities cause uncertainty in all areas of the country and 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 risks.

According to BCV's figures, the increase in monetary liquidity is estimated at 4,946% and 63,257% for the years 2019 and 2018, respectively, and at 172% for the course of the five months of the year 2020. This increase in monetary liquidity would be positive for the economy to the extent that the economic activity can absorb it to finance its growth and avoid producing distortions in the financial system. However, this sustained increase in liquidity has manifested itself in a context of economic recession evidenced by a reduction in GDP of -19.6% for 2018, according to the BCV, and estimated at -25% for 2019 and between 15% and 20%, for 2020. This decline in the economy decreases its ability to absorb liquidity, moving it to prices and consequently boosting inflation, which reaches levels of 9,586% per year and 130,060%, for 2019 and 2018, respectively.

In response to inflationary pressures and devaluation, since the end of 2018, the BCV issued more restrictive monetary policies, including: (a) the increase in legal reserve that has reached figures close to 100 per cent of bank deposits, with significant penalties in case of non-compliance and effects on financial costs, (b) a decrease of the public spending, (c) a more flexible foreign exchange regime that allows banks for performing purchase-sale transactions of foreign currencies with private sector customers and other banks, but under important foreign exchange intervention mechanisms thus causing pecuniary penalties and exchange losses to banks by the BCV in case of breaches of assigned weekly foreign currency sales and, more recently in 2019, the incorporation of mechanisms to readjust commercial loans to an index fixed by the BCV based on the fluctuation of the exchange rate (UVCC and UVCP loans).

These monetary policy measures have slowed the progress of inflationary levels, but they have a direct impact on the banking sector since they have generated a restriction on liquidity and have significantly limited the credit intermediation, within a framework of controls of interest rates and commissions, high regulation on the purpose of the loans granted to specific sectors and negative actual rates derived from the imposition of preferential rates and even interest-collection prohibition (UVCP loans).

Restrictions on credit volume, bank fees and rates erode banks' ability to generate financial and operating income, which implies significant challenges to cover the increase in operating expenses that are common in a hyperinflationary environment and the high financial costs arising from the lack of liquidity in the banking system and the high monetary penalties imposed by the legal reserve and the foreign exchange intervention mechanism, thus increasing the profitability risks that may result, eventually, in solvency risks.

Banks' limited ability to invest in securities as other financial and operating income-generating sources should be added to this situation. This is because, in 2010, the Law on Banking Sector Institutions set forth, in Article 5, that financial intermediation should be limited to the placement of loans and only to investment securities issued or guaranteed by the Venezuelan Government or state-owned companies. As a result, currently holder Venezuelan banks not only receive returns from their investment in foreign public debt placed years ago as the only means of intermediation in these instruments but are forced to create allowances on investment securities and interest already past due.

On the other hand, while a foreign exchange flexibility originates an opening to the foreign exchange market, it is limited to the supply of foreign currency of the private sector, difficulties in operating with foreign correspondent banks as a result of sanctions imposed by other countries and for the effect of the modalities imposed under the foreign exchange intervention mechanism established by the BCV and its penalties, all of which dilute the potential benefits for the banking sector.

The effect of this situation is revealed in the financial activity that has seen an annual drop in its GDP reaching 52.7% for the fourth quarter of 2018, higher than the drop in global GDP of 23.7%, according to the latest indicators published by BCV.

The financial services industry is also affected by the changing needs of consumers, innovative financial products, technological advances and the use of multiple delivery channels that require investments. To remain competitive in the new environment, banks must continue to introduce new products, expand existing ones, and add new service delivery channels. Banks should strive to improve access to customers, as well as differentiate their products and services through the use of alternative delivery channels, such as e-banking and mobile banking. This requires technological investments, generally quoted in foreign currency and therefore subject to foreign exchange devaluation.

Considering these challenges, banks must constantly calculate the risks of the new monetary policies and current economic conditions; therefore, the future success is determined by their ability to develop new business lines and restructure the banking business in a highly regulated and competitive environment.

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; therefore, the accompanying financial statements must be read taking into account these circumstances.

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.

Finally, given the nature of its operations, the banking sector directly receives the money supply, which, together with the devaluation of the currency and hyperinflation, is reflected in its financial statements as a significant increase in all of its accounts. Although the accompanying financial statements are consolidated with its Cayman Islands Branch and are presented in historical bolivars rather than in constant currency; their amounts are not comparative with prior six-month periods 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 (*see Note 2.b*).

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 93% (76%, at December 31, 2019). They are independent from price fluctuations; accordingly, the Bank is exposed to moderate price risk. The Bank does not use hedging instruments to manage its exposure to price risk.

b. Exchange rate risk-

The Bank is exposed to moderate exchange rate risks for transactions recognized in assets and liabilities denominated in currency other than the bolivar because it maintains its foreign currency denominated asset position and is represented in a currency less volatile than the reporting currency. The assets of the Cayman Islands Branch account for 67% of total assets of the Bank (54%, at December 31, 2019). In addition, the bank deposits in foreign currency received under the Foreign Exchange Agreement N° 20 have been 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 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 fined for failing to implement 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 risk for interest rates-

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 variable interest rates, except for the loan portfolio for certain economic sectors, subject to mandatory portfolio and UVCP loan portfolio, which is non-interest-bearing. The National Executive maintains restrictions on interest rates for loans (*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 variable interest rates, 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 53% of financial assets (57%, at December 31, 2019), including 17% in BCV (29% at December 31, 2019), 40% in foreign financial and nonfinancial entities resulting from the operations in the Cayman Islands, which individually do not exceed 5% of financial assets (39%, at December 31, 2019) and 3% is placed in sundry debtors of the loan portfolio. 26% of financial assets is placed in two foreign banks.

The country remains under a state of 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 these 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 financial 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.

From the second half of 2018, the BCV implemented a new monetary policy restricting liquidity that represented a substantial increase in the legal reserve shown under "*Cash and due from banks*", which increased liquidity indicators. However, given their nature, they are restricted-use deposits and limit the credit activity. Foreign currency deposits held in the Bank's Cayman Islands Branch are not subject to legal reserve.

The maturities of financial assets and liabilities at June 30, 2020 and December 31, 2019, are shown below:

	At June 30, 2020					
	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	8,286,044,765,952	-0-	-0-	-0-	-0-	8,286,044,765,952
Investment securities	1,923,667,158,280	528,855,340,493	730,280,443,748	1,910,211,139,381	1,694,118,562,288	6,787,132,644,190
Loan portfolio, net	457,685,720,825	2,868,998,984	207,462	-0-	11,603,577,956	472,158,505,227
Interest and commissions receivable	51,803,079,511	-0-	-0-	-0-	-0-	51,803,079,511
	10,719,200,724,568	531,724,339,477	730,280,651,210	1,910,211,139,381	1,705,722,140,244	15,597,138,994,880
LIABILITIES:						
Bank deposits	10,809,718,846,826	-0-	-0-	-0-	-0-	10,809,718,846,826
Other borrowings	5,869,686	-0-	-0-	-0-	-0-	5,869,686
Interest and commissions payable	1,502,261,340	-0-	-0-	-0-	-0-	1,502,261,340
	10,811,226,977,852	-0-	-0-	-0-	-0-	10,811,226,977,852

	At December 31, 2019					
	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	1,985,101,160,542	-0-	-0-	-0-	-0-	1,985,101,160,542
Investment securities	701,197,329,779	162,107,342,686	123,192,998,004	120,763,338,224	304,840,809,147	1,412,101,817,840
Loan portfolio, net	78,001,689,584	44,675,472	15,708,947	159,656	13,475,285,886	91,537,519,545
Interest and commissions receivable	10,458,873,182	-0-	-0-	-0-	0	10,458,873,182
	2,774,759,053,087	162,152,018,158	123,208,706,951	120,763,497,880	318,316,095,033	3,499,199,371,109
LIABILITIES:						
Bank deposits	2,458,753,449,214	-0-	-0-	-0-	-0-	2,458,753,449,214
Other borrowings	663,397	-0-	-0-	-0-	-0-	663,397
Interest and commissions payable	1,075,343,579	-0-	-0-	-0-	-0-	1,075,343,579
	2,459,829,456,190	-0-	-0-	-0-	-0-	2,459,829,456,190

NOTE 4.- LEGAL RESERVE AND 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 in bolivars to be maintained in the single account in that institution, corresponding to the legal reserve, according to resolutions issued to this purpose. The regular legal reserve fixed by BCV is made of 93% of net obligations in local currency (57% plus 100% of the marginal balance, at December 31, 2019). BCV deducts operations with other banks and financial institutions and amounts resulting from the sale of foreign currencies under the foreign exchange intervention mechanism, if any, from the resulting legal reserve position. The unsold amounts under such mechanism are not deducted for the calculation of the legal reserve, resulting in the application of an annual interest rate of 126% for the remaining amount not sold. The legal reserve must be made up in legal tender.

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 Resolution N° 20-03-01 dated March 26, 2020 of BCV. However, these bank deposits are totally maintained in bank accounts and/or in cash in the same currency that originated them (see Note 10).

Until August 2019, the legal reserve was remunerated at an annual rate of 2% determined on the monthly average of the legal reserve fund maintained in the single account of the BCV, as provided in its Resolution N° 19-04-02 dated April 11, 2019. Therefore, during the six-month period ended December 31, 2019, the Bank recognized income from returns of the legal reserve for Bs. 724,786,950, shown as "*Financial income from cash and due from banks*" in the accompanying statement of income and accrued interest receivable at that date amounted to Bs. 215,126,230 shown in "*Interest and commissions receivable*".

For the six-month period ended December 31, 2019, as provided by the BCV in the superseded Resolution 19-09-02 dated September 5, 2019, banks presenting legal reserve deficits equal or less than an amount determined as Initial Global Deficit ("DGI") should pay an annual interest rate of 126% on the amount of the legal reserve deficit. Where the legal reserve deficit exceeded the DGI, banks should pay in addition a supplemental financial cost (COFIDE) on the additional amount not hedged, which was calculated on a daily basis by using a formula weighting the applicable interest rate to the deficit plus the investment index (IDI) established by the BCV based on the referential exchange rate in the foreign exchange market. As of March 2020, as set out in the new Resolution 20-03-01, the financial cost for the legal reserve deficit was integrated and therefore, it only consists of the interest rate applicable to the deficit plus the variation of the Investment Index (IDI); thus establishing that the effective interest rate cannot be less than 138% per annum.

During the six-month period ended June 30, 2020, the BCV collected interest on legal reserve deficit and variation of IDI for a total amount of Bs. 51,445,369,336 (Bs. 8,248,431,263, at December 31, 2019) reducing the net equity in the same amount. In applying the association principle of revenues and expenses, the Bank decided to recognize these expenses in the same way that it recognizes financial income from the commercial loan portfolio adjusted at IDI that was financed with the legal reserve funds. Consequently, the Bank records upon payment the portion associated to the interest rate for deficit in the creation of the legal reserve charged to income and the effect of IDI variation charged to equity; the latter reclassifies to income upon collection of loans granted attributed to the legal reserve deficit. Therefore, the income for the six-month period ended June 30, 2020 have been reduced by Bs. 48,208,950,644 (Bs. 8,685,581,608, at December 31, 2019), including the expenses of the legal reserve deficit, the amortization expenses for the IDI variation attributed to collected loans and the penalty of legal reserve derived from the foreign exchange intervention mechanism, and the net equity has been reduced by Bs. 3,236,418,692 for the effect of IDI variation attributed to collectible loans, which are shown in the "Equity adjustments" account (Bs. 437,150,343, at December 31, 2019 shown under "Available undistributed earnings") (see Note 2.f).

