



Independent Auditors' Report and Financial Statements

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

June 30, 2023

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Independent Auditors' Report

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

Our Opinion

We have audited the accompanying balance sheet of Venezolano de Crédito, S.A. Banco Universal, as of June 30, 2023, and the related statements of income, changes in the equity and cash flows for the semester then ended, as well as a summary of relevant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements audited by us present reasonably, in all material respects, the financial position of Venezolano de Crédito, S.A. Banco Universal as of June 30, 2023, and the results of its operations and cash flows for the six-month period ending on that date, in accordance with the accounting guidelines and standards established by the Superintendency of Banking Sector Institutions (SUDEBAN).

Basis for our Opinion

We have conducted our audit based on the International Standards on Auditing (ISAs) as applicable in Venezuela. Our responsibilities under those standards are further described in our report in the section "Independent Auditor's Responsibilities Related to the Audit of Financial Statements."

In accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and the Code of Ethics to regulate the professional practice of Venezuelan Public Accountants, which are relevant to our audits of the financial statements, we are independent of the Bank, and we have fulfilled our ethical obligations under those codes. It is our opinion that the audit evidence we have obtained is sufficient and appropriate to support our conclusion.

Emphasis Paragraphs

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

We draw attention to Note 2 of the accompanying financial statements, which indicates that the accounting instructions and standards established by SUDEBAN differ, in certain important respects, from the Generally Accepted Accounting Principles in Venezuela (VEN-NIF).

We draw attention to Note 3 of the accompanying financial statements, which indicates that pursuant to the Central Bank of Venezuela (BCV) provisions, as of June 30, 2023, banks shall maintain a minimum legal reserve requirement on net obligations and investments assigned. Because of this measure, the Bank financial intermediation may be limited.

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We draw attention to Note 1 and Note 24 to the financial statements, which indicate that the Bank is subject to the supervision and regulation of the Superintendency of Banking Sector Institutions (SUDEBAN), and that it must comply with a series of rules and requirements established by such body. As described in those notes, the Bank received on July 7, 2023 the official letter SIB-II-GGIBPV-GIBPV1-04285 with the results of the inspection carried out by SUDEBAN, dated September 30, 2022 and updated as of May 31, 2023, in which a series of adjustments and corrections to the Bank financial statements were proposed, for which it was granted a term of fifteen (15) working days that expire on July 31, 2023, to submit its considerations and supporting documentation, which may modify the concepts, provisions and adjustments indicated in the inspection report. As of the date of this report, the Bank has not yet sent the required information nor has it received SUDEBAN final opinion on the possible adjustments to the financial statements.

Responsibilities of management and corporate governance officers about financial statements

Bank management is responsible for the financial statements preparation and fair presentation, in accordance with the accounting guidelines and standards established by SUDEBAN, and for the internal control considered necessary to allow the preparation of financial statements free from material misstatements due to either error or fraud.

Bank management is responsible for assessing the Bank ability to continue as a going concern when preparing financial statements, disclosing, as required, matters relating to the Bank ability to continue as a going concern, and ensuring that the going concern basis is used, unless management intends to liquidate the Bank or cease its operations, or there is no other realistic alternative.

Corporate governance officers are responsible for overseeing the Bank financial reporting process.

Responsibilities of the independent auditor regarding the financial statements audit

Our objectives are to obtain reasonable assurance about whether the financial statements in the aggregate are free from material misstatement due to either fraud or error, and to issue an audit report with our opinion. Reasonable assurance provides a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs applicable in Venezuela will always detect a material misstatement when it exists. Whether they result from fraud or error, misstatements are considered material if, individually or cumulatively, they may reasonably be expected to influence the economic decisions of users taken according to the financial statements.

As part of an audit in compliance with the current ISAs in Venezuela, we use our professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements due to either error or fraud, 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 from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, deliberate omissions, intentional 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 according to the circumstances, for the purpose of expressing an opinion on the effectiveness of the Bank internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank management.

- conclude about the appropriateness of use of the going concern accounting basis by Management based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that could raise significant doubts on the Bank ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw the attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are adequate, to modify our opinion. Our conclusions are based on the audit evidence obtained by the date of our audit report. Even so, future events or conditions may cause the Bank to cease to be a going concern;
- evaluate the presentation, structure, and content of the financial statements as a whole, including disclosures, and whether the financial statements represent the underlying transactions and events, so that it achieves a reasonable presentation.

We contacted those charged with the Bank governance regarding, among other things, the planned scope and the completion period of our audit as well as the significant audit findings, including any substantial deficiencies in internal controls that we identify in the course of our audit.

GÓMEZ, MARQUIS Y ASOCIADOS

(Signature of the Grant Thornton International Ltd. member)



Jorge Gómez C.
CPC – 10951
CP- 824
July 25, 2023

Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch
Balance Sheet
June 30, 2023 and December 31, 2022

	Notes	June 30, 2023	December 31, 2022
(in Bolivars)			
Assets			
Availabilities			
Cash	3	273.429.417	95.414.004
Banco Central de Venezuela	3	386.666.697	330.346.103
Banks and other financial institutions in the country		4.218	3.385
Foreign banks and correspondents	3	487.001.971	320.828.748
Bills for immediate collection		285.000	1.147.786
		<u>1.147.387.303</u>	<u>747.740.026</u>
Investments in Securities			
Placements with Banco Central de Venezuela and interbank transactions		36.000.000	-
Investments in available-for-sale securities		227.275.103	67.062.133
Investments in held-to-maturity securities		433.374.070	303.752.638
Investments of restricted availability		175.024.733	106.801.020
	4	<u>871.673.906</u>	<u>477.615.791</u>
Credit Portfolio			
Current credits		847.277.971	416.094.869
Overdue credits		659.431	26.832
Credits in dispute		16.759.487	-
(Provision for credit portfolio)		(27.235.144)	(7.300.908)
	5	<u>837.461.745</u>	<u>408.820.793</u>
Interest and Commissions Receivable			
Income receivable from investments in securities		5.362.576	3.593.270
Income receivable from credit portfolio		8.316.567	3.535.720
Commissions receivable		985.390	454.951
(Provision for income receivable and others)		(3)	(3)
	7	<u>14.664.530</u>	<u>7.583.938</u>
Fixed Assets	8	<u>11.080.117</u>	<u>4.195.030</u>
Other Assets	9	<u>121.866.046</u>	<u>39.110.212</u>
Total Assets		<u>3.004.133.647</u>	<u>1.685.065.790</u>
Memorandum Accounts			
Contingent accounts receivable		16.632.887	6.860.115
Trust assets		210.178.295	109.180.100
Other trust assignments		5.392	7.050.047
Other memorandum accounts receivable		1.008.543.922	504.041.587
	19	<u>1.235.360.496</u>	<u>627.131.849</u>

Notes from 1 to 24 are included in the financial statements.

Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch
Balance Sheet
June 30, 2023 and December 31, 2022

	Notes	June 30, 2023	December 31, 2022
(in Bolivars)			
Liabilities and Equity			
Public Fundraising			
Demand Deposits			
Non-interest bearing current accounts		348.893.610	155.770.904
Interest-bearing current accounts		1.282.630.610	741.479.899
Current accounts according to the Exchange Agreement N° 20		7.576.390	4.812.832
Demand deposits and certificates		37.849.024	6.979.291
Current accounts under the Foreign Exchange Market System of Free Convertibility		117.277.192	92.262.814
		<u>1.794.226.826</u>	<u>1.001.305.740</u>
Other demand obligations		64.477.923	51.813.750
Savings deposits		25.387.985	13.708.308
Restricted public fundraising		154.438.454	52.961.051
	10	<u>2.038.531.188</u>	<u>1.119.788.849</u>
Other Financing Obtained			
Obligations with domestic financial institutions for up to one year		1.000.000	90
Obligations with foreign financial institutions for up to one year		38.897	1.765.799
	11	<u>1.038.897</u>	<u>1.765.889</u>
Interest and Commissions Payable			
Expenses payable for public fundraising		715.263	142.693
Expenses payable for other financing obtained		-	391
		<u>715.263</u>	<u>143.084</u>
Accruals and Other Liabilities	12	<u>580.738.546</u>	<u>328.478.011</u>
		<u>2.621.023.894</u>	<u>1.450.175.833</u>
Equity			
Capital stock		12.368.918	12.368.918
Contributions for capital increases		15.481.626	-
Capital reserves		12.492.611	6.246.307
Adjustments to equity		190.296.051	155.202.119
Unrealized gain or loss on investments in securities available for sale		199.987	(1.071.088)
Accumulated results		152.270.560	62.143.701
Total Equity	16	<u>383.109.753</u>	<u>234.889.957</u>
Total Liabilities and Equity		<u>3.004.133.647</u>	<u>1.685.065.790</u>
Memorandum Accounts Per Contra	19	<u>1.235.360.496</u>	<u>627.131.849</u>

Notes from 1 to 24 are included in the financial statements.

Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch
Statement of Income
Semesters ending on June 30, 2023 and December 31, 2022

	Notes	June 30, 2023	December 31, 2022
(in Bolivars)			
Financial Income			
Income from availabilities		6.383.767	1.458.546
Income from investments in securities		17.126.148	12.374.920
Income from credit portfolio		147.996.176	41.772.711
Income from other accounts receivable		85.353	21.845
		<u>171.591.444</u>	<u>55.628.022</u>
Financial Expenses			
Expenses for public fundraising		(6.455.736)	(1.817.395)
Expenses for other financing obtained		(1.373.308)	(147.885)
Other financial expenses		(1.456.145)	(621.086)
		<u>(9.285.189)</u>	<u>(2.586.366)</u>
Gross Financial Margin			
		162.306.255	53.041.656
Income from recovery of financial assets		10.431	2
Charges for uncollectibility of loans and other receivables	5	<u>(15.689.365)</u>	<u>(4.773.843)</u>
Net Financial Margin			
		146.627.321	48.267.815
Other operating income	18	604.389.665	138.456.272
Other operating expenses	18	<u>(382.787.417)</u>	<u>(42.984.606)</u>
Financial intermediation margin		<u>368.229.569</u>	<u>143.739.481</u>
Transformation Expenses			
Personnel expenses		(140.330.473)	(46.283.895)
General and administrative expenses	17	(82.963.860)	(27.339.275)
Contributions to the Social Protection Fund for Bank Deposits	15	(2.474.817)	(1.015.460)
Contributions to the Superintendency of Banking Institutions	15	<u>(3.232.663)</u>	<u>(984.700)</u>
		<u>(229.001.813)</u>	<u>(75.623.330)</u>
Gross Operating Margin			
		139.227.756	68.116.151
Ingresos operativos varios	18	1.249.491	301.007
Gastos operativos varios	18	<u>(30.913.620)</u>	<u>(7.665.860)</u>
Net Operating Margin			
		109.563.627	60.751.298
Extraordinary expenses		<u>(362.005)</u>	<u>(6.143)</u>
Income before taxes			
		109.201.622	60.745.155
Income Tax	13	<u>(4.923.768)</u>	<u>(7.950.000)</u>
Net Income			
		<u>104.277.854</u>	<u>52.795.155</u>
Net Profit Distribution			
Legal reserve		6.184.459	6.184.429
Other capital reserves		61.845	61.845
Accumulated results		98.031.550	46.548.881
		<u>104.277.854</u>	<u>52.795.155</u>

Notes from 1 to 24 are included in the financial statements.

Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch
Statement of Changes in the Shareholders' Equity
Semesters ending on June 30, 2023 and December 31, 2022

	Notes	Accumulated Results									Unrealized Gain or Loss on Investments in Available-for-sale Securities	Total
		Capital Stock	Contributions for Capital Increase	Capital Reserves	Adjustments to Shareholders' Equity	Surplus to be Distributed				Total Accumulated Results		
						Undistributable Surplus	Restricted Surplus	Undistributed Earnings	Remeasurement for Employee Benefit Plans			
Balances as of June 30, 2022		30	-	33	12.697.907	5.547.153	(In Bolívares) 18.808.414	3.594.964	(804.525)	27.146.006	-	39.843.976
Increase in capital stock	16	12.368.888	-	-	-	-	(8.245.915)	-	-	(8.245.915)	-	4.122.973
Net income for the semester		-	-	-	-	-	-	52.795.155	-	52.795.155	-	52.795.155
Unrealized loss on investment in securities	4	-	-	-	-	-	-	-	-	-	(1.071.088)	(1.071.088)
Adjustment for exchange rate differential, net	16	-	-	-	64.587.175	-	-	-	-	-	-	64.587.175
Transfer to income of available exchange gain authorized by SUDEBAN	16	-	-	-	(8.813.808)	-	-	-	-	-	-	(8.813.808)
Credit valuation as established by the BCV		-	-	-	87.874.775	-	-	-	-	-	-	87.874.775
Generic provisions on UVC credits		-	-	-	(1.143.930)	-	-	-	-	-	-	(1.143.930)
Cash dividend decree		-	-	-	-	-	-	(3.590.159)	-	(3.590.159)	-	(3.590.159)
Actuarial gain or loss on labor liabilities		-	-	-	-	-	-	-	284.888	284.888	-	284.888
Legal reserve	16	-	-	6.184.429	-	-	-	(6.184.429)	-	(6.184.429)	-	-
Social Funds reserve for contingencies	16	-	-	61.845	-	-	-	(61.845)	-	(61.845)	-	-
Reclassification to restricted surplus of the foreign branch net income for the semester	16	-	-	-	-	-	21.933.792	(21.933.792)	-	-	-	-
Reclassification to restricted surplus of 50% of the net income for the semester, excluding the foreign branch results.	16	-	-	-	-	-	12.307.545	(12.307.545)	-	-	-	-
Balances as of December 31, 2022		12.368.918	-	6.246.307	155.202.119	5.547.153	44.803.836	12.312.349	(519.637)	62.143.701	(1.071.088)	234.889.957
Contribution for capital stock increase	16	-	15.481.626	-	-	-	-	-	-	-	-	15.481.626
Net income for the semester		-	-	-	-	-	-	104.277.854	-	104.277.854	-	104.277.854
Reversal of unrealized loss on investment in securities	4	-	-	-	-	-	-	-	-	-	1.071.088	1.071.088
Net unrealized gain on investment in securities		-	-	-	-	-	-	-	-	-	199.987	199.987
Transfers of non-capitalized contributions		-	-	-	-	-	-	-	-	-	-	-
Adjustment for exchange rate differential, net	16	-	-	-	51.726.039	-	-	-	-	-	-	51.726.039
Transfer to results of available exchange gain authorized by SUDEBAN	16	-	-	-	(62.761.244)	-	-	-	-	-	-	(62.761.244)
Valuation of credits as established by the BCV		-	-	-	50.410.886	-	-	-	-	-	-	50.410.886
Generic provisions on UVC credits	5	-	-	-	(4.281.749)	-	-	-	-	-	-	(4.281.749)
Cash dividend declaration	16	-	-	-	-	-	-	(7.904.691)	-	(7.904.691)	-	(7.904.691)
Social Funds reserve for contingencies		-	-	-	-	-	-	-	-	-	-	-
Legal reserve	16	-	-	6.184.459	-	-	-	(6.184.459)	-	(6.184.459)	-	-
Social Funds reserve for contingencies	16	-	-	61.845	-	-	-	(61.845)	-	(61.845)	-	-
Reclassification to restricted surplus of the foreign branch net income for the semester	16	-	-	-	-	-	39.417.676	(39.417.676)	-	-	-	-
Reclassification to restricted surplus of 50% of the net income for the semester, excluding the foreign branch results.	16	-	-	-	-	-	29.306.937	(29.306.937)	-	-	-	-
Balances as of June 30, 2023		12.368.918	15.481.626	12.492.611	190.296.051	5.547.153	113.528.449	33.714.595	(519.637)	152.270.560	199.987	383.109.753