At June 30, 2020 and December 31, 2019, the legal reserve required by BCV amounts to a total of Bs. 2,617,152,992,442 and Bs. 910,044,639,700, respectively, and the Bank maintained Bs. 2,617,152,992,442 and Bs. 904,178,779,576, respectively, in the single account in the 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:

	30-06-20	31-12-19
	(In bolivars)	
Investment securities-		
Placements in BCV and interbank transactions	479,000,000,000	117,000,000,000
Available-for-sale investment securities	204,234,145,997	348,080,558,946
Held-to-maturity investment securities	4,863,465,456,771	665,256,244,055
Restricted cash investment securities	1,240,433,012,263	281,764,983,332
Other investment securities	29,159	31,507
	6,787,132,644,190	1,412,101,817,840

a. Placements with BCV and interbank transactions-

"Placements in BCV and interbank transactions" are as follows:

	30-06-20	31-12-19
	(In bolivars)	
Placements in BCV and interbank transactions:		
<i>Demand and term deposits in domestic financial institutions-</i>		
Banco Mercantil, C.A. Banco Universal, annual interest rate of 145%, nominal value of Bs. 150,000,000,000, due in one day (annual interest rate of 70%, nominal value of Bs. 27,000,000,000, due in three days) at December 31, 2019.	150,000,000,000 ⁵	27,000,000,000 ⁵
Banco Provincial, S.A. Banco Universal, annual interest rate between 138% y 140%, nominal value of Bs. 150,000,000,000, due in one day (annual interest rate of 42%, nominal value of Bs. 27,000,000,000, due in one day) at December 31, 2019.	150,000,000,000 ⁵	27,000,000,000 ⁵
Banco Nacional de Crédito, C.A. Banco Universal, annual interest rate of 120%, nominal value of Bs. 139,000,000,000, due in one day (annual interest rate of 70%, nominal value of Bs. 27,000,000,000, due in one day) at December 31, 2019.	139,000,000,000 ⁵	27,000,000,000 ⁵
Banco Exterior, S.A. Banco Universal, annual interest rate of 135%, nominal value of Bs. 40,000,000,000, due in one day (annual interest rate of 42%, nominal value of Bs. 9,000,000,000 due in one day) at December 31, 2019.	40,000,000,000 ⁵	9,000,000,000 ⁵
Banco del Caribe, S.A., Banco Universal, annual interest rate of 42%, nominal value of Bs. 27,000,000,000, due in three days.	-0-	27,000,000,000 ⁵
	479,000,000,000	117,000,000,000

⁵ Market value is equivalent to nominal value that is equal to acquisition cost.

b. Available-for-sale investment securities-

"Available-for-sale investment securities" are presented at fair value as follows:

	At June 30, 2020			At December 31, 2019		
	Acquisition cost	Unrealized gain (loss)	Carrying value / fair value (In bolivars)	Acquisition cost	Unrealized gain (loss)	Carrying value / fair value
Participations in domestic private nonfinancial companies-						
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. 0.018 each).	81	-0-	81 ⁶	81	-0-	81 ⁶
Corporación Suiche 7B, C.A. (89,217 shares, nominal value of Bs. 0.00001 each and 0.0811% of equity share).	1	-0-	1 ⁶	1	-0-	1 ⁶
	82	-0-	82	82	-0-	82
Obligations issued by foreign financial institutions-						
Morgan Stanley (annual interest rate of 2.65%, nominal value of US\$ 1,000,000 and due in January 2020).	-0-	-0-	-0-	46,737,867,345	(214,989,280)	46,522,878,065 ⁷
Obligations issued by foreign private nonfinancial companies-						
Diageo (annual interest rate of 4.828%, acquisition cost of US\$ 1,038,269, nominal value of US\$ 1,000,000 and due in July 2020).	211,709,910,078	(7,475,764,163)	204,234,145,915 ⁷	48,283,948,588	(1,070,063,449)	47,213,885,139 ⁷
U.S. Treasury (acquisition cost of US\$ 3,967,827, nominal de US\$ 4,000,000 and due between January and October 2020).	-0-	-0-	-0-	184,520,929,771	50,131,612	184,571,061,383 ⁷
Cisco Systems Inc (annual interest rate of 4.45%, acquisition cost of US\$ 504,431, nominal value of US\$ 500,000 and due in January 2020).	-0-	-0-	-0-	23,458,197,550	(181,645,712)	23,276,551,838 ⁷
Altria Group Inc (annual interest rate of 2.625%, acquisition cost of US\$ 502,051, nominal value of US\$ 500,000 and due in January 2020).	-0-	-0-	-0-	23,347,517,367	(92,171,480)	23,255,345,887 ⁷
United Tech Corp (annual interest rate of 1.9%, acquisition cost of US\$ 499,603, nominal value of US\$ 500,000 and due in April 2020).	-0-	-0-	-0-	23,233,674,894	7,161,658	23,240,836,552 ⁷
	211,709,910,078	(7,475,764,163)	204,234,145,915	302,844,268,170	(1,286,587,371)	301,557,680,799
	211,709,910,160	(7,475,764,163)	204,234,145,997	349,582,135,597	(1,501,576,651)	348,080,558,946

During the six-month period ended June 30, 2020, the Branch obtained gains from the purchase and sale of available-for-sale investment securities for the amount equivalent to Bs. 26,690,972,328 (Bs. 10,205,994,055, at December 31, 2019), and losses for Bs. 2,556,332,781 (Bs. 2,742,940,468, at December 31, 2019), shown under "Other operating income" and "Other operating expenses", respectively (see Note 16).

⁶ Market value is equivalent to nominal value that is equal to acquisition cost.

⁷ Fair value is equivalent to quotation value on a foreign stock exchange or referential value reported by the custodian agent.

Investments in shares in SOGATUR, an association created by the Ministry of People's Power for Tourism, were acquired to comply with the minimum loan portfolio for the tourism sector, as required by the National Executive (*See Note 6.b*).

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 June 30, 2020 and December 31, 2019:

	At June 30, 2020		
	Acquisition cost	Amortized cost / carrying value (in bolivars)	Fair value
<i>Dematerialized certificates of participation-</i>			
Fondo Simón Bolívar para la Reconstrucción, S.A., nominal value of Bs. 31,846, annual interest rate between 4.66% and 6.05% and due between June 2023 and November 2024.	31,846	31,846	31,846 ⁸
<i>Obligations and Bonds of the National Public Debt-</i>			
Bonds issued by the Bolivarian Republic of Venezuela, nominal value of Bs. 33,623, annual interest rate between 19.19% and 20.29% and due between February 2024 and July 2033.	33,752	33,542	28,575 ⁹
<i>Obligations issued by foreign financial institutions-</i>			
Standard Chartered PLC. (annual interest rate of 5.70%, nominal value of US\$ 1,629,000 and due in January 2022).	354,174,427,711	348,586,569,947	351,956,535,108 ¹⁰
Morgan Stanley (annual interest rate of 3.125%, nominal value of US\$ 1,500,000 and due in January 2023).	317,453,899,119	315,826,520,167	324,425,263,486 ¹⁰
General Motors Financial Company INC (annual interest rate of 3.45%, nominal value of US\$ 1,000,000 and due in April 2022).	209,043,055,818	207,986,819,385	207,963,777,934 ¹⁰
Wells Fargo & CO (annual interest rate of 3.069%, nominal value of US\$ 1,000,000 and due in January 2023).	208,769,820,911	208,087,753,175	211,339,248,574 ¹⁰
BPCE SA (annual interest rate of 3%, nominal value of US\$ 1,000,000 and due in May 2022).	208,618,114,365	207,612,446,780	211,084,161,358 ¹⁰
HSBC Holdings PLC (annual interest rate of 2.95%, nominal value of US\$ 1,000,000 and due in May 2021).	207,186,281,887	205,816,437,030	208,192,765,099 ¹⁰
Citigroup Inc. (annual interest rate of 2.75%, nominal value of US\$ 1,000,000 and due in April 2022).	207,179,145,155	206,321,105,983	211,323,343,856 ¹⁰
General Electric (annual interest rate of 3.92%, nominal value of US\$ 1,000,000 and due in May 2026).	201,459,767,603	202,332,080,240	176,603,547,288 ¹⁰
Morgan Stanley (annual interest rate of 4.875%, nominal value of US\$ 475,000 and due in November 2022).	103,698,560,680	102,917,802,128	105,326,755,260 ¹⁰
	2,017,583,073,249	2,005,487,534,835	2,008,215,397,963
<i>Obligations issued by foreign private nonfinancial companies-</i>			
AT&T (annual interest rate of 4.45% and 3%, nominal value of US\$ 2,000,000 and due in February 2022 and April 2024).	431,121,251,883	429,193,314,532	441,448,307,946 ¹⁰
Campbell Soup Co. (annual interest rate of 8.875%, nominal value of US\$ 1,500,000 and due in May 2021).	335,802,438,783	323,038,902,191	323,064,594,428 ¹⁰
Ralph Lauren Corp (annual interest rate of 3.75%, nominal value of US\$ 1,500,000 and due in September 2025).	323,355,161,401	323,048,077,990	339,868,541,238 ¹⁰
HP Inc. (annual interest rate of 4.375%, nominal value of US\$ 1,515,000 and due in September 2021).	321,996,531,409	317,811,551,379	323,066,429,588 ¹⁰
Kraft Heinz Food (annual interest rate of 3.50%, nominal value of US\$ 1,500,000 and due in June 2022).	316,909,264,464	315,113,662,527	319,186,289,995 ¹⁰

⁸ Fair value is equivalent to cost, as instructed by SUDEBAN.

⁹ Fair value is determined on the basis of the yield curve methodology calculated on the basis of prices of investment securities of national public debt published by BCV under SICET system.

¹⁰ Fair value is equivalent to quotation value on a foreign stock exchange or referential value reported by the custodian agent.

	At June 30, 2020		
	Acquisition cost	Amortized cost / carrying value (in bolivars)	Fair value
Molson Coors Brewing Co. (annual interest rate of 3.50%, nominal value of US\$ 1,500,000 and due in May 2022).	315,647,490,130	313,328,867,643	319,225,643,978 ¹¹
Walgreens Boots Alliance Inc (annual interest rate of 3.30%, nominal value of US\$ 1,000,000 and due in November 2021).	208,191,745,566	206,943,429,070	210,146,190,781 ¹¹
Sysco Corp (annual interest rate of 2.50%, nominal value of US\$ 1,000,000 and due in July 2021).	205,721,416,533	205,525,462,244	207,430,154,238 ¹¹
Dow Chemical CO. (annual interest rate of 3.50%, nominal value of US\$ 500,000 and due in October 2024).	108,022,605,044	107,870,286,779	110,049,641,026 ¹¹
Macy's Retail Holdings INC (annual interest rate of 3.875%, nominal value of US\$ 500,000 and due in January 2022).	104,683,429,787	104,056,824,660	90,004,394,150 ¹¹
CVS Health Corp. (annual interest rate of 2.75%, nominal value of US\$ 500,000 and due in December 2022).	104,217,095,285	103,883,096,196	106,425,404,276 ¹¹
DowDuPont INC (annual interest rate of 4.205%, nominal value of US\$ 250,000 and due in November 2023).	55,085,380,787	54,956,307,879	55,909,979,269 ¹¹
Viacom INC (annual interest rate of 3.875%, nominal value of US\$ 250,000 and due in April 2024).	53,284,885,091	53,208,073,458	54,915,322,643 ¹¹
	2,884,038,696,163	2,857,977,856,548	2,900,740,893,556
	4,901,621,835,010	4,863,465,456,771	4,908,956,351,940
	At December 31, 2019		
	Acquisition cost	Amortized cost / carrying value (in bolivars)	Fair value
Dematerialized certificates of participation-			
Fondo Simón Bolívar para la Reconstrucción, S.A., nominal value of Bs. 31,846, annual interest rate between 4.66% and 6.05% and due between June 2023 and November 2024.	31,846	31,846	31,846 ¹²
Obligations and Bonds of the National Public Debt-			
Bonds issued by the Bolivarian Republic of Venezuela, nominal value of Bs. 33,623, annual interest rate between 19.19% and 20.29% and due between February 2024 and July 2033.	33,752	33,623	22,575 ¹³
Obligations Issued by foreign financial institutions-			
Standard Chartered PLC. (annual interest rate of 5.70%, nominal value of US\$ 1,379,000 and due in January 2022).	68,555,165,767	68,338,037,290	67,730,272,874 ¹¹
Citigroup Inc. (annual interest rate of 2.75%, nominal value of US\$ 1,000,000 and due in April 2022).	47,250,625,690	47,205,842,069	47,249,416,578 ¹¹
HSBC Holdings PLC (annual interest rate of 2.95%, nominal value of US\$ 1,000,000 and due in May 2021).	47,252,253,339	47,180,776,263	47,106,555,435 ¹¹
BPCE (annual interest rate of 2.25%, nominal value of US\$ 1,000,000 and due in January 2020).	46,378,716,971	46,494,652,138	46,504,139,011 ¹¹
General Electric (annual interest rate of 2.27%, nominal value of US\$ 1,000,000 and due in May 2026).	45,946,227,181	46,114,572,669	44,160,462,886 ¹¹
BPCE SA (annual interest rate of 3%, nominal value of US\$ 500,000 and due in May 2022).	23,788,659,123	23,773,173,198	23,661,376,913 ¹¹
	279,171,648,071	279,107,053,627	276,412,223,697
Obligations Issued by foreign private nonfinancial companies-			
Campbell Soup Company (annual interest rate of 8.875%, nominal value of US\$ 1,500,000 and due in May 2021).	76,585,292,061	76,012,221,697	75,377,389,930 ¹¹
HP Inc. (annual interest rate of 4.375%, nominal value of US\$ 1,515,000 and due in September 2021).	73,436,626,875	73,317,345,260	73,112,957,096 ¹¹

¹¹ Fair value is equivalent to quotation value on a foreign stock exchange or referential value reported by the custodian agent.