Notes from 1 to 24 are included in the financial statements.

Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch
Statement of Cash Flows
Semesters ending on June 30, 2023 and December 31, 2022 (expressed in bolivars)

	Notes	June 30, 2023	December 31, 2022
Cash Flow from Operating Activities:			
Net income for the semester		104.277.854	52.795.155
Adjustments to reconcile net income to cash provided from operations			
Provisions and depreciation in the income statement:			
Provision for uncollectibility and impairment of financial assets		19.934.236	5.873.806
Provision for employee benefits		-	5.980.100
Statutory profits to directors			
Depreciation and amortization		1.216.587	751.601
Unrealized foreign exchange gain from valuation of assets and liabilities in foreign currency with effect in equity, net of transfers to income		(11.035.205)	55.773.367
Interest income on loans adjusted to UVC, net of collections		50.410.886	87.874.775
Generic and countercyclical provisions on UVC-adjusted receivables		(4.281.749)	(1.143.930)
		<u>160.522.609</u>	<u>207.904.874</u>
Net change in other assets		(83.031.209)	(23.833.359)
Net change in interest and commissions receivable		(7.080.592)	(5.860.947)
Net change in accruals and other liabilities		252.260.535	195.998.942
Net change in interest and commissions payable		572.180	77.901
Net Cash Flows from Operating Activities		<u>323.243.523</u>	<u>374.287.411</u>
Cash flows from Financing Activities:			
Net change in public fundraising		918.742.338	792.223.689
Contributions pending of capitalization and capital stock increase		15.481.626	4.122.973
Net change in other financing obtained		(726.992)	1.759.754
Dividend payments		(7.904.691)	(3.590.158)
Net cash flows from Financing Activities		<u>925.592.281</u>	<u>794.516.258</u>
Cash flows used in Investment Activities:			
Credits granted in the period		(3.911.137.771)	(1.504.088.172)
Credits collected in the period		3.462.562.583	1.163.416.293
Net change in placements with Banco Central de Venezuela and interbank operations		(36.000.000)	7.663.000
Net change in available-for-sale investments		(158.941.895)	(68.133.221)
Net change in held-to-maturity investments		(129.621.432)	(204.620.571)
Net change in investments with restricted availability.		(68.223.713)	(73.369.620)
Additions to fixed assets and realizable assets, net		(7.826.299)	(2.291.147)
Net cash used in Investment Activities		<u>(849.188.527)</u>	<u>(681.423.438)</u>
		399.647.277	487.380.231
AVAILABILITIES, at the start of the Semester		<u>747.740.026</u>	<u>260.359.795</u>
AVAILABILITIES, at the end of the Semester		<u>1.147.387.303</u>	<u>747.740.026</u>

Notes from 1 to 24 are included in the financial statements.

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

Notes to the Financial Statements

June 30, 2023, and December 31, 2022

1. Incorporation, Operations, and Legal Framework

a) Incorporation and Operations

Venezolano de Crédito, S.A., Banco Universal is a financial institution that has been operating in Venezuela since 1925 and offers banking services to individuals and companies. The Bank's main office is located in Caracas and its fiscal address is Avenida Alameda, Edificio Venezolano de Crédito, 3rd floor, Urbanización San Bernardino. The Bank has an operating branch based in Grand Cayman; it has a category B banking license issued by the Cayman Islands Monetary Authority. This type of license allows the Bank to conduct banking and trust business with non-residents and domestic banking business with other Cayman Islands licensed entities.

The Bank has been operating for more than 90 years, and has 76 offices, 10 in the Capital District and 66 in the rest of the country. The corporate purpose of the Bank and its Branch abroad is to carry out banking operations and businesses permitted by law, consisting of domestic, international, personal and commercial banking services. Trust services are provided through its Trust Department.

On February 16, 2023, an Extraordinary General Shareholders' Meeting was held to approve the amendment of the Bank Articles of Incorporation and Bylaws, in order to adapt them to the legal provisions in force and to the Bank operating needs. Among the most relevant changes are the extension of the Bank term until 2075, the updating of the subscribed and paid-in capital, the number of shares that compose it and the updating in accordance with current banking business practices.

The Bank and its Branch are members of Vencred Group and transact business with other members of the Group. (Note 22)

Superintendency of Venezuela Banking Sector Institutions

The Superintendency of Venezuela Banking Sector Institutions (SUDEBAN) is a government body that oversees the proper functioning, development and stability of the Venezuelan financial market through the supervision and oversight of companies operating in the financial market. Its function is to authorize, supervise, inspect, control and regulate the exercise of the activities carried out by the institutions that make up the Venezuelan banking sector, as well as to instruct the correction of any failures detected in the execution of their activities and to sanction any conduct deviating from the legal framework in force. SUDEBAN is attached to the Superior Body of the National Financial System, which in turn reports to the People's Ministry for Finance (Note 24).

Approval of the Financial Statements for publication

The Bank financial statements for the six-month period ended June 30, 2023 were approved for publication and issuance by the Board of Directors at its meeting held on July 11, 2023 (those for December 31, 2022, on January 10, 2023).

b) Legal Framework

The Bank activities are ruled by the Banking Sector Institutions Law, the Law that regulates commercial matters (Commercial Code), the Law that regulates financial matters (National Financial System Organic Law), other laws applicable thereto, the regulations issued by the National Government, and the provisions issued by the Superior Body of the National Financial System (OSFIN) and the BCV, as well as the guidelines and rules issued by SUDEBAN. The OSFIN shall establish regulations for the participation of citizens in the supervision of the financial management and social control of its members, protect the rights of users and promote collaboration with the productive economic sectors, including the popular and communal ones.

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

Notes to the Financial Statements

June 30, 2023, and December 31, 2022

Organic Law for the National Financial System

The purpose of this Law is to regulate, supervise, control and coordinate the National Financial System in order to guarantee the use and investment of its resources for the public interest and economic and social development. The National Financial System includes several public, private and communal financial institutions and any other form of organization operating in the banking sector, the insurance sector, the securities market and any other sector or group of financial institutions that, according to the governing body, should be part of this system. Also included are the natural and juridical persons who are users of the financial institutions that are part of this system.

The Law prevents the formation of financial groups with companies of any sector of the national economy or associated with international financial groups, for purposes other than those set forth in the definitions established in the Law.

Banking Sector Institutions Law

The Banking Sector Institutions Law is a legal standard that regulates the functioning of financial institutions operating in Venezuela, both public and private. This law establishes the requirements for the incorporation, authorization, supervision, control and sanction of banking institutions, as well as their obligations and rights. It also defines the prudential standards that banking institutions must comply, in terms of capital, liquidity, risks, corporate governance and remunerations. The law was published in Official Gazette No. 40,557 on December 8, 2014.

Among other aspects, this Law sets banking activity as a public service; defines financial intermediation as the raising of funds and their placement in the portfolio of credits and investments in securities issued or guaranteed by the Nation or by state-owned companies; limits the assets of the institution and the transactions with a single debtor and defines what it is considered as a debtor in relation to the purposes of that limitation; regulates the integration and functions of the Board of Directors; provides for the cases of disqualification for being a Director; regulates the organization of financial groups; establishes the obligation to make a social contribution to finance projects of communal councils and establishes prohibitions, etc.

Cayman Islands Branch

The Bank foreign branch does not have a separate legal personality from that of the Bank and is subject to the supervision and control of the Cayman Islands monetary authority (including but not limited to, prior consultation of certain transactions, quality of assets, and capital and liquidity levels) and SUDEBAN in Venezuela.

Interest Rates

Lending and deposit rates in Venezuela are regulated by the BCV, which establishes the maximum and minimum interest rates for deposits and credit operations based on its reference rates.

The maximum annual lending rate for credit card transactions in Venezuela is 60%, according to the notice published by the BCV in Official Gazette No. 42,648. This rate applies to institutions governed by the Decree with Rank, Value and Force of Law of Institutions in the Banking Sector and other special laws. The minimum annual lending interest rate for these transactions is 17% and the maximum interest rate for late payments is 3%.

The deposit interest rate for saving deposits, including liquid asset accounts, was established at a minimum of 32% per annum, calculated on daily balances; and the deposit interest rate for time deposits and for transactions through which time deposits are issued, was established at a minimum of 36% per annum (Note 10).

The BCV discount, rediscount and advance rate stood at 19.2%. The BCV regulates service charges for savings and checking accounts, leasing and international transactions and credit and debit cards that banks may charge their customers.

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On March 17, 2022, the BCV issued Resolution No. 22-03-01, which is effective as of June 30, 2023, establishing, among other matters, the following:

- Credits within the framework of the Single National Productive Portfolio shall have an annual interest rate of 6% on the resulting balance in Credit Value Unit (UVC).
- The interest rates applied to the commercial portfolio and microcredits shall have an annual interest rate that may not exceed 16% or be less than 8%. Active operations related to loans to employees and managers of institutions are excluded from the Resolution.
- The maximum delinquency rate for UVC credits at 0.8% per year, for those credits other than those expressed in UVC may charge a maximum of 3% per year.
- Consumer and commercial credits in installments to individuals for payroll credits and credit cards of less than 20,400 UVC are excluded from this resolution.

Single National Productive Portfolio

The Single National Productive Portfolio is a "credit portfolio" created by Constituent Decree No. 4,160, published in the Extraordinary Official Gazette No. 6,507 dated January 29, 2020. The purpose of this portfolio is to finance the agri-food, manufacturing, tourism, health and mortgage sectors, as well as others to be incorporated by the National Executive, in order to promote and strengthen the economic sovereignty of the country. The Single National Productive Portfolio is made up of the resources available to public and private financial institutions operating within the national banking sector. The Steering Committee of the Single National Productive Portfolio is the body that approves the policy, direction, regulation and evaluation of the resources, and the impact of this portfolio.

The value and other parameters for calculating the Single National Productive Portfolio are set by Resolution of the Steering Committee, in accordance with the policies and guidelines issued by the National Executive. The value of such portfolio will be equivalent to a mandatory minimum percentage of ten percent (10%) and a maximum of twenty-five percent (25%) of the gross portfolio in accordance with the accounting closings of the bank.

Through Circular No. SIB-II-GGR-GNP-CCD-05550 of August 11, 2022, SUDEBAN instructed that banking institutions must allocate for the Single National Productive Portfolio a minimum mandatory monthly percentage of 25% of the gross loan portfolio balance at the end of the immediately preceding quarter, discounting capital increases resulting from the application of the UVC generated on loans. For purposes of measuring the Single National Productive Portfolio, the balances of loans granted to the agri-food, manufacturing, tourism and mortgage sectors will be taken into consideration.

BCV Resolution No. 22-03-01 is a regulation that establishes that loans granted in local currency, within the framework of the Single National Productive Portfolio, shall be expressed in UVC. This resolution was published in Official Gazette No. 42,341 dated March 21, 2022, and its purpose is to stimulate the yield of the loan portfolio and reduce the impact on the value of the currency caused by exchange arbitrage operations. The UVC is calculated by dividing the amount of the approved loan in bolivars by the investment index (IDI) in effect at that date, determined by the BCV taking into account the variation of the market reference exchange rate. The annual interest rate for loans expressed in UVC is six percent (6%) on the resulting balance. It is also established that loans granted with a single payment at maturity shall additionally have a special charge of 20% at the time of settlement of the loan, which shall also be expressed in UVC, and shall be deducted from the outstanding loan balance, at the time of its payment.

Microcredit Portfolio

The Banking Sector Institutions Law establishes that banking institutions shall allocate at least 3% of their loan portfolio, based on the immediately preceding six-month period, to the country microfinance sector (Note 5).

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Income Tax Law

The Income Tax Law (ISLR) is the law that regulates taxes on annual, net and available income obtained in cash or in kind by individuals and legal entities residing or domiciled in Venezuela, as well as by non-resident or non-domiciled individuals and legal entities that obtain income from national sources.

Financial institutions, as any other legal entity, are subject to ISLR and must comply with the formal and material duties established in the law and its regulations. The income tax rate for legal entities is 34%. Nevertheless, net enrichments from banking, financial, insurance or reinsurance activities, obtained by legal entities or entities domiciled in the country, shall be taxed with a proportional tax of forty percent (40%). The Law establishes that net operating losses may be carried forward during the following 3 fiscal years and offset only up to a maximum of 25% of the annual income (Note 13).

The deadline to file the final return and pay the tax for fiscal year 2022 has expired on March 31, 2023.

Law for Tax on Large Financial Transactions

The Large Financial Transactions Tax Law (LIGTF) is a legal regulation that levies a percentage of the total amount of each withdrawal, debit or transfer transaction from accounts registered in the national financial system, as well as payments made outside the national banking system, whether in cash or by any other means for settling a debt. The LIGTF was published in the Extraordinary Official Gazette No. 6,210 on December 30, 2015 and became effective on February 1, 2016. The LIGTF was partially amended by the National Assembly on February 3, 2022 and sent to the National Executive for its approval. The reform establishes a 3% tax rate for transactions in foreign currencies or cryptocurrencies other than the bolivar and the petro, carried out by individuals and legal entities.

During the six-month period ended June 30, 2023, the Bank recognized large financial transactions tax expense of Bs. 3,433,211 (Bs. 982,687 in the semester ended December 31, 2022), which is shown under "General and Administrative Expenses" in the accompanying statement of income. The liability derived from its performance as withholding agent is presented in "Accruals and Other Liabilities" (Note 12). Additionally, the Bank, as withholding agent, has collected and paid to the National Treasury the amount of Bs. 86,232,229 (Bs. 36,763,029 in the six-month period ended December 31, 2022).