¹² Fair value is equivalent to cost, as instructed by SUDEBAN.

¹³ Fair value is determined on the basis of the yield curve methodology calculated on the basis of prices of investment securities of national public debt published by BCV under SICET system.

	At December 31, 2019		
	Acquisition cost	Amortized cost / carrying value (in bolivars)	Fair value
Molson Coors Brewing CO (annual interest rate of 3.50%, nominal value of US\$ 1,500,000 and due in May 2022).	71,988,623,154	71,922,542,435	71,738,430,136 ¹⁴
Kraft Heinz Food (annual interest rate of 5.375%, nominal value of US\$ 1,500,000 and due in February 2020).	71,618,914,140	69,964,479,787	69,957,130,251 ¹⁴
AT&T (annual interest rate of 3%, nominal value of US\$ 1,000,000 and due in February 2022).	47,554,810,175	47,486,543,754	47,451,245,147 ¹⁴
Walgreens Boots Alliance Inc (annual interest rate of 3.30%, nominal value of US\$ 1,000,000 and due in November 2021).	47,481,565,937	47,445,992,026	47,386,232,166 ¹⁴
	388,665,832,342	386,149,124,959	385,023,384,726
	667,837,546,011	665,256,244,055	661,435,662,844

During the six-month period ended December 31, 2019, the obligations issued by foreign private nonfinancial company PepsiCo had an advance redemption on August 29, 2019, with an original maturity date in January 2020.

Dematerialized certificates of participation maintained in Fondo Simón Bolívar para la Reconstrucción, S.A. were acquired, as required by the National Executive, to finance the program “*Gran Misión Vivienda Venezuela*” promoted by the National Government for 2013, 2015 and 2016, which qualify for the deduction of the legal reserve.

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

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

	June 30, 2020		December 31, 2019	
	Amortized cost / carrying value	Fair value	Amortized cost / carrying value	Fair value
	(in bolivars)			
Due within one year	528,855,339,221	531,257,359,527	116,459,130,065	116,461,269,262
Due after one year through five years	3,809,229,931,835	3,861,226,875,312	502,682,511,156	500,813,908,121
Due after five years through ten years	525,380,185,715	516,472,117,101	46,114,602,834	44,160,491,461
	4,863,465,456,771	4,908,956,351,940	665,256,244,055	661,435,668,844

During the six-month period ended June 30, 2020, the Bank recorded gains from amortization of discounts in the acquisition of investment securities for Bs. 176,334,391 (Bs. 96,399,480, at December 2019), and losses from amortization of premiums for Bs. 34,630,291,826 (Bs. 2,413,537,222, at December 2019), respectively, which are shown under “*Other operating income*” and “*Other operating expenses*” (see Note 16).

¹⁴ Fair value is equivalent to quotation value on a foreign stock exchange or referential value reported by the custodian agent.

d. Restricted cash investments-

"Restricted cash investments" are composed as follows:

	June 30, 2020		December 31, 2019	
	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 annual interest rate of 0.83% and due in July 2020 (nominal value of US\$ 5,370,082, annual interest rate of 1.6902% and due in January 2020).	1,110,548,122,071	1,106,266,356,661 ¹⁵	252,225,589,019	252,225,589,019 ¹⁵
PNC Bank nominal value of US\$ 515,784, annual interest rate of 0.10% and due in July 2020 (nominal value of US\$ 509,621, annual interest rate of 2.5412% and due in January 2020).	105,171,837,287	109,453,417,989 ¹⁵	23,909,438,795	23,909,438,795 ¹⁵
	1,215,719,959,358	1,215,719,774,650	276,135,027,814	276,135,027,814
Restricted funds delivered to trust-				
Trust fund of Fondo Social para contingencias, maintained in Banco Exterior, Banco Universal (Note 15.d).	717	717 ¹⁶	450	450 ¹⁶
Other restricted cash investments-				
MasterCard, Inc. (22,940 class "B" shares, with nominal value of US\$ 70,574).	14,390,505,692	14,390,505,692 ¹⁷	3,281,992,488	3,281,992,488 ¹⁷
Swift (9 shares, nominal value of € 4,665 each and 4 shares, nominal value of € 771 each).	10,322,549,726	10,322,549,726 ¹⁸	2,347,962,579	2,347,962,579 ¹⁸
Caja Venezolana de Valores, S.A., (2,542,896 shares, nominal value of Bs. 0.00003 each and 17.64% of equity share).	1	1 ¹⁹	1	1 ¹⁹
	24,713,055,419	24,713,055,419	5,629,955,068	5,629,955,068
	1,240,433,012,263	1,240,432,830,786	281,764,983,332	281,764,959,149

Restricted cash investments include term deposits maintained in foreign financial institutions destined 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" stockholders.

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 of liquidation of the bank. During the six-month period ended June 30, 2019, the Bank reached the limit of 10% of the capital stock, as provided by the Law on Banking Sector Institutions (*see Note 15.d*). At June 30, 2020 interests were capitalized for Bs. 267 (Bs. 120 at December 31, 2019) with a return for the period of Bs. 48 (Bs. 38 at December 31, 2019).

The trust net assets for contingencies are as follows:

	30-06-20	31-12-19
	In bolivars	
ASSETS:		
Cash and due from banks	131	44
Investment securities	602	421
Interest and commissions receivable	33	24
	766	489

¹⁵ Fair value corresponds to nominal value that is equal to cost.

¹⁶ Fair value corresponds to the value of net assets obtained from the financial statements of the trusts issued by the trustee.

¹⁷ Market value corresponds to the redemption value paid by MasterCard in May 2016.

¹⁸ It is shown at the release value at December 31 and June 30, 2019, issued by SWIFT, for € 5,390, respectively.

¹⁹ Market value corresponds to acquisition cost.

	30-06-20	31-12-19
	In bolivars	
LIABILITIES AND NET ASSETS:		
Liabilities	1	1
Trust net assets	717	450
Retained earnings	48	38
	766	489

e. Other investment securities-

"Other investment securities" comprise the following:

	30-06-20		31-12-19	
	Cost/ carrying value	Fair value	Cost/ carrying value	Fair value
Valores Bolivarianos para la Vivienda, issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with nominal value of Bs. 29,159, (Bs. 31,507, at December 31, 2019), annual interest rate between 4.66% and 6.48%, and due between October 2020 and February 2028.	29,159	29,159 ²⁰	31,507	31,507 ²⁰

Other investment securities were mandatorily acquired under the program "*Gran Misión Vivienda Venezuela*" from years 2011 to 2016, as required by the National Executive.

f. Concentration of operations-

The Bank has focused its investing activities on the following:

	30-06-20		31-12-19	
	Bs.	%	Bs.	%
Obligations issued by diverse foreign private companies	2,857,977,856,548	42	687,706,805,758	49
Placements and obligations issued by diverse foreign financial institutions	2,209,721,680,750	33	601,764,959,506	43
Interbank operations	479,000,000,000	7	117,000,000,000	8
Other	1,240,433,106,892	18	5,630,052,576	0
	6,787,132,644,190		1,412,101,817,840	100

The Cayman Islands Branch maintains placements and obligations issued by financial institutions and diverse foreign private companies, denominated in U.S. dollars. At June 30, 2020, the Branch concentrates 32% in 8 foreign financial institutions, while 49% in 16 foreign private nonfinancial companies, and 19% in term deposits in two foreign financial institutions.

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 Bank's objectives. The loan portfolio is classified by the debtor's economic activity as follows:

	30-06-20	31-12-19
	(In bolivars)	
Construction, engineering and related services	180.828.930.180	3.048.264.324
Community-based, social and personal services	116.955.345.327	21.395.936.809
Industrial	85.112.345.652	13.702.904.130
Agriculture	53.203.889.174	9.737.500.000
Wholesale and retail trade, restaurants and hotels	44.096.849.472	15.123.602.293

²⁰ Fair value is equivalent to cost, as instructed by SUDEBAN.

	30-06-20	31-12-19
	(In bolivars)	
Financial establishments, insurance, real estate	322.396.889	30.090.958.481
Activities not elsewhere specified	47.373.625	-0-
Transportation, warehouse and communication services	38.834.383	85.583.334
Mining and quarrying	38.316.365	-0-
Electricity, gas and water	27.393	-0-
	480.644.308.460	93.184.749.371
Allowance for loan portfolio	(8.485.803.233)	(1.647.229.826)
	472.158.505.227	91.537.519.545

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

	30-06-20	31-12-19
	(In bolivars)	
Commercial loans	378,212,162,488	35,728,911,803
Consumer loans	16,477,925,449	23,519,409,371
Installment loans	69,789,599,073	18,759,716,533
Fixed-term loans	16,133,439,239	15,019,214,665
Current account loans	31,182,211	157,496,999
	480,644,308,460	93,184,749,371
Allowance for loan portfolio	(8,485,803,233)	(1,647,229,826)
	472,158,505,227	91,537,519,545

The loan portfolio includes UVCC commercial loans and UVCP loans of the CUPN, which are adjusted at the IDI value, as determined by the BCV based on the quotation of the dollar with respect to the bolivar on the free exchange market. At December 31, 2019, only the UVCC was applied.

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

At June 30, 2020					
	Current	Restructured	Past-due	In litigation	Total
	(In bolivars)				
Unsecured	294,384,862,705	-0-	149,706,102	-0-	294,534,568,807
Guarantees	150,947,740,299	-0-	7,337,792	-0-	150,955,078,089
Pledge	24,410,655,187	-0-	-0-	-0-	24,410,655,187
Mortgage and guarantee	10,269,589,369	-0-	202,484,395	-0-	10,472,073,764
Mortgage	221,932,613	-0-	-0-	-0-	221,932,613
Pledge and guarantee	50,000,000	-0-	-0-	-0-	50,000,000
Total	480,284,780,172	-0-	359,528,288	-0-	480,644,308,460
Allowance for loan portfolio					(8,485,803,233)
					472,158,505,227

At December 31, 2019					
	Current	Restructured	Past-due	In litigation	Total
	(In bolivars)				
Unsecured	44,410,294,003	-0-	188,766,346	-0-	44,599,060,349
Guarantees	32,474,296,815	-0-	-0-	-0-	32,474,296,815
Mortgage and guarantee	11,948,574,002	-0-	-0-	-0-	11,948,574,002
Pledge	2,190,422,326	-0-	-0-	-0-	2,190,422,326
Pledge and guarantee	1,630,496,150	-0-	-0-	-0-	1,630,496,150
Mortgage	341,899,729	-0-	-0-	-0-	341,899,729
Total	92,995,983,025	-0-	188,766,346	-0-	93,184,749,371
Allowance for loan portfolio					(1,647,229,826)
					91,537,519,545

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

At June 30, 2020					
	Current	Restructured	Past-due	In litigation	Total
(In bolivars)					
Due within 30 days	449,569,427,615	-0-	149,664,435	-0-	449,719,092,050
Due after 31 through 60 days	0	-0-	-0-	-0-	-0-
Due after 61 through 90 days	0	-0-	-0-	-0-	-0-
Due after 91 through 180 days	16,139,639,167	-0-	-0-	-0-	16,139,639,167
Due after 181 through 360 days	2,935,522,986	-0-	41,667	-0-	2,935,564,653
Due after 360 days	11,640,190,404	-0-	209,822,186	-0-	11,850,012,590
Total	480,284,780,172	-0-	359,528,288	-0-	480,644,308,460
Allowance for loan portfolio					(8,485,803,233)
					472,158,505,227

At December 31, 2019					
	Current	Restructured	Past-due	In litigation	Total
(In bolivars)					
Due within 30 days	62,297,094,158	-0-	188,724,013	-0-	62,485,818,171
Due after 31 through 60 days	1,570,027,412	-0-	-0-	-0-	1,570,027,412
Due after 61 through 90 days	-0-	-0-	-0-	-0-	-0-
Due after 91 through 180 days	15,306,373,963	-0-	-0-	-0-	15,306,373,963
Due after 181 through 360 days	29,327,914	-0-	-0-	-0-	29,327,914
Due after 360 days	13,793,159,577	-0-	42,334	-0-	13,793,201,911
Total	92,995,983,024	-0-	188,766,347	-0-	93,184,749,371
Allowance for loan portfolio					(1,647,229,826)
					91,537,519,545

b. Single National Productive Portfolio (CPUN), at June 30, 2019-

At June 30, 2020, the Bank maintains UVCP loans within the framework of the CPUN, which is composed of debtors and amounts assigned at the discretion of the national banking sector by the Governing Committee of the CPUN (a body of the National Executive). To date, the Bank has been instructed to grant borrowing to agriculture sector companies, as summarized below:

At June 30, 2020					
Activity	UVCP Computable amount	Required %	N° of debtors	N° of loans	Maximum annual interest rates
Single Productive Portfolio - Agriculture	15,589,639,166	25%	1	2	-

c. Microfinance portfolio-

Information on the microfinance portfolio is summarized below:

At June 30, 2020						
Activity	Computable amount in loan portfolio	% Computable maintained	Required %	N° of debtors	N° of loans	Maximum annual interest rates
Microcredits (nominal)	583,375,001	3.74%	3%	26	26	40%
UCVV Microcredits	2,902,189,652			6	6	6%
Total	3,485,564,653					

d. Loan portfolios for specific sectors, at December 31, 2019-

At December 31, 2019, the loan portfolio in effect at that date was intended to specific economic sectors with social purposes included in the "*Loan portfolio*" and "*Investment securities*" captions and determined on the basis of legal criteria, as detailed below:

December 31, 2019							
Activity	Computable amount in loan portfolio	Computable amount of investments for 2019	% Computable maintained	Required %	N° of debtors	N° of loans	Maximum annual interest rates
Agriculture	13,828,818,129	-0-	25.64%	20%	26	37	17%
Mortgage	12,353,092,185	-0-	125.00%	20%	208	209	40%
Manufacturing	3,080,000,000	-0-	31.17%	10%	6	6	22%
Microfinance	1,335,811,072	-0-	3.20%	3%	738	840	40%
Tourism	570,000,000	81	5.57%	5.25%	3	3	15%
Total	31,167,721,386	81					

Compliance with the percentages required for the mortgage portfolio was measured on an annual basis; accordingly, the Bank had to comply with the minimum percentages referred to above at December 31, every year. This mandatory portfolio was superseded by the CPUN and the previously approved loans continued with their original terms until settlement.