Value-added tax

Value added tax (VAT) is an indirect tax in Venezuela that levies the sale of personal property, the rendering of services and the importation of goods. Currently, the general VAT rate in Venezuela is 16%. The services of financial institutions only generate VAT on leasing transactions. VAT collected and paid in each month is offset and the resulting tax debits or credits are either cancelled to the tax authorities or deferred for offset in the future, as appropriate. Since the Bank main operations do not generate tax debits, tax credits are charged to the cost of the good or service acquired.

The taxpayers classified as special by the SENIAT shall act as VAT withholding agents, when they buy movable property or receive services from suppliers who are ordinary taxpayers of such tax. The amount to be withheld shall be 75% of the tax caused, and may reach 100% in certain circumstances. For the tax withheld by customers (assets) not being offset in a period exceeding 3 months, it is possible to request the SENIAT the recovery of the total or partial accumulated balance. The tax withheld from suppliers (liabilities) is paid up biweekly, according to the schedule established for special taxpayers.

Constitutional Law for Tax on Wealth (LIGP)

The Constitutional Law for Tax on Wealth (LIGP) is a legal standard that levies the net assets of taxpayers qualified as special by the SENIAT, and that have a value equal to or greater than 150 million tax units at the closing of each fiscal year. The LIGP was created by the National Constituent Assembly and published in Official Gazette No. 41,667, on July 3, 2019, and reprinted due to material errors in Official Gazette No. 41,696, on August 16, 2019. The LIGP became effective as of its publication and the tax administration shall issue the necessary rules and instructions for the updating of the value of the assets and the implementation of the tax.

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The most important aspects of the Act are as follows:

- it is applicable to natural and legal persons qualified as special taxpayers;
- the tax rate is 0.25% of the net equity subject to the tax;
- the first year of its application shall be the existing net equity as of September 30, 2019;
- the tax is applicable to individuals and legal entities when their net worth exceeds 150 million UTs. The tax shall be determined on the portion exceeding such amounts;
- this tax is not deductible from the Income Tax (ISLR)

During the six-month period ended June 30, 2023, the Bank recognized an expense of Bs. 379,596 (Bs. 158,931 in the semester ended December 31, 2022), which is presented in the "General and Administrative Expenses" account (Note 17).

Law on Science, Technology and Innovation (LOCTI)

The Law of Science, Technology and Innovation (LOCTI) is a legal standard that regulates the development of science, technology, innovation and their applications in Venezuela, in order to contribute to the full exercise of national sovereignty, participatory and protagonist democracy, justice and social equality, respect for the environment and cultural diversity. The LOCTI was enacted by the Venezuelan National Assembly on July 12, 2005, partially amended by the National Constituent Assembly and published in the Extraordinary Official Gazette No. 6,693, on April 1, 2022. The LOCTI establishes the subjects, objectives, definitions, competences, instruments, incentives and sanctions related to the activities of science, technology, innovation and their applications in the country.

The main changes introduced by the reform are:

- The definition of contributors changes, by establishing that contributors will be understood as legal entities, public or private entities, domiciled or not in the Republic that carry out economic activities in the national territory, who have obtained annual gross income in excess of 150,000 times the official exchange rate of the highest value currency established by the BCV in the immediately preceding fiscal year. In the previous Law it was established at 100,000 Tax Units (U.T.)
- The period of declaration and payment of the contribution is modified, legal entities, private or public entities, domiciled or not in the Republic that carry out economic activities in the national territory shall contribute monthly a percentage of the gross income in the immediately preceding monthly fiscal year. The previous Law established an annual declaration and payment, during the second quarter after the closing of the corresponding fiscal year.
- It changes the concept of Gross Income, by indicating that gross income shall be understood as the income, profits and cash, which in a habitual, accidental or extraordinary way, accrued by the contributors for any activity they carry out, including income from exchange differential, income obtained from interest, dividends, placement of bonds whatever their denomination and operating income, among others, provided that they are not obliged to return them for any reason, without admitting costs or deductions of any kind.

This Law establishes an annual aliquot equivalent to 0.5% of the gross income obtained in the national territory in the immediately preceding monthly fiscal year. The contribution shall be settled, paid and declared monthly in bolivars to the National Science, Technology and Innovation Fund.

During the six-month period ended June 30, 2023, the Bank recorded expenses for this concept of Bs. 4,462,184 (Bs. 694,314 in the semester ended December 31, 2022), that are presented in the "General and Administrative Expenses" account (Note 17).

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Organic Law on Drugs

The Organic Law on Drugs is a legal standard that regulates the control, surveillance, control, prevention, treatment, rehabilitation and sanction of activities related to narcotic drugs and psychotropic substances, as well as chemical, precursor and essential substances that may be diverted to the illicit manufacture of drugs. The law was published in Official Gazette No. 39,510 on September 15, 2010 and reprinted due to material errors in Official Gazette No. 39,535, on October 21, 2010, and in Official Gazette No. 39,546, on November 5, 2010.

The Law establishes the obligation of legal entities with more than 50 employees to contribute 1% of the operating profit for the fiscal year to the National Anti-Drug Fund (FONA). The entities shall make an annual declaration and payment of the aforementioned contribution to the FONA within 60 continuous days from the closing of the respective fiscal year.

During the six-month period ended June 30, 2023, the Bank created a provision for the payment of this contribution of Bs. 1,095,636 (Bs. 607,513 in the six months ended December 31, 2022) shown in the "Accruals and Other Liabilities" account (Note 12), which shall be paid in the first half of 2024. This amount has been charged to "Other Miscellaneous Operating Expenses" (Note 18) in the income statement for the six-month period.

Law on Sports, Physical Activity and Physical Education

The Organic Law on Sports, Physical Activity and Physical Education is a legal standard that establishes the bases for physical education, regulates the promotion, organization and administration of sports and physical activity as public services, as they constitute fundamental rights of citizens and a social duty of the State, as well as their management as an economic activity with social purposes. The law was published in Official Gazette No. 39,715, on August 23, 2011, and its regulations on February 28, 2012.

The Law establishes that companies or other public and private for-profit organizations the annual net income of which exceeds 20,000 UT. shall make a contribution of 1% of such annual net income to the National Fund for the Development of Sports, Physical Activity and Physical Education and the guidelines for the execution of projects, declarations and payments in portions, among others.

During the six-month period ended June 30, 2023, the Bank created a provision for the payment of this contribution of Bs. 1,042,779 (Bs. 527,952 in the semester ended December 31, 2022) and shown in the account "Accruals and Other Liabilities" (Note 12), which shall be paid in the first half of 2024. This amount has been charged to "Other Miscellaneous Operating Expenses" (Note 18), in the income statement for the six-month period.

Labor Law (LOTTT)

The Organic Labor Law (LOTTT) is a legal standard that protects labor as a social fact and guarantees the rights of workers. The law was published in Official Gazette No. 6,076, on May 7, 2012, and entered into force on May 7, 2013.

The most relevant aspects of this Law include employee benefits such as vacations, vacation bonuses, profit shares, maternity leave, guarantees, and retroactivity of social benefits. In addition, some legal benefits such as working hours, holidays, and rest days are regulated, and concepts related to job stability due to maternity are introduced.

COVID-19 Pandemic

The World Health Organization (WHO) declared the end of the global health emergency for COVID-19 on May 5, 2023, more than three years after it was first declared. WHO has based its decision on the sustained decline in global cases and deaths, as well as progress in vaccination campaigns and variant control. However, WHO has warned that the pandemic is not over as a global health threat and that prevention and surveillance measures must be maintained.

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To date, management has determined that this situation has not had significant effects on operations and financial statements; nevertheless, it is not possible to determine the future impact of actions taken by domestic and foreign authorities to contain the spread of Covid-19. On the other hand, the regulators have not established additional requirements in terms of capital, liquidity, legal or other aspects that could affect the Bank.

2. Main Accounting Policies

a) Basis for Preparation

The accompanying financial statements for the six-month periods ended June 30, 2023 and December 31, 2022 have been prepared in accordance with the accounting framework required and/or permitted by SUDEBAN, which differs significantly from generally accepted accounting principles in Venezuela (VEN-NIF), commonly applied in the preparation of financial statements for other types of industries. VEN-NIF are largely based on International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), except for some criteria related to the adjustment for the effects of inflation, the valuation of assets and liabilities in foreign currency and the recognition of deferred income tax liabilities, among other things.

SUDEBAN, through Resolution No. 648-10 of December 28, 2010, has deferred the presentation of the financial statements prepared as supplementary information in accordance with VEN-NIF and has established that, until otherwise specified, the financial statements and their notes should continue to be presented as supplementary information, according to the generally accepted accounting principles in force until December 31, 2007 (GAAP-Ven). SUDEBAN, through Circular SIB-II-GGR-GNP-00818 dated February 10, 2023, has determined that the presentation of the supplementary financial statements as of December 31, 2022, prepared under the generally accepted accounting principles in force as of December 31, 2007 (GAAP-Ven), as well as the publication financial statements adjusted for the effects of inflation is deferred. In this regard, the referred supplementary information shall be submitted for comparison purposes relative to the closing of the first half of 2023.

b) Main differences between the VEN-NIF and the Accounting Manual for Banks

The main differences applicable to the Bank and identified by management between the accounting instructions and standards established by SUDEBAN and VEN-NIF, are as follows:

1) Functional Currency and Presentation

SUDEBAN Accounting Manual (the Manual) establishes that the balances included in the banks financial statements shall be measured and submitted in bolivars. According to the VEN-NIF, financial statements shall be prepared in their functional currency, which shall be the currency of the main economic environment in which the entity operates. Likewise, in accordance with the VEN-NIF, the entity shall determine its functional currency, considering mainly the following elements: a) the currency that mainly influences revenues and costs (often the currency by which such revenues and costs are charged and settled, respectively); b) the country currency of which competitive forces and regulations primarily determine prices; and (c) the currency in which funds for funding activities are generated, etc.

2) Inflation-adjusted Financial Statements

The financial statements of the institutions comprising the National Banking System and of the subsidiaries in which they have investments, as well as equity investments, shall be submitted on a historical basis, except for those assets and liabilities that are measured at fair value. The VEN-NIFs require that the effects of inflation be recognized in the financial statements whenever the functional currency is that of a hyperinflationary economy and when inflation for the annual fiscal year exceeds one digit.

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3) Investments in overdue securities

Investments in securities that, at maturity, have not been cancelled, as well as the corresponding yields receivable, are classified in the Other Assets account. Should 30 days after maturity they have not yet been collected, they must be provisioned at 100 %. The VEN-NIFs establish that past due securities are recorded as impaired financial assets and are measured at amortized cost less the allowance for expected credit loss. The allowance is calculated based on the likelihood of non-compliance and risk exposure.

4) Other Comprehensive Income

The financial statements consist of the balance sheet, the statement of income, the statement of changes in equity, the statement of cash flows and the set of notes that include a summary of the main accounting policies as well as other explanatory information. According to the VEN-NIFs, as part of the financial statements, the statement of other comprehensive income is also shown, which may be part of the statement of income or as a separate section.

5) Foreign Currency

Foreign currency transactions mainly in U.S. dollars are recorded at the prevailing exchange rate at the date of the transaction and balances are adjusted to the current exchange rate at the end of each period. The assets, liabilities, equity and income statements of the foreign branch are translated into the current exchange rate. According to SUDEBAN regulations, fluctuations in foreign currency balances occur in equity, except for minor amounts resulting from the fluctuation of other currencies as compared to the U.S. dollar, which are recognized in income. Likewise, exchange gains may be recognized as income when there are no deficit balances of provisions or expenses to be offset upon prior authorization from SUDEBAN. The VEN-NIFs state that exchange gains and losses shall be recognized as income.

6) Bank Reconciliation Items

SUDEBAN accounting guidelines and standards set forth that those debit bank reconciliations items in national and foreign currency being unaccounted for more than 30 and 60 days --when the necessary documentation is not available for their accounting-- shall be recognized under Other Assets with a credit to an item of the Accruals and other Liabilities group, and shall be provisioned in full within 30 and 60 days, respectively, after recording, whether the respective documentation is not yet available. This provision shall be maintained over time until the institution obtains the required documentation for reconciliation. Moreover, for those credit items, both in national and foreign currency, pending for accounting when the necessary documentation is not available for their recording, the Bank may recognize them under the group of Other Assets with payment to an item of the Accruals and Other Liabilities group. Such items shall be maintained over time until the institution obtains the necessary documentation for reconciliation. The VEN-NIFs do not set forth specific accounting criteria. However, a company shall measure the expected credit losses of a financial instrument.

7) Cash Equivalents Items

The SUDEBAN Accounting Manual, for purposes of preparing the statement of cash flows, considers as cash equivalents the "Liquid Assets" account. The VEN-NIFs consider as cash equivalents highly liquid short-term investments, which are easily convertible into determined amounts of cash, being subject to an insignificant risk of changes in their value, and with short maturity periods of three months or less, from the date of acquisition.

8) Premium or Discount in Held-to-maturity Investment Securities

SUDEBAN Accounting Manual establishes that the discount or premium of held-to-maturity investment securities is amortized over the effectiveness of the investment security by crediting to income for the semester under Other Operating Income and Other Operating Expenses, respectively. According to VEN-NIF, the amortization of premiums or discounts of investments valued at amortized cost is part of the yield on the effective interest of the security; therefore, it should be submitted as part of the financial income.

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9) Losses from Investment Securities Considered Permanent

The SUDEBAN Accounting Manual stipulates that in cases where losses considered permanent due to a decrease in the fair market value of investments securities have been recorded in accounting accounts, any subsequent recovery of fair market value does not affect the new cost basis. According to the VEN-NIFs, on impairment, the expected credit losses are recognized over the asset life of all financial instruments for which there have been significant increases in credit risk since the initial recognition, so the value adjustment for losses for that financial instrument shall be measured at an amount equal to the expected credit losses for the following 12 months.

10) Valuation of Investment Transfers

The accounting practice for banks permits to make transfers among categories of investment securities, including held-to-maturity securities, upon authorization by SUDEBAN or for particular unforeseeable events, without impacting the classification of the remaining investment securities maintained in that category, which is not considered under the VEN-NIFs.

11) Overdue Credit Portfolio

The Accounting Manual for Banks establishes that when a loan is past due and/or in litigation, it shall not accrue interest as income for accounting purposes, and this amount shall be recorded under Memorandum Accounts, in which subsequent accrued interest will also be recorded. VEN-NIF establish that, in the case of a financial instrument recorded at amortized cost, impairment is determined by the difference between the carrying amount of the instrument and the present value of the estimated future cash flows to be generated by such instrument, discounted at the effective interest rate at which the instrument was initially recognized. Impairment will exist whenever the present value of future cash flows is lower than the carrying value of the instrument, in which case interest income shall be recognized in the statement of income, taking into consideration the effective interest rate applied to the discounted future cash flows in order to assess the impairment loss.