At December 31, 2019, the loan portfolio destined to the agriculture sector includes Bs. 4,091,318,129, corresponding to credits granted as instructed by the National Executive to the state-owned company Conglomerado Agrosur, S.A., which were classified as "*Credits under current special financing programs*". Such credits were considered as part of the agriculture portfolio; as provided by article 4 of Decree N° 3.907 published in Official Gazette N° 41.670 dated July 9, 2019.

The loan portfolio destined to the tourism sector at December 31, 2019 includes investment securities of an entity promoted by the Venezuelan Government (SOGATUR) to finance credits for this sector (*see Note 5.c*).

e. Allowance for loan portfolio-

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

	30-06-20	31-12-19
	(In bolivars)	
<i>Balances, at the beginning of six-month period</i>	1,647,229,826	764,310,352
<i>Add: Increase in allowance-</i>		
Charged to income	6,772,543,422	884,090,670
Charged to equity	62,310,504	-0-
Transfers from " <i>Allowance for interest receivable</i> " and other	3,720,148	(753,051)
<i>Less: Decrease in allowance-</i>		
Write-offs	(667)	(418,145)
<i>Balances, at the end of six-month period</i>	8,485,803,233	1,647,229,826

The allowance for loan portfolio includes general and counter-cyclical allowances for a total amount of Bs. 8,448,671,488 (Bs. 1,634,286,763, at December 31, 2019).

During the six-month period ended June 30, 2020, the Bank increased the counter-cyclical allowance for Bs. 2,900,906,603 (Bs. 374,177,878, at December 2019) charged to income for the six-month period under "*Expenses for uncollectible and impaired financial assets*", and Bs. 62,310,504, charged to equity, under "*Equity adjustments*", as allowed by Resolution N° 070.19 of SUDEBAN dated December 20, 2019.

In accordance with official communication N° SIB-GGR-GNP-07006 dated June 21, 2019, in relation to the risk coverage of the agriculture portfolio, risk classification and calculation of allowance, the loan granted to the state-owned company Conglomerado Agrosur S.A. is classified by default under Category A; accordingly, the general and counter-cyclical allowances on this loan are not required.

During the six-month period ended June 30, 2020, the Bank recovered loan portfolio and other minor accounts receivable for a total amount of Bs. 63 (Bs. 416,667, for the six-month period ended December 31, 2019), which were recorded under *"Income from recovery of financial assets"* in the accompanying statements of income.

During the six-month period ended June 30, 2020, unrecognized interest on past-due portfolio amounts to Bs. 89 (Bs. 50,423, for the six-month period ended December 31, 2019), which is reported in memorandum accounts. On the other hand, the Bank collected Bs. 62 (Bs. 61,885, for the six-month period ended December 31, 2019), corresponding to past-due interest in prior six-month periods, which was recorded under *"Financial income"*.

The non-interest bearing past-due portfolio amounts to Bs. 359,528,288 (Bs. 188,766,347, at December 31, 2019).

Deferred financial income and interest collected in advance amount to Bs. 6,407,407 (Bs. 18,574,283, at December 31, 2019) and are shown under *"Accruals and other liabilities"* (see Note 12).

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:

	30-06-20		31-12-19	
	Bs.	US\$	Bs.	US\$
ASSETS:				
Cash and due from banks	4,371,875,733,332	21,440,575	622,438,125,411	13,384,534
Investment securities	6,293,742,043,151	30,865,802	1,291,819,727,843	27,778,513
Interest and commissions receivable	49,954,231,092	244,985	9,472,025,863	203,681
Other assets	12,283,138,648	60,239	9,169,441,588	197,175
	10,727,855,146,223	52,611,601	1,932,899,320,705	41,563,903
MEMORANDUM ACCOUNTS:				
Other debit memorandum accounts	407,813,294,744	2,000,000	976,589,848,994	21,000,000
LIABILITIES:				
Bank deposits	7,051,396,368,043	34,581,493	1,122,142,809,537	24,129,883
Other borrowings	35,296,517,973	173,101	181,366,686	3,900
Accruals and other liabilities	127,788,106,273	626,699	29,615,377,357	636,831
	7,214,480,992,289	35,381,293	1,151,939,553,580	24,770,614
Allocated capital and accumulated surplus	3,513,374,153,934	17,230,308	780,959,767,125	16,793,289
	10,727,855,146,223	52,611,601	1,932,899,320,705	41,563,903
PER CONTRA MEMORANDUM ACCOUNTS:				
Other credit memorandum accounts	407,813,294,744	2,000,000	976,589,848,994	21,000,000
STATEMENTS OF INCOME:				
Financial income	99,103,061,514	486,022	21,166,575,834	455,153
Financial expenses	(270,953,192)	(1,329)	(72,362,983)	(1,556)
	98,832,108,322	484,693	21,094,212,851	453,597
Other operating income	95,702,494,043	469,345	34,536,596,367	742,655
Other operating expenses	(58,009,126,837)	(284,489)	(10,797,186,671)	(232,176)
Operating expenses	(41,479,346,788)	(203,423)	(19,210,683,076)	(413,095)
Other income or expenses, net	(5,043,121,156)	(24,732)	(630,466,409)	(13,557)
	(8,829,100,738)	(43,299)	3,898,260,211	83,827
Net income for the six-month period	90,003,007,584	441,394	24,992,473,062	537,424

NOTE 8.- PREMISES AND EQUIPMENT:

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

At June 30, 2020					
	Useful life	Balance at December 31, 2019	Additions	Disposals	Balance at June 30, 2020
(Expressed in bolivars)					
<i>COST:</i>					
Computers	3 and 4	629,842,783	455	(455)	629,842,783
Buildings and facilities	40	266,532	-0-	-0-	266,532
Sundry office equipment	3 and 4	1,394,130,959	13,252,555,871	(45,151,016)	14,601,535,814
Furniture	10	32,070,936	-0-	-0-	32,070,936
Vehicles	5 and 4	7,148,463,594	-0-	-0-	7,148,463,594
Other	5 and 10	470	137	(137)	470
		9,204,775,274	13,252,556,463	(45,151,608)	22,412,180,129
<i>ACCUMULATED DEPRECIATION</i>		(1,141,711,822)	(1,762,838,909)	2,378	(2,904,548,353)
		8,063,063,452	11,489,717,554	(45,149,230)	19,507,631,776
Land		9	-0-	-0-	9
		8,063,063,461	11,489,717,554	45,149,230	19,507,631,785

At December 31, 2019					
	Useful Life	Balance at June 30, 2019	Additions	Disposals	Balance at December 31, 2019
(Expressed in bolivars)					
<i>COST:</i>					
Computers	3 and 4	29,273,704	600,569,079	-0-	629,842,783
Buildings and facilities	40	266,532	-0-	-0-	266,532
Sundry office equipment	3 and 4	882,688,006	511,442,953	-0-	1,394,130,959
Furniture	10	32,070,936	-0-	-0-	32,070,936
Vehicles	5 and 4	7,065,293,901	83,170,262	(569)	7,148,463,594
Other	5 and 10	470	-0-	-0-	470
		8,009,593,549	1,195,182,294	(569)	9,204,775,274
<i>ACCUMULATED DEPRECIATION</i>		(80,596,751)	(1,061,115,640)	569	(1,141,711,822)
		7,928,996,798	134,066,654	-0-	8,063,063,452
Land		9	-0-	-0-	9
		7,928,996,807	134,066,65224	-0-	8,063,063,461

The Bank acquired new assets for Bs. 13,252,556,463 (Bs. 1,195,182,294, for the six-month period ended December 31, 2019) mainly accounted for acquisition of batteries for the Computing Center UPS and office equipment.

The net carrying values of "Buildings and facilities" include two partial revaluations of the main office of the Bank, in accordance with SUDEBAN's guidelines for the years 2016 and 2017. These assets are composed as follows:

	June 30, 2020			December 31, 2019		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Cost	17,255	(1,735)	15,520	17,255	(1,373)	15,882
Revaluation (Note 15.c)	249,277	(18,056)	231,221	249,277	(14,940)	234,337
	266,532	(19,791)	246,741	266,532	(16,313)	250,219

The Bank recorded expenses for depreciation of premises and equipment amounting to Bs. 1,762,838,909 (Bs. 1,061,115,640, during the six-month period ended December 31, 2019), which are reported as "General and administrative expenses" under "Operating expenses" and include the depreciation expense of the revalued amount for Bs. 3,477 (Bs. 3,477, at December 31, 2019), (see Note 15.c).

NOTE 9.- OTHER ASSETS:

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

	30-06-20	31-12-19
	(In bolivars)	
Prepaid expenses:		
Prepaid professional fees	40,828,323,859	6,997,377,533
Prepaid technological maintenance contracts and other	34,486,617,874	6,288,040,465
Prepaid insurance premiums	32,615,558,090	1,500,801,730
Prepaid taxes	11,818,655,103	6,546,970,818
Advances to suppliers for sundry services	11,520,301,052	4,194,301,683
	<u>131,269,455,978</u>	<u>25,527,492,229</u>
Accounts receivable from other banks for P2P operations	110,007,842,491	21,445,525,087
Recoverable expenditures	20,962,471,515	9,117,734,151
Cost of foreign currencies acquired in point-of-sale terminals	8,244,840,413	1,560,629,298
Deferred expenses (net of accumulated amortization for Bs. 820,431,909 and Bs. 94,683,593, respectively)	6,962,961,897	5,291,601,368
Items to be applied	6,737,983,612	4,011,410,786
Advances to suppliers	4,757,120,235	4,761,118,387
Stock of chip debit and credit cards	862,066,267	1,948,197,425
Other	22,046,368,596	5,085,060,263
	<u>180,581,655,026</u>	<u>53,221,276,765</u>
	311,851,111,004	78,748,768,994
Allowances for other assets	(1,704,470,189)	(65,782,644)
	<u>310,146,640,815</u>	<u>78,682,986,350</u>

"Prepaid technological maintenance contracts" are mainly composed of maintenance and support services of technological platform equipment and renewal of software and internet service licenses.

"Prepaid insurance premiums" correspond mainly to prepaid bank crime insurance policies.

"Prepaid taxes" are mainly composed of: (i) taxes paid by the Branch for the annual operating license in the Cayman Islands for Bs. 7,460,000,140 (Bs. 3,586,574,120, at December 2019), (ii) Prepaid income taxes for special taxpayers for Bs. 2,463,466,068, (iii) value-added tax credits for Bs. 1,547,524,589 (Bs. 257,817,505, at December 2019) and (iv) VAT on account of non-domiciled third parties for Bs. 0 (Bs. 946,353,564, at December 2019).

"Advances to suppliers for sundry services" are composed of maintenance services and repairs.

"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. 18,675,137,245 (Bs. 8,421,056,812, at December 2019), resulting from the net effect of 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 (plus the penalty of legal reserve at December 2019) 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 *see Note 1.c.4*). During the six-month period ended June 30, 2020, the Bank wrote off the balance of recoverable expenditures related to the expense for penalty of the legal reserve performed by BCV related to the foreign exchange intervention charged to income, as

instructed by SUDEBAN in its Official Communication N° SIB-II-GGIBPV-GIBPV6-02729 dated May 22, 2020. The expenses for penalty of the legal reserve incurred in the failure to participate in the foreign exchange intervention mechanism, which is amortized over the period and the charges made during the six-month period ended June 30, 2020, amount to Bs. 4,382,861,287, shown under *"Other operating expenses"* in the accompanying statements of income.