12) Credit Portfolio Classification

The Manual establishes that those receivables, the original payment plan, term and other previously agreed terms of which have been modified by the creditor, in response to the debtor's express request for refinancing, must be reclassified to restructured receivables accounts. A one-stop shop for your enterprise translation needs: from simple document translation to customized localization solutions, to automated and fast turnaround translation services in 194 languages.

The Manual also establishes that the period for considering past-due loans as uncollectible may not exceed 24 months, counted from the date of registration of the entire loan in that category. Loans in litigation, after 24 months counted from the date of their registration in that category, shall be provisioned at 100%.

When a monthly installment loan is overdue and the debtor pays the overdue installments, the bank will have to reclassify it to the category it had before becoming overdue. Likewise, when a debtor pays the outstanding installments of a disputed installment loan and consequently the claim is withdrawn, the bank shall have to reclassify it to the category it had before becoming disputed or past due.

The VEN-NIFs do not establish specific classification criteria; however, an entity shall measure expected credit losses on a financial instrument in a manner that reflects: a) an unbiased probability-weighted amount that is determined by assessing a range of possible outcomes; b) the time value of money; and c) reasonable and supportable information that is available without disproportionate cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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13) Provision for Credit Portfolio

The Bank carries out a monthly assessment of its credit portfolio and contingent credits in order to determine the specific provision for possible losses to be constituted for each credit. This assessment considers, among other aspects, economic conditions, credit risk per customer and their credit experience. On the other hand, the Bank calculates a monthly provision for the credit portfolio not individually evaluated, equivalent to the percentage of risk resulting from the specific evaluation of the credits. In accordance with the SUDEBAN accounting guidelines and standards, the Bank shall maintain at least a generic provision of 1% of the credit portfolio balance, except for the balance of the microcredit portfolio, for which the Bank shall maintain a generic provision of 2% and a countercyclical provision of 0.75% of the gross credit portfolio balance. The Bank may also set up voluntary generic provisions. The release of provision shall require the authorization from SUDEBAN.

The VEN-NIFs establish that the provision for uncollectible credits is determined according to the expected credit losses during the next 12 months, for the remaining term of the credit or for the impaired financial assets.

14) Fixed Assets

Fixed Assets are submitted at their original cost value, minus the accumulated depreciation. The original cost of a fixed asset is determined by its cost of acquisition or construction, as the case may be. Likewise, assets with a useful life of fewer than four years and those for which the acquisition costs are less than 320 tax units (UT) shall be accounted for in the general and administrative expenses account. Under the VEN-NIFs, fixed assets are presented at their cost, less the accumulated depreciation and the cumulative amount of losses for asset impairment. The recognition of an item as a fixed asset is not subject to its useful life or its proceeds.

The measure of revaluation of mandatory assets prescribed by SUDEBAN for fixed assets, except for land, works in progress, and other assets, may not exceed the Bank primary equity. According to the VEN-NIFs, the revaluation model for the subsequent measurement of fixed assets is allowed, it is not mandatory; In adopting such a model, it should be applied to all elements of the same kind of fixed assets and the amount to be recognized is the fair value measured reliably at the time of the revaluation, less the accumulated depreciation and the cumulative amount of losses for asset impairment.

15) Deferred Tax

According to the accounting standards of the Superintendency of Banks in Venezuela, deferred tax should be calculated and recorded in accordance with the Accounting Manual for Banking Institutions, which establishes that deferred tax should be recognized using the liability method, based on temporary differences between the book value and the tax value of assets and liabilities. The Manual indicates that deferred tax should be measured using the tax rate in effect at year-end, and that deferred tax assets should not be recognized for tax loss carryforwards. The Manual and the standards also include accounting and financial statement models that show how deferred tax should be recorded and disclosed, such is the case of the allowance for loan portfolio, for which only allowances for loans classified as high risk or unrecoverable generate a deferred tax asset.

Likewise, deferred income tax may not be recognized in an amount greater than the tax expense based on the taxable income. This deferred tax is measured using the effective tax rate and is recovered or amortized at the applicable historical tax rates.

Under VEN-NIF, deferred tax is the amount of income tax expected to be paid (taxable) or recovered (deductible) in future periods, resulting from previous transactions that were not included in an income tax return, and its management depends on the way in which the tax effect will be reversed. Deferred tax is generated because there are differences between the accounting and tax bases of assets and liabilities, pursuing to provide users of the financial statements a comprehensive view of the tax consequences of such transactions.

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Under VEN-NIF, the deferred tax for assets or liabilities is fully recognized under the balance sheet method with an effect on income or as a decrease of its associated account in equity, according to the item where it comes from.

16) Memorandum Accounts

SUDEBAN standards determine the use of memorandum accounts to record trust assets, custody received, guarantees granted and received, bonds received, commitments for foreign exchange sales, etc. The VEN-NIFs establish that these items shall be included in the balance sheet.

17) Recognition and Presentation of Revenues and Expenses

The variation of commercial credits and the Single National Productive Portfolio granted and expressed through UVC is recorded as financial income upon collection of the credit, considering the capital increases of such credits due to the variation of the Investment Index. Interest on loans, investments and accounts receivable is recorded as income to the extent that it earned under the effective interest method, except for (a) accrued interest receivable with more than 30 days overdue; (b) interest on the overdue and in-litigation credit portfolio, or those classified as real risk, high risk or irrecoverable credits; and (c) interest on arrears, which is recorded as income when collected.

Interest on current and restructured credit portfolio having a term for collection equal to or greater than 6 months is recorded when accrued as part of the deferred financial income under Accruals and other Liabilities, and is detailed as income upon collection.

According to VEN-NIF, interest income is recognized when it is caused and subsequently provisioned according to recovery expectations.

Commissions for services are listed as income or expense, upon collection or payment, respectively, when the transaction occurs, and are presented under Other Operating Income and Other Operating Expenses, respectively (Note 18).

Interest on public fundraising, obligations and financing is recorded under financial expenses to the extent that it is caused by the method of the effective interest rate.

18) Leases

They are recognized as expenses based on the terms in which they are incurred in accordance with the conditions established in the contracts. Under VEN-NIF, leases are considered a right and an obligation and are therefore recognized as financial assets and liabilities, when they exceed the 12-month term, and the related depreciation and financial interest are shown separately in the period results.

19) Other Expenses

Accounting practices for banks consider the possibility of deferring expenses that under VEN-NIF are charged to results when incurred. Likewise, some taxes, such as contributions for community projects and sports development are recognized based on what is paid.

c) Presentation currency and transactions in foreign currency

Balances included in the Bank financial statements are measured and submitted in bolivars, as indicated in the Accounting Manual. The Bank records balances and transactions in foreign currency at the official exchange rate in effect at the transaction date. Balances in foreign currency are mainly submitted at the following exchange rates:

	June 30, 2023	December 31, 2022
US\$ 1	Bs 27,94615950	Bs 17,44527750
€ 1	Bs 30,49876170	Bs 18,64725711

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d) Investments in Securities

Investments in securities are classified upon their acquisition, according to the intention for which they were acquired in BCV placements and interbank operations, investments in securities available for sale held until maturity, investments of restricted availability among others.