"Cost of foreign currencies acquired in point-of-sale terminals" corresponds to consumptions made in commercial establishments by individuals with debit and credit cards in foreign currency abroad, through ATMs and points of sale, which must be sold in conformity with foreign exchange intervention mechanism provided by the BCV. On May 14, 2019, the BCV issued a communication through which it revoked the provision concerning the obligation to sell to the BCV the foreign currencies obtained by this means and authorized the sale of these foreign currencies to customers. During the six-month period ended June 30, 2020, the Bank sold US\$ 889,758 (US\$ 1,444,084 at December 31, 2019), and has recorded net exchange gains for Bs. 4,197,350,449 (Bs. 9,433,201,218 at December 31, 2019) shown under *"Other operating income"* in the accompanying statements of income.

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

June 30, 2020					
	Useful life	Balance at December 31, 2019	Additions	Disposals	Balance at June 30, 2020
(In bolivars)					
EXPENSES:					
Leasehold improvements	3 and 4	-0-	-0-	-0-	-0-
Licenses purchased	4	5,281,329,157	2,397,142,136	(30,914)	7,678,440,379
Software	4	-0-	-0-	-0-	-0-
Other deferred expenses	2 and 3	104,955,803	-0-	(2,375)	104,953,428
		5,386,284,960	2,397,142,136	(33,289)	7,783,393,807
ACCUMULATED AMORTIZATION:					
Leasehold improvements		-0-	-0-	-0-	-0-
Licenses purchased		(63,311,113)	(699,652,364)	30,915	(762,932,562)
Software		-0-	-0-	-0-	-0-
Other deferred expenses		(31,372,481)	(26,129,242)	2,375	(57,499,348)
		(94,683,594)	(725,781,606)	33,290	(820,431,910)
		5,291,601,368			6,962,961,897
December 31, 2019					
	Useful life	Balance at June 30, 2019	Additions	Disposals	Balance at December 31, 2019
(In bolivars)					
EXPENSES:					
Leasehold improvements	3 and 4	52,884	-0-	(52,884)	-0-
Licenses purchased	4	41,581,447	5,239,798,673	(50,963)	5,281,329,157
Software	4	3,245	-0-	(3,245)	-0-
Other deferred expenses	2 and 3	104,956,390	-0-	(587)	104,955,803
		146,593,966	5,239,798,673	(107,679)	5,386,284,960
ACCUMULATED AMORTIZATION:					
Leasehold improvements		(13,466)	(39,416)	52,884	-0-
Licenses purchased		(7,238,653)	(56,123,423)	50,963	(63,311,113)
Software		(1,106)	(2,139)	3,245	-0-
Other deferred expenses		(5,243,550)	(26,129,518)	587	(31,372,481)
		(12,496,775)	82,294,496	583,619	(94,683,592)
		134,097,191			5,291,601,368

The Bank made disbursements for Bs. 2,397,142,134 related to the acquisition of a system for migration to a new platform, for the six-month period ended June 30, 2020, and Bs. 5,239,798,672, for improvements in certain agencies, renewal of digital certificates and software maintenance services, for the six-month period ended December 31, 2019.

The Bank recorded amortization expenses of deferred charges for a total amount of Bs. 725,781,606 (Bs. 82,294,496, for the six-month period ended December 31, 2019).

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:

	30-06-20	31-12-19
	(In bolivars)	
<i>Balances, at the beginning of the six-month period</i>	(65,782,644)	(12,360,330)
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	(1,427,346,532)	(35,592,595)
Transfers and revenues	(211,341,013)	(17,829,719)
<i>Balances, at the end of the six-month period</i>	(1,704,470,189)	(65,782,644)

NOTE 10.- BANK DEPOSITS:

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

	30-06-20		31-12-19	
	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	21%	-	21%	-
Term deposits	24%	0.02% - 0.03%	24%	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\$ 393,890, equivalent to Bs. 80,316,856,622 (US\$ 391,814, equivalent to Bs. 18,221,010,644, at December 31, 2019), correspond to transactions provided by the foreign exchange systems, which are fully hedged by demand deposits in foreign currency in "Foreign banks and correspondents" shown under "Cash and due from banks" (see Note 1.c.4).

"Other demand obligations" are mainly composed of: (i) cashier's checks for Bs. 428,834,570,997 (Bs. 112,991,931,713, at December 31, 2019), (ii) drafts and transfer payable for Bs. 96,420,687,919 (Bs. 21,688,770,518, at December 31, 2019), (iii) payment orders on behalf of customers to be applied to their accounts for Bs. 94,901,270,921 (Bs. 26,601,086,612, at December 31, 2019), (iv) trust current accounts managed by the Bank for Bs. 54,306,968,465 (Bs. 15,316,430,847, at December 31, 2019), (v) other obligations for offsetting accounts for Bs. 38,480,332,312 (Bs. 17,471,996,982, at December 31, 2019) and (vi) payment orders to be applied to BCV for Bs. 15,352,672,985 (Bs. 82,170,645,231, at December 31, 2019).

"Restricted bank deposits" include balances of customers of the Branch equivalent to Bs. 89,670,344,085 which guarantee current account loans, among other loan transactions (Bs. 38,224,043,849, at December 31, 2019).

Deposits of the Cayman Islands Branch of the Bank are susceptible to the Venezuelan market and have experienced common withdrawals due to the cash needs arising from the country's inflationary effects. 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:

	30-06-20	31-12-19
	(In bolivars)	
Obligations with foreign financial institutions due within one year or less	5,869,635	641,545
Obligations with domestic financial institutions due within one year or less	51	21,852
	5,869,686	663,397

NOTE 12.- ACCRUALS AND OTHER LIABILITIES:

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

	30-06-20	31-12-19
	(In bolivars)	
Allowance for contingencies (US\$ 14,171,328.23 and US\$ 14,155,761)	2,899,979,479,882	658,308,170,083
Items to be applied (US\$ 102,221 and US\$ 922,301)	244,534,251,536	82,478,027,969
Profit-sharing payable (US\$ 295,645 and US\$ 225,659)	40,189,657,360	10,494,163,779
Contracted services payable	28,632,833,552	4,273,020,793
Statutory earnings payable	20,098,868,618	3,699,618,239
Accrual for employee termination benefits payable	18,126,648,363	5,101,119,708
Other sundry accounts payable in foreign currency	11,334,615,901	8,712,511,117
Provision for taxes (Note 17)	6,590,243,849	1,822,013,110
Sports Law contribution payable (Note 17)	2,119,373,243	469,441,380
Law on Drugs contribution payable (Note 17)	1,711,075,716	491,844,919
Deferred income (Note 6)	6,407,407	18,574,485
Other provisions (US\$ 7,500 at December 31, 2019)	-0-	348,782,089
Other	42,199,797,298	12,133,754,960
	3,315,523,252,725	788,351,042,631

"Provisions 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 provision is as follows:

	30-06-20	31-12-19
	(In bolivars)	
<i>Balances, at the beginning of six-month period</i>	658,308,170,083	93,491,147,528
Increases with charge to income, except for those referred to foreign exchange fluctuation effects for the valuation of foreign currency balances, shown in equity (Note 15.c)	2,241,902,763,319	564,951,172,242
Decrease for payments and other	(231,453,520)	(134,149,687)
<i>Balances, at the end of six-month period</i>	2,899,979,479,882	658,308,170,083

"Items to be applied" mainly include amounts received from customers to pay credit transactions for Bs. 242,653,265,730 (Bs. 81,700,637,337, at December 31, 2019), which were applied to the relevant accounts during the first business days following year-end.

Profit-sharing payable to employees and statutory earnings payable are calculated on the basis of the liquid profits for the six-month period, as provided by the current collective bargaining agreement and the Bank's bylaws. During the six-month period ended June 30, 2020 and December 31, 2019, the Steering Committee decided that the currency for paying the amounts due for labor 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 its settlement.

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

"Accrual for employee termination benefits payable" accounts for the estimated accrual in case of retirement of each employee for a guarantee estimated on a quarterly basis, which is equivalent to a 15-day integral salary and accrued interests amounting to Bs. 11,516,868,126 (Bs. 2,197,101,107, at December 31, 2019), net of advances, plus an estimate on the expected employee termination benefits in addition to the quarterly amount previously estimated for Bs. 6,609,780,237 (Bs. 2,904,018,601, at December 31, 2019), determined on the basis of the last salary, as provided by the current labor laws.

Defined benefit plans are acquired based on the employee's salary and the years of service. The obligation for this 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, 2019 and, accordingly, they have not determined actuarial gains or losses for remeasurement with effect in "Equity adjustments". The movement of results for the six-month period is as follows:

	30-06-20	31-12-19
	(In bolivars)	
Accrued actuarial liabilities at the beginning	2,904,018,601	820,637,423
Cost of interest	1,684,330,788	636,325,745
Cost of service	168,550,030	368,494,033
Benefits paid	(652,884,665)	(175,417,000)
Actuarial losses (gains) from obligations	1,817,965,036	1,553,978,430
Estimated actuarial liabilities, at June 30, 2020 and December 31, 2019	5,921,979,789	2,904,018,601

During the six-month period ended June 30, 2020, the Bank recorded expenses for Bs. 17,545,890,424 (Bs. 3,557,992,788 at December 31, 2019), corresponding to the cost of termination benefits, which are shown under "Personnel expenses" and actuarial losses for Bs. 2,291,291,720, which correspond to the restatement of the measurement for the fiscal year ended December 31, 2019, including the prior six-month period unrecognized portion for Bs. 492,356,927.

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 June 30, 2020 and December 31, 2019, are the following:

	30-06-20
	%
Turnover rate	22.12%
Mortality rate	GAM 83
Rate of salary increase 2020	100%
Discount rate 2020	116%
Long-term geometric mean inflation rate	5,000%

"Other sundry accounts payable" correspond to removed checks for Bs. 9,700,100,216 (Bs. 8,339,732,818, at December 2019).

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 based upon 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. For those employees with more seniority the possibilities of retirement remain in accordance with 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 June 30, 2020, 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 fund also covers the employees' post-employment benefits of the Bank 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:

	30-06-20	31-12-19
	(In bolivars)	
Estimated obligation for benefits	538,578,271	164,875,782
Cost of interest	312,375,397	127,689,300
Cost of services	9,257,645	2,943,170
Benefits paid	(4,886,443)	(1,886,443)
Actuarial losses (gains) from obligations	475,025,557	244,956,463
Net financial position of the estimated pension plan, at June 30, 2020 and December 31, 2019	1,330,350,427	538,578,271

The net assets placed in trusts were taken from the actuary's report and from the financial statements of the trust, which have not been audited by independent public accountants.

The actuarial net loss recognized in equity amounts to Bs. 475,025,557 (Bs. 244,956,463 unrecognized at December 2019), 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 June 30, 2020 and December 31, 2019, are the following:

	30-06-20
	%
Turnover rate	22.12%
Mortality rate	GAM 83
Rate of salary increase 2020	100%
Discount rate 2020	116%
Long-term geometric mean inflation rate	5,000%

Independent actuaries made an actuarial calculation of the projected obligation of the retirement pension 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 June 30, 2020, the Bank recorded expenses for Bs. 1,010,458,346 (Bs. 1,262,035,528 for the six-month period ended December 31, 2019), 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*" and actuarial losses for Bs. 475,025,557 (Bs. 244,956,463 unrecognized at December 2019) with charge to "*Available undistributed earnings*".

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 30-06-20	Six-month period ended 31-12-19
(In bolivars)		
<i>Income tax expense determined on book income</i>	75,078,113,260	15,806,539,267
<i>Differences between book and tax expense, net due to:</i>		
Tax-exempted income from public securities	(1,787)	(3,149)
Sundry provisions, net of payments	(9,011,258,274)	(2,729,066,279)
Asset valuation allowance, net of write-offs	1,246	1,246
Income (expense) from gold revaluation	(8,771,685,991)	(596,479,394)
Other, net	(51,861,759,955)	(12,103,953,943)
	<u>(69,644,704,760)</u>	<u>(15,429,501,510)</u>
Estimated income tax expense	5,433,408,499	377,037,757

During the six-month period ended June 30, 2020, the Bank increased its provision for income taxes by Bs. 5,435,000,000 (Bs. 620,000,000, at December 31, 2019).

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 maintains an accrued amount of Bs. 8,801,470 of prior year tax losses from extraterritorial source (Bs. 279 for fiscal year 2016, Bs. 254 for fiscal year 2017 and Bs. 8,800,939 for fiscal year 2018; which it may carry forward up to fiscal years 2019, 2020 and 2021, respectively).

a.3- Transfer-pricing system:

Taxpayers carrying out transactions with foreign stockholders 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 stockholders.

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 June 2020 and December 2019, respectively. 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 paid on a weekly basis.

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 payments 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 N° 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 June 30, 2020 the Bank, in its condition of withholding agent, collected and paid to the National Treasury Bs. 311,169,137,472 (Bs. 117,872,073,347, during the second half of 2019).

During the six-month period ended June 30, 2020, the Bank recognized expenses for taxes on large financial transactions for Bs. 4,310,187,566 (Bs. 1,452,767,786, at December 31, 2019), under "*General and administrative expenses*" in the accompanying statement of income. The liability generated by the Bank in its condition of withholding agent is shown under "*Accruals and other liabilities*" (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 N° 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 TU²¹, currently equivalent to Bs. 1,800 million; for legal entities, where their net assets exceed 100 million TU²¹, currently equivalent to Bs. 5,000 million. 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 TU²¹, and (vi) this tax is not deductible for income tax purposes (ISLR).

During the six-month period ended June 30, 2020, the Bank recognized an expense for the Tax on Large Assets for Bs. 111,888,053 (Bs. 37,296,018, at December 31, 2019), 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 TU¹⁹ 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 June 30, 2020, the Bank paid the contribution corresponding to year 2019 for Bs. 1,237,930,958 and recognized an expense of Bs. 618,965,479 with charge to the first half of 2020 (Bs. 8,144,120 at December 31, 2019), which are shown under "*General and administrative expenses*" within "*Operating expenses*". The balance of prepaid taxes is shown under "*Other assets*". At June 30, 2020, the Bank does not maintain accruals for this concept, as this contribution is caused and paid in the same fiscal year.

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. 1,71,075,716 (Bs. 360,910,299, at December 31, 2019), which are shown under "*Sundry operating expenses*", and the related liability amounting to Bs. 1,711,075,716 (Bs. 491,844,919, at December 31, 2019) is shown under "*Accruals and other liabilities*" (see Note 12).

²¹ At June 30, 2020 and December 31, 2019, one tax unit (UT) is equivalent to Bs. 1,500 and Bs. 50, respectively.

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 TU²² 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, 2020, the Bank submitted a formal request to IND to have 50% of the 2019 contribution at its disposal (Bs. 234,720,690 of the contribution amounting to Bs. 469,441,380). 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*" and shall be executed by the bank itself; and the second one is named "*Académicas VBC Liga Venezolana de Voleibol Femenina temporada 2020*" which has been presented by an entity engaged in promoting sports. The approved amount was Bs. 117,360,345 for each project.

The Bank recognized expenses for this concept amounting to Bs. 1,649,931,863 (Bs. 351,967,299, at December 2019), which are shown under "*Sundry operating expenses*", and the related liability amounting to Bs. 2,119,373,243 (Bs. 469,441,380, at December 31, 2019) is shown under "*Accruals and other liabilities*" (see Note 12).

h. Contribution for community associations' projects-

The Law on Banking 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. 1,790,836,496 (Bs. 647,370,403, for the six-month period ended December 31, 2019), which are shown under "*Sundry operating expenses*". The related liability for the contributions payable for the last six-month period is shown under "*Accruals and other liabilities*" (see Note 12).

i. Contribution to SUDEBAN-

For the financial periods ended June 30, 2020 and December 31, 2019, financial institutions must make special contributions in order to support the operations of SUDEBAN, which are calculated based on 1 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. 10,473,337,686 (Bs. 2,145,014,351, at December 31, 2019), which are shown separately under "*Operating expenses*" in the accompanying statements of income.

²² At June 30, 2020 and December 31, 2019, one tax unit (UT) is equivalent to Bs. 1,500 and Bs. 50, respectively.

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. 9,486,030,408 (Bs. 1,452,664,655, at December 31, 2019), which are shown separately under "*Operating expenses*" in the accompanying statements of income.

NOTE 15.- STOCKHOLDERS' EQUITY:

The movement of the stockholders' equity for the six-month periods ended June 30, 2020 and December 31, 2019 is as follows:

	30/6/2020	31/12/2019
	(In bolivars)	
Net stockholders' equity at the beginning	337,764,922,099	44,705,752,458
Net income for the six-month period with effect on income	182,260,283,149	38,896,348,167
Other net performance results with effect on equity	1,280,017,831,655	254,162,821,474
Total results for the six-month period	1,462,278,114,804	293,059,169,641
Net stockholders' equity at the end	1,800,043,036,903	337,764,922,099

The stockholders' equity accounts are composed as follows:

a. Paid-In capital

The Bank's capital stock amounts to Bs. 3,306, comprised of 139,776 fully paid and registered shares with a nominal value of Bs. 0.02365 each, as shown below:

Stockholders	N° of shares (Class "A")	Nominal value Bs	Ownership percentage
Vencred, S. A.	19,086	451	13.65%
Tabay Netherlands B.V.	13,811	327	9.88%
Great White Investment Fund, Ltd	3,981	94	2.85%
Green View Investment Enterprises L	3,964	94	2.84%
Alivium, Inc	3,925	93	2.81%
Addendum, Inc	3,860	91	2.76%
Serenus, Inc	3,829	91	2.74%
Equity Risk Int. Investment, Ltd	3,778	89	2.70%
Inversiones Bonorum, C.A.	2,392	57	1.71%
Inversiones Invema 2000, C.A.	2,107	50	1.51%
Diverse stockholders with individual interest less than 1.5%	79,043	1,869	56.55%
	139,776	3,306	100.00%

b. Uncapitalized equity contributions-

On September 27, 2018, the Bank submitted before the SUDEBAN a meeting draft for the purposes of increasing the capital stock and modifying the nominal value of shares, under the equity strengthening program of the banking system established by SUDEBAN that year. At an Extraordinary Stockholders' Meeting held on October 23, 2018, previous authorization of SUDEBAN, it was decided to increase the capital stock of the Bank through the capitalization of a portion of the profits obtained from the dissolution of the bilateral promises of purchase-sale of a property during the six-month period, which was initially recorded as "*Extraordinary income*" (see Notes 8 and 17). Such capitalization amounts to Bs. 29,997,461 to reach a capital stock of Bs. 30,000,767 and would be definitive through the increase of the nominal value of the shares from Bs. 0.02365 to Bs. 214.63. Consequently, as instructed by SUDEBAN in its official document N° SIB-II-GGI-BPV-GIBPV2-17192 dated October 22, 2018, the Bank reclassified such amount from "*Extraordinary income*" to "*Equity contributions to be capitalized*", until the SUDEBAN authorizes this capital increase.

On December 5, 2019, the Bank received instructions from SUDEBAN through official document N° SIB-II-GGR-GA-13785, indicating that the funds to be used for the capital stock increase previously authorized to be presented as *"Equity contributions to be capitalized"*, as explained in the preceding paragraph, do not stem from the stockholders' equity, as such funds were received for an indemnity for the dissolution of the bilateral promises of purchase-sale; accordingly, the Bank should call a new meeting to declare a dividend for this amount that should be subsequently capitalized. Therefore, the Bank transferred such amount from *"Equity contributions to be capitalized"* to *"Available undistributed earnings"* and *"Restricted undistributed earnings"* until holding the meeting and approving the dividend under the new terms instructed by the SUDEBAN.

According to the minutes of an extraordinary meeting held by the Board of Directors on February 20, 2020, it was decided to render the matter agreed at the Extraordinary Stockholders' Meeting on October 23, 2018 invalid, as well as to decree a dividend that would then be used by stockholders to make a future capital increase (see Note 23).

c. Capital reserves-

d.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. The legal reserve reached this limit.

d.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 June 30, 2019, the Bank increased the reserves for this social fund by Bs. 74. Such fund is shown under *"Restricted cash investments"*, and reaches the amount of Bs. 717 (Bs. 450, at December 31, 2019) (see Note 5.e). Therefore, at June 30, 2019, the reserve for this social fund for contingencies reached the 10% limit of capital stock referred to above.

d. Equity adjustments-

"Equity adjustments" caption includes revenues and expenses / gains and losses presented in stockholders' equity accounts, in conformity with SUDEBAN's accounting guidelines. *"Equity adjustments"* are composed as follows:

	30/6/2020	31/12/2019
	(Expressed in Bs.)	
Equity adjustments-		
Net accumulated exchange gains from the valuation of foreign currency assets and liabilities and transactions in foreign exchange systems.	1,561,117,285,134	278,830,682,195
Accumulated unrealized income or gains from the valuation of UVCP and UVCC loans adjusted at IDI value.	39,049,608,298	15,277,782,730
Financial costs associated to UVCP and UVCC loans adjusted at IDI value.	(3,236,418,692)	-0-
Revaluation surplus (Note 8)	249,277	249,277
	1,596,930,724,017	294,108,714,202

The movement of “*Equity adjustments*” is as follows:

	Six-month period ended June 30, 2020				
	Exchange gain	Income from UVCC/UVCP	Cost of legal reserve (In bolivars)	Revaluation surplus	Equity adjustments
Beginning balance	278,830,682,195	15,277,782,730	-0-	249,277	294,108,714,202
Unrealized exchange gain for the six-month period	1,282,286,602,939	-0-	-0-	-0-	1,282,286,602,939
Accrued income from UVCC/UVCP loans	-0-	253,179,745,368	-0-	-0-	253,179,745,368
Income reclassified to results upon collection	-0-	(229,345,609,296)	-0-	-0-	(229,345,609,296)
Transfer to general and counter-cyclical allowances	-0-	(62,310,504)	-0-	-0-	(62,310,504)
Financial cost of legal reserve attributable to income from UVCC loans	-0-	-0-	(14,148,695,167)	-0-	(14,148,695,167)
cost of legal reserve reclassified to expenses upon collection of loan	-0-	-0-	10,912,276,475	-0-	10,912,276,475
Ending balance	1,561,117,285,134	39,049,608,298	(3,236,418,692)	249,277	1,596,930,724,017

	Six-month period ended December 31, 2019				
	Exchange gain	Income from UVCC/UVCP	Cost of legal reserve (In bolivars)	Revaluation surplus	Equity adjustments
Beginning balance	32,176,571,943	-0-	-0-	249,277	32,176,821,220
Unrealized exchange gain for the six-month period	246,654,110,252	-0-	-0-	-0-	246,654,110,252
Accrued income from UVCC/UVCP loans	-0-	25,531,824,037	-0-	-0-	25,531,824,037
Income reclassified to results upon collection	-0-	(10,254,041,307)	-0-	-0-	(10,254,041,307)
Ending balance	278,830,682,195	15,277,782,730	-0-	249,277	294,108,714,202

In accordance with current accounting guidelines for banks, those gains/income, net included in “*Equity adjustments*” are restricted for availability and can be used on the basis of the following criteria:

- Exchange gains can only be used to: (i) extinguish operating losses or deficit maintained in stockholders’ equity accounts, (ii) creation or hedging of deficit balances in allowances for contingent assets, adjustments or certain losses, (iii) capital increase, (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 origin of these gains and subject to approval of SUDEBAN (*see Notes 9 and 22*).
- Unrealized gains from the valuation of *UVCC/UVCP* loans may be used for hedging general and countercyclical allowances for the loan portfolio, as instructed by SUDEBAN under Resolution N° 070.19 dated December 20, 2019. During the six-month period ended June 30, 2020, the Bank creating general allowances charged to these gains for Bs. 62,310,504.
- “*Revaluation surplus*” shall not be applied, used or reclassified for capitalization, distribution of dividends, provisions, extinguishment of losses or any other concept (*Note 8*).

The cost of the legal reserve for the six-month period ended December 31, 2019 for Bs. 437,150,343, was recognized within *"Available undistributed earnings"* and subsequently reclassified to the relevant account until realized with charge to income within *"Other operating expenses"*.

e. Retained earnings-

e.1- *Restricted earnings:*

"Restricted undistributed earnings" are composed as follows:

	30-06-20	31-12-19
	(In bolivars)	
Restricted earnings as per Resolution N° 329-99	48,114,775,912	10,619,686,535
Retained earnings of foreign branch	116,649,846,855	26,646,839,271
Accumulated unrealized gain from valuation of gold coins	3	3
	164,764,622,770	37,266,525,809

- On December 28, 1999, SUDEBAN issued Resolution N° 329-99, under which it is required that 50% of semi-annual income and 50% of the balance of the *"Available undistributed earnings"* account of semiannual periods prior to December 31, 1999 be presented as *"Restricted earnings"*. These amounts may be distributed only if authorized by SUDEBAN. During the six-month period ended June 30, 2020, the Bank restricted a total amount of Bs. 37,495,089,377 (Bs. 5,102,128,433 at December 31, 2019), equivalent to 50% of its net available income for the six-month period.
- During the six-month period ended June 30, 2020, the Bank restricted the net income generated by its foreign branch amounting to Bs. 90,003,007,584 (Bs. 24,992,473,062, at December 31, 2019). 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 *Actuarial loss from employee benefit obligations and post-employment benefit plan:*

The Bank uses the actuarial liability calculation methodology to meet the commitments arising from the application of Article N° 142, paragraph d) of the LOTT and of the post-employment benefit plan. During the six-month period ended December 31, 2019, the Bank recorded the actuarial loss of employee benefit obligations for Bs. 2,291,291,720, within *"Available undistributed earnings"* account, as set forth by the accounting standards applicable to labor liabilities of defined benefit plans. The assessment is limited to the calculation of the Bank's commitment for employees using the *Projected Unit Credit* method with projected benefits (see Notes 12 and 13).

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:

	30-06-20		31-12-19	
	Index maintained	Index required	Index maintained	Index required
Total equity adequacy	20.74%	12%	19.38%	12%
Solvency declaration	20.74%	6%	19.38%	6%
Carrying equity adequacy	13.54%	9%	13.92%	9%

SUDEBAN, through Resolution N° 004.18 dated January 25, 2018, implemented temporary measures to reduce the total equity adequacy ratios from 12% to 11% and the carrying equity adequacy ratio from 9% to 7%. Additionally, 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, and (d) exclusion of balances of the “Clearing house funds” account and the increase of cash generated in December 2017 with respect to November 2016 from total assets and/or “zero” weighting. During February 2019, the SUDEBAN extended the effectiveness of regulatory exceptions for the calculation of equity ratios, for six additional months, until the closing of July 2019, with the transition of the following three months and the adaptation plan mentioned in Resolution N° 004.18.

In accordance with the provisions of official document N° SIB-II-GGR-GNP-16068 dated August 3, 2017, the revaluation surplus is classified as supplemental equity (Tier II).

NOTE 16.- OTHER OPERATING INCOME AND EXPENSES:

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

	30-06-20	31-12-19
	(In bolivars)	
Other operating income		
Commissions for services	313,543,951,350	77,201,377,774
Exchange gains (Note 22)	110,114,158,158	30,736,372,164
Gains from investment securities (Note 5.c and 5.d)	26,867,212,922	10,302,393,532
	450,525,322,430	118,240,143,470
Other operating expenses		
Commissions for services	(104,285,617,075)	(22,801,340,211)
Losses from investment securities (Notes 5.c and 5.d)	(37,186,624,605)	(5,156,477,691)
Exchange loss (Note 22)	(2,050,851,368)	(3,347,026,234)
	(143,523,093,048)	(31,304,844,136)
Other sundry operating income		
Income in the Cayman Islands Branch and other	145,409,505	2,945,596
Reversals of provisions	129,199,054	796
Income from rent of safe deposit boxes	73,724,544	4,049,037
Income from recovery of reimbursable expenses	30,863,416	29,564,279
Other minor revenues	20,078,791	25,694,362
	399,275,310	62,254,070
Other sundry operating expenses		
Penalties for noncompliance with legal reserve provisions	(48,208,950,644)	(9,282,599,189)
Allowance for contingent losses	(2,773,130,404)	(2,374,582,829)
Other operating expenses	(8,760,559,534)	(2,741,287,647)
	(59,742,640,582)	(14,398,469,665)

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

NOTE 17.- OTHER EXTRAORDINARY INCOME AND EXPENSES:

“Extraordinary income” and “Extraordinary expenses” shown in the statements of income are composed as follows:

	30-06-20	31-12-19
	(In bolivars)	
Extraordinary expenses		
Donations made by the Institution	(679,385,283)	(274,300,000)

NOTE 18.- MEMORANDUM ACCOUNTS:

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

	30-06-20	31-12-19
	(In bolivars)	
Contingent debit accounts:		
Automatic-use line of credit	35,601,877,759	29,482,695,992
Guarantees granted	102,331,734,177	23,389,439,062
Investment securities for repo	-0-	-0-
	137,933,611,936	52,872,135,054
Trust assets	2,355,154,742,315	744,052,134,796
Other trusts	106,436,921,000	23,177,978,000
Other debit memorandum accounts:		
Guarantees received	4,502,707,822,178	1,056,339,454,180
Custodial services received	756,937,185,823	1,082,860,461,356
Collections	45	45
Other record accounts	100,205,396,175	37,106,495,243
	5,359,850,404,221	2,176,306,410,824
	7,959,375,679,472	2,996,408,658,674

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. 137,933,611,936 (Bs. 52,872,135,054, bonds and letters of credit at December 31, 2019), 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. 1,104,610,946 (Bs. 252,434,740 at December 31, 2019), 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:

	30-06-20	31-12-19
	(In bolivars)	
ASSETS:		
Cash and due from banks	603,725,506,460	143,240,703,159
Investment securities	63,164,842,270	21,982,389,438
Loan portfolio, net	1,682,189,502,092	576,957,501,776
Interest and commissions receivable	3,030,850,050	1,013,835,958
Assets received for management	126,422	28,833
Other assets	3,043,915,021	857,675,632
	2,355,154,742,315	744,052,134,796

	30-06-20	31-12-19
	(In bolivars)	
LIABILITIES AND NET ASSETS:		
Liabilities	757,625,558	818,458,346
Trust net assets	2,313,221,580,885	732,329,252,050
Retained earnings	41,175,535,872	10,904,424,400
	2,354,397,116,757	743,233,676,450
	2,355,154,742,315	744,052,134,796

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

At June 30, 2020					
Types of trust	Individuals	Companies (In bolivars)	Public, state and municipal and Capital District administrations	Decentralized bodies and other special-regime bodies	Total
Administration	4,904,844	2,313,185,929,135	1	161	2,313,190,834,141
Investment	19	30,696,833	-0-	-0-	30,696,852
Guarantee	-0-	49,877	-0-	15	49,892
	4,904,863	2,313,216,675,845	1	176	2,313,221,580,885
Participation percentage	0.00021%	99.99979%	0.00000%	0.00000%	100%

At December 31, 2019					
Types of trust	Individuals	Companies (In bolivars)	Public, state and municipal and Capital District administrations	Decentralized bodies and other special-regime bodies	Total
Administration	1,739,038	732,326,776,518	1	160	732,328,515,717
Investment	19	686,440	-0-	-0-	686,459
Guarantee	-0-	49,859	-0-	15	49,874
	1,739,057	732,327,512,817	1	175	732,329,252,050
Participation percentage	0.00024%	99.99976%	0.00000%	0.00000%	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 capital increases". At June 30, 2020 and December 31, 2019, the total amount of trusted funds does not exceed the net assets ratio.

At June 30, 2020 and December 31, 2019, Trusted funds contributed by decentralized bodies account for 0% of the total net assets allocated to trusts.

At June 30, 2020, three customers of termination benefit administration trust in foreign currency account for 82% of net assets allocated to trusts (four customers account for 87% at December 31, 2019).

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:

	30-06-20	31-12-19
	(In bolivars)	
Deposits in the institution including US\$ 65,134 (US\$ 129,610 at December 2019)	54,306,968,465	15,316,430,847
Overnight placement in Brown Brothers Harriman US\$ 2,600,806 (US\$ 2,750,806 at December 31, 2019)	530,321,534,047	127,924,226,198
Other cash and due from banks include cash foreign currency for US\$ 93,655	19,097,003,948	46,114
	603,725,506,460	143,240,703,159

"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 June 30, 2020 and December 31, 2019, 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:

	30-06-2020		31-12-2019	
	Amortized cost/carrying value	Fair value	Amortized cost/carrying value	Fair value
	(In bolivars)			
<i>Investment securities issued and/or guaranteed by the Government-</i>				
VEBONO issued by the Ministry of People's Power for Planning and Finance of the Bolivarian Republic of Venezuela, with acquisition cost of Bs. 18,145, with nominal value of Bs. 14,396, annual nominal rate of return between 19.19% and 20.34%, due between 213 and 4,769 days, at June 2020 (acquisition cost of Bs. 22,524, with nominal value of Bs. 17,856, annual nominal rate of return between 19.19% and 20.34%, due between 2 and 4,951 days, at December 2019).	16,270	14,817 ²³	20,047	19,581 ²³
Fixed-interest securities issued by the Bolivarian Republic of Venezuela with acquisition cost of Bs. 5,655, with nominal value of Bs. 4,636, annual nominal rate of return between 14.50% and 16.50%, due between 219 and 4,251 days, at June 2020 (acquisition cost of Bs. 5,654, with nominal value of Bs. 4,636, annual nominal rate of return between 14.50% and 16.50%, due between 401 and 4,433 days, at December 2019).	5,011	5,127 ²³	5,100	5,085 ²³
	21,281	19,944	25,147	24,666
<i>Demand and term deposits in domestic financial institutions-</i>				
<i>Demand deposits</i>				
Banco Exterior, C.A., Banco Universal, with annual interest rate between 100% and 140%, nominal value of Bs. 18,549,899,809 and due between 28 and 29 days, at June 2020 (annual interest rate between 100% and 105%, nominal value of Bs. 4,934,712,972 and due between 28 and 29 days, at December 2019).	18,549,899,809	18,549,899,809 ²⁴	4,934,712,97	4,934,712,972 ²⁴
Banco Mercantil, C.A., Banco Universal, with annual interest rate between 95% and 100% nominal value of Bs. 17,514,083,291 due between 28 and 29 days, at June 2020 (annual interest rate between 95% and 100% nominal value of Bs. 5,659,400,975, due between 25 and 29 days, at December 2019).	17,514,083,291	17,514,083,291 ²⁴	5,659,400,975	5,659,400,975 ²⁴
Bancrocer S.A., Banco Microfinanciero, with annual interest rate between 105% and 140%, nominal value of Bs. 13,508,507,829 due between 27 and 28 days, at June 2020 (annual interest rate between 98% and 105%, nominal value of Bs. 5,158,464,560 and due in 28 days, at December 2019).	13,508,507,829	13,508,507,829 ²⁴	5,158,464,560	5,158,464,560 ²⁴
Banco del Caribe, C.A., Banco Universal, with annual interest rate between 80% and 105% nominal value of Bs. 8,597,795,516 and due between 28 and 29 days, at June 2020 (annual interest rate of 80% nominal value of Bs. 197,223,101 and due in 28 days, at December 2019).	8,597,795,516	8,597,795,516 ²⁴	197,223,101	197,223,101 ²⁴
Banco Provincial, S.A., Banco Universal, with annual interest rate between 105% and 125%, nominal value of Bs. 4,654,862,147 and due between 25 and 29 days, at December 2019.	-0-	-0-	4,654,862,147	4,654,862,147 ²⁴
	58,170,286,445	58,170,286,445	20,604,663,755	20,604,663,755

²³ Fair value is equivalent to the value provided by the yield curve performed for each investment security.

²⁴ Fair value corresponds to nominal value.

	30-06-2020		31-12-2019	
	Amortized cost/carrying value	Fair value	Amortized cost/carrying value	Fair value
	(In bolivars)			

Obligations issued by domestic private companies-

Corporación Grupo Químico S.A., with annual interest rate between 23.50% and 39.50%, nominal value of Bs. 40,001,800 and due between 152 and 326 days, at June 2020 (annual interest rate between 23.50% and 39.50%, nominal value of Bs. 100,001,800 and due between 334 and 508 days, at December 2019).	40,001,800	29,700,969 ²⁵	100,001,800	62,865,084 ²⁵
Automercados Plaza's C.A., with annual interest rate of 26.08%, nominal value of Bs. 10,000,000 and due in 102 days, at June 2020 (annual interest rate of 18.89% and 28.57%, nominal value of Bs. 10,004,500 and due between 65 and 433 days, at December 2019).	10,000,000	9,376,540 ²⁵	10,004,500	8,228,612 ²⁵
DEFORSA II (Desarrollos Forestales San Carlos II S.A., with annual interest rate between 21% and 24.50%, nominal value of Bs. 9,200 and due between 272 and 334 days, at June 2020 (annual interest rate between 21% and 24.50%, nominal value of Bs. 15,000 and due between 454 and 516 days, at December 2019).	9,200	7,797 ²⁵	15,000	11,418 ²⁵
Domínguez y Cia. S.A., with annual interest rate of 25.33%, nominal value of Bs. 100,000 and due in 601 days, at December 2019.	-0-	-0-	100,000	68,942 ²⁵
	50,011,000	39,085,306	110,121,300	71,174,056

Corporate commercial papers issued by domestic private companies-

Mercantil Servicios Financieros, C.A., with annual interest rate of 85%, acquisition cost of Bs. 3,344,828,000, nominal value of Bs. 4,000,000,000 and due in 55 days, at June 2020.	3,599,617,112	3,647,408,000 ²⁵	-0-	-0-
Pasteurizadora Táchira C.A., with annual interest rate of 85%, acquisition cost of Bs. 859,900,000 and nominal value of Bs. 1,000,000,000, and due in 60 days, at June 2020 (annual interest rate of 28%, acquisition cost and nominal value of Bs. 100,000,000, and due in 95 days, at December 2019).	896,222,221	904,094,000 ²⁵	100,000,000	93,757,600 ²⁵
S.A. Nacional Farmacéutica (SANFAR) with annual interest rate of 88%, acquisition cost of Bs. 425,000,000, nominal value of Bs. 500,000,000 and due in 26 days, at June 2020.	448,684,211	477,716,000 ²⁵	-0-	-0-
Automercados Plaza's C.A., with annual interest rate of 75%, acquisition cost of Bs. 225,000,000, nominal value of Bs. 250,000,000 and due in 33 days, at December 2019.	-0-	-0-	236,016,949	237,868,250 ²⁵
Cargill de Venezuela SRL., with annual interest rate of 75%, acquisition cost of Bs. 818,658,000 and nominal value of Bs. 1,000,000,000, due in 155 days, at December 2019.	-0-	-0-	832,690,417	788,331,000 ²⁵
Corporación Grupo Químico S.A., with annual interest rate of 60%, acquisition cost of Bs. 96,189,900 and nominal value of Bs. 100,000,000, due in 53 days, at December 2019.	-0-	-0-	98,871,870	93,436,400 ²⁵
	4,944,523,544	5,029,218,000	1,267,579,236	1,213,393,250
	63,164,842,270	63,238,609,696	21,982,389,438	21,889,255,727

The maturities of investment securities are the following:

	30-06-20		31-12-19	
	Amortized cost or acquisition cost	Fair value	Amortized cost or acquisition cost	Fair value
	(In bolivars)			
Due within six months	63,124,812,589	63,208,883,495	21,872,251,793	21,818,066,028
Due after six months through one year	40,012,506	29,710,551	10,001,800	8,226,063
Due after one year through five years	14,706	379	100,126,722	62,955,126
Due after five years	2,469	15,269	9,123	8,510
	63,164,842,270	63,238,609,696	21,982,389,438	21,889,255,727

²⁵ Fair value is equivalent to the current value of discounted future cash flows

Investment securities are mainly concentrated as follows:

	30-06-20		31-12-19	
	In bolivars	%	In bolivars	%
Placements in domestic financial institutions-				
Banco Exterior, C.A., Banco Universal	18,549,899,809	29%	4,934,712,972	22%
Banco Mercantil, C.A., Banco Universal	17,514,083,291	28%	5,659,400,975	26%
Bancrecer, S.A., Banco Micro Financiero	13,508,507,829	21%	5,158,464,560	23%
Banco del Caribe, C.A., Banco Universal	8,597,795,516	14%	197,223,101	1%
Banco Provincial, S.A., Banco Universal	-0-	0%	4,654,862,147	21%
	58,170,286,445	92%	20,604,663,755	94%
Obligations and corporate commercial papers issued by six domestic private companies (six domestic private companies at December 2019)	4,994,534,544	8%	1,377,700,536	6%
Investments issued and/or guaranteed by the Government	21,281	0%	25,147	0%
	63,164,842,270	100%	21,982,389,438	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.

Loans granted to beneficiaries are mainly destined to housing construction, acquisition, improvement or repairs, acquisition of vehicles, and transportation vehicles, and other, such as school pensions, medical services and hospital expenses.

Loans receivable from beneficiaries, net of allowances, are classified by type of guarantee as shown below:

	30-06-20		Total
	Current	Past-due (In bolivars)	
Guarantee on monies	1,682,189,490,618	-0-	1,682,189,490,618
Chattel mortgage guarantee	11,344	-0-	11,344
Retention of title	95	-0-	95
Real estate mortgage guarantee	-0-	103	103
	1,682,189,502,057	103	1,682,189,502,160
Allowance for loan portfolio	-0-	(68)	(68)
	1,682,189,502,057	35	1,682,189,502,092

	31-12-19		Total
	Current	Past-due (In bolivars)	
Guarantee on monies	576,957,489,945	39	576,957,489,984
Chattel mortgage guarantee	11,659	-0-	11,659
Retention of title	111	-0-	111
Real estate mortgage guarantee	-0-	102	102
	576,957,501,715	141	576,957,501,856
Allowance for loan portfolio	-0-	(80)	(80)
	576,957,501,715	61	576,957,501,776

“*Guarantees on monies*” mainly corresponds to loans granted to beneficiaries guaranteed on their termination benefits in foreign currency for Bs. 1,586,880,168,574 (Bs. 549,204,338,128 at December 31, 2019).

Loans to beneficiaries with chattel mortgage and retention of title guarantees amount to Bs. 11,344 and Bs. 95, respectively (Bs. 11,659 and Bs. 111, respectively at December 31, 2019), which correspond to loans granted with funds from customer-directed trusts and created by trustors for granting financing programs to their employees and/or exclusive dealers (trust beneficiaries) for the acquisition of automobiles and transportation vehicles, respectively. Customer-directed trust contracts release the Bank’s Trust Department from losses from credit risks.

At June 30, 2020, loans to beneficiaries with real estate mortgage guarantees amount to Bs. 103 (Bs. 102 at December 31, 2019), which correspond to loans granted with funds from customer-directed trusts. These trusts have been created by trustors for granting financing programs for their employees' housing acquisition, improvement or repair (trust beneficiaries), which are guaranteed by real estate mortgages. Customer-directed trust contracts release the Bank's Trust Department from losses from credit risks.

Loans receivable from beneficiaries classified by maturity are shown below:

	30-06-20	31-12-19
	(In bolivars)	
Due within six months	407	429
Due after 6 months through 12 months	350	344
Due after 12 months through 24 months	735	714
Due after 24 months	10,049	10423
Undefined maturity or variable maturities	1,682,189,490,619	576,957,489,947
	<u>1,682,189,502,160</u>	<u>576,957,501,857</u>
Allowance for loan portfolio	(68)	(80)
	<u>1,682,189,502,092</u>	<u>576,597,501,776</u>

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.

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

	30-06-20	31-12-19
	(In bolivars)	
Balances, at the beginning of six-month period	80	44,955
Add: Increase in allowance charged to income	-0-	-0-
Less: Recoveries	(12)	(44,875)
Balances, at the end of six-month period	<u>68</u>	<u>80</u>

c. Other trusts

Trusts correspond to credit securities of customers (principals) received by the Bank, as commission agent, with the commitment to place them with a third party, in accordance with the provisions of the commission contracts. Such contracts empower the Bank to negotiate such securities with other customers in exchange for the collection of a commission and shall only be liable to the commission agent for fraud, negligence, recklessness, or non-compliance with contractual obligations. During the six-month period ended June 30, 2020, Bs. 79,757,206,651 (Bs. 13,768,878,381 at December 31, 2019) were recorded for income from commissions for "Other trusts" within "Other operating income" in the accompanying 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:

	30-06-20		31-12-19	
	Carrying value	Fair value	Carrying value	Fair value
	(In bolivars)			
ASSETS:				
Cash and due from banks	8,286,044,765,952	8,286,044,765,952	1,985,101,160,542	1,985,101,160,542
Investment securities	6,787,132,644,190	6,509,558,763,454	1,412,101,817,840	1,408,281,218,446
Loan portfolio	472,158,505,227	472,158,505,227	91,537,519,545	91,537,519,545
Interests and commissions receivable	51,803,079,511	51,803,079,511	10,458,873,182	10,458,873,182
	<u>15,597,138,994,880</u>	<u>15,319,565,114,144</u>	<u>3,499,199,371,109</u>	<u>3,495,378,771,715</u>

	30-06-20		31-12-19	
	Carrying value	Fair value	Carrying value	Fair value
	(In bolivars)			
LIABILITIES:				
Bank deposits	10,809,718,846,826	10,809,718,846,826	2,458,753,449,214	2,458,753,449,214
Other borrowings	5,869,686	5,869,686	663,397	663,397
Interests and commissions payable	1,502,261,340	1,502,261,340	1,075,343,579	1,075,343,579
	10,811,226,977,852	10,811,226,977,852	2,459,829,456,190	2,459,829,456,190
MEMORANDUM ACCOUNTS:				
Contingent debit accounts	137,933,611,936	137,933,611,936	52,872,135,054	52,872,135,054

NOTE 20.- CONTINGENCIES AND COMMITMENTS:

At June 30, 2020 and December 31, 2019, the most significant contingencies and claims are the following:

- The Bank 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 waiting for the notices of admittance sentences to be issued by the Substantiation court. To date, the Bank maintains the exchange losses derived from the intervention mechanism as recoverable expenditures under "*Other assets*" for Bs. 18,675,137,245.
- Research of transfers made on a bank account with a precautionary measure to freeze funds. The Bank has created a provision for US\$ 400,484, which has been recorded under "*Accruals and other liabilities*".

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 stockholders and other related parties are mainly composed of fund-raising operations and banking and security services, the effects of which are presented below:

	30-06-20	31-12-19
	(In bolivars)	
Operating expenses-		
Vencred, S.A.	813,271,189	21,800,104
Inversiones Las Monjas, C.A.	469,800,000	257,027,077
Inversiones 120915, C.A.	81,354,325	8,125,920
Other	75	-0-
	1,364,425,589	286,953,101

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

	30-06-20	31-12-19
	(In bolivars)	
LIABILITIES		
Bank deposits and other demand obligations:		
Inversiones 120915, C.A.	3,545,643,294	57,954
Vencred, S.A.	944,586,742	83,912,817
Valores Vencred Casa de Bolsa, S.A.	711,610,001	27,946,468
Inversiones Las Monjas, C.A.	47,427,640	77,572,461
Other	221,005,599	21,235,285
	5,470,273,276	210,724,985

NOTE 22.- FOREIGN CURRENCY BALANCES AND TRANSACTIONS:

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

	30-06-20		31-12-19	
	US\$	Bs.	US\$	Bs.
ASSETS:				
Cash and due from banks	27,669,058	5,641,904,915,034	20,374,868	947,518,554,762
Investment securities	30,936,375	6,308,132,548,843	27,849,087	1,295,101,720,330
Interests and commissions receivable	244,986	49,954,231,092	203,681	9,472,025,863
Other assets	60,124	12,259,736,282	197,965	9,206,207,872
	58,910,543	12,012,251,431,253	48,625,601	2,261,298,508,827
LIABILITIES:				
Bank deposits	(35,448,250)	(7,228,133,912,583)	(24,988,079)	(1,162,052,590,699)
Accruals and other liabilities	(14,647,032)	(2,986,627,250,044)	(15,541,445)	(722,743,257,790)
	(50,095,282)	(10,214,761,162,627)	(40,529,524)	(1,884,795,848,489)
Carrying asset position, net	8,815,261	1,797,490,268,625	8,096,077	376,502,660,338
Other debit memorandum accounts, net	(1,500)	(310,750,000)	35,000	1,206,832,250

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

During the six-month period ended June 30, 2020, the Bank recorded net unrealized exchange gains and losses from the valuation of foreign currency balances for Bs. 1,282,286,602,939 (Bs. 246,654,110,252, for the six-month period ended December 31, 2019), which are recorded under "Equity adjustments" within equity caption (see Note 15.c).

During the six-month period ended June 30, 2020, the Bank recorded realized gains mainly from operations carried out by the Bank, in its condition of foreign exchange operator, and its foreign branch for Bs. 110,114,158,158 (Bs. 30,736,372,164, for the six-month period ended December 31, 2019), and losses for Bs. 2,050,851,368 (Bs. 3,347,026,234, at December 31, 2019), 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 June 30, 2020 and December 31, 2019, the net foreign currency position maintained by the Bank, calculated based on its individual financial statements, amounts to US\$ 8,815,261 (Bs. 1,797,490,268,625 and US\$ 8,096,077 (Bs. 376,502,660,338), respectively. On April 8, 2019, the BCV provided, through its Resolution N° 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:

a. Decree of Economic Emergency:

Decree N° 4.242 was published in Official Gazette N° 6.551 dated July 2, 2020, through which the National Executive issues the twenty-eighth 60-day extension of the Decree of State of Emergency and Economic Emergency in the whole country, which was initially declared in January 2016 and renewed successively since then; the latest was published under Decree N° 4.194 dated May 4, 2020 (see Note 1.c.3).

b. Capital increase:

At an Extraordinary Stockholders' Meeting held on July 7, 2020, the stockholders decided to increase the capital stock of the Bank in the amount of Bs. 29,999,249 under the equity strengthening process of the banking system established by SUDEBAN in 2018. This increase will take effect when the corresponding authorization from SUDEBAN is received (see Note 15.c).

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