Any transfer among the different categories of investments, or when sold for circumstances other than those established in the Accounting Manual shall be authorized by SUDEBAN.

Placements in the BCV and Interbank Operations

This account includes surplus placements made in the BCV, in overnight bonds and in bonds issued by domestic financial institutions with deadlines not longer than 60 days.

Investments in Securities Available for Sale

Debt and equity investments in available-for-sale securities are recorded at fair market value and unrealized gains or losses arising from fluctuations in fair market values are included in equity. Whether investments in available-for-sale securities are instruments denominated in foreign currency, the fair value in foreign currency shall be determined and then translated at the current official exchange rate; Gains or losses from fluctuating exchange rates are included in equity.

Losses considered permanent, caused by the decrease in the fair market value of such investments, are listed in the results of the semester in which they originate, under Other Operating Expenses, and any subsequent increase in their market value, net of the tax effect, is recognized as an unrealized gain and is included in the equity accounts

Investments in Securities Held Until Maturity:

They are investments in debt securities over which the Bank has a firm intention and ability to hold them to maturity. They are recorded at the acquisition cost adjusted for the amortization of premiums or discounts, during the term of title. Such cost shall be consistent with the market value at the time of purchase and subsequently adjusted by the amortization of premiums or discounts.

The amortization of premiums or discounts is recognized in the period results under the "Other Operating Income" and "Other Operating Expenses", as applicable.

Losses considered as permanent arising from the decrease in fair market value are recorded in the results of the semester in which they originate under "Other Operating Expenses" and any subsequent recovery in fair market value shall not affect the new cost basis, when management considers that such decrease is not temporary. Factors considered to determine whether there is an impairment include, but are not limited to, (1) the length of the period and the extent to which fair value has been below cost; (2) the financial condition and short-term prospects of the issuer; (3) the decrease in the credit rating of the issuer; (4) whether or not there is an active market for the security in question; and (5) the Bank intention and ability to hold the investment for a sufficient period of time to permit any anticipated fair value recovery. For the semesters ending on December 31 and June 30, 2022, the Bank has not identified impairments in the fair value of investments that shall be recorded

Restricted Availability Investments

Investments in securities of restricted availability that come from the other categories of investments are subject to the existing valuation criterion for investments in securities that gave rise to their registration.

e) Credit Portfolio

Pursuant to SUDEBAN, commercial loans and installments of term, mortgage and credit card loans are classified as past due once the corresponding installment is more than 30 days past due. Likewise, in the case of installment, mortgage, and credit card loans, if any installment is more than 120 days past due, the total principal is classified as past due.

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Likewise, all loans granted to microentrepreneurs, payable in weekly or monthly installments, are considered past due when there is at least one weekly installment 14 days past due or one monthly installment 60 days past due, respectively.

Loans whose original payment plan, term and other previously agreed terms have been modified in response to a refinancing request, under certain conditions established in the SUDEBAN Accounting Manual, are submitted as restructured loans. Loans in litigation correspond to past-due loans that are in the process of collection through legal actions.

The Bank credit portfolio includes loans granted in nominal bolivars that accrue only financial interest, as well as CPUN loans, commercial loans and microcredits expressed in UVC that accrue both financial interest and gains or losses derived from the fluctuation of the IDI.

At the time of settlement, loans are expressed in UVC, and are valued daily according to the variation in the value of the IDI, which is determined by the BCV based on the variations of the reference exchange rate of the free exchange market. If the variation of the IDI is downward, the reduction is recognized up to the limit of the IDI on the date the loan was granted, so that losses can only be generated up to the limit of previously recognized gains. The unrealized gain or loss from valuation of the UVC loan portfolio at the IDI value is recorded on an accrual basis with effect in equity, in the "Adjustments to equity" account, and is subsequently reclassified to income when collected. The income thus realized is presented under "Financial income".

The balance of the credit portfolio is updated daily, taking into account the variation of the Investment Index (IDI) published by BCV from the time the loan is granted until its cancellation. Increases or decreases in the principal of the loans due to the variation of the Investment Index (IDI) are recorded in the Adjustments to Equity account 358. When the loan is collected, these amounts previously recorded in the Adjustments to Equity account 358 are reclassified to income for the year, in the Income from Loan Portfolio account 513.

As per SUDEBAN regulations, unrealized gains accumulated from the valuation of UVC loans adjusted to IDI value may be used for the creation of generic and counter-cyclical provisions.

Resolution 021.18 issued on April 5, 2018, by SUDEBAN regulates the microfinance system and small and medium-sized enterprises (PYMEs) in Venezuela. The resolution establishes the rules regarding the characteristics and risk classification of loans granted to these sectors, as well as the calculation of their provisions and the execution of their guarantees. Universal and micro-finance banks must allocate their gross micro-credit portfolio as follows:

- A maximum of forty percent (40%) for financing marketing activities.
- A maximum of forty percent (40%) for the provision of services (public transportation for urban and trunk routes), communal, social and personal services.
- A minimum of twenty percent (20%) for other activities, such as transformation and industrial/ agricultural production, mixed productive units and crafts, among others.

Similarly, microfinance banks may allocate up to a maximum of forty percent (40%) of the total gross loan portfolio for financing small and medium-sized enterprises and no less than sixty percent (60%) to the microfinance system. They may also grant credit cards to users who already have microcredits in the banking institution.

f) Significant Accounting Estimates and Judgments

SUDEBAN standards and the VEN-NIFs require that the Bank management exercise judgment and use estimates and assumptions that affect the amounts reported in the financial statements and their notes, as well as the disclosure of contingent assets and liabilities. Such estimates and assumptions are based on historical experience and factors considered reasonable under the circumstances. Actual results may differ from these estimates.

The following is a summary of the main estimates used in the preparation of the financial statements:

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Investments in Securities

The Bank determines the market value of securities based on prices published by valuation systems gathering reference prices for the entire financial market. Securities and their yields, which have not been collected after 30 days from the date of maturity shall be provisioned at 100% and reclassified to Other Assets

Provision for Contingent Credits

The provision for contingent credits is determined based on a collectability assessment aimed at quantifying the specific provision to be constituted for each credit, including but are not limited to, the economic conditions, the credit risk per client, its credit experience and the fair value of guarantees received. The evaluation is carried out quarterly, according to SUDEBAN provisions. Credits of the same nature are evaluated as a whole, in order to determine the necessary provisions.

Provision for Other Assets

The Bank carries out an assessment on the collectability of items recorded under Other Assets, applying similar criteria, as applicable, with those established for the credit portfolio and, if necessary, records a provision for all those items that due to their nature or age so require.

Provision for Legal and Tax Claims

The Bank records a provision for those legal and tax contingencies, which it considers probable and reasonably measurable, based on the opinion of its legal advisors and based on the facts known at the valuation date (Note 12). However, these considerations are based on the current facts and the final outcome of these litigation proceedings may turn out to be different than expected.

g) Fixed Assets and Depreciation

Fixed Assets are initially recognized at their original cost, which is their acquisition or construction cost, as the case may be, plus all expenses necessary to have the asset in place and condition for use.

Depreciation is calculated by the straight-line method based on the estimated useful life of the various assets as follows:

	<u>Years</u>
Furniture	10
Office Equipment	4
Vehicles	4
Computer Equipment	4

h) Conversion and Integration of the Foreign Branch Financial Statements

The financial statements include the accounts of the Bank and its branch in the Cayman Islands. For purposes of combining or integrating the Bank accounts with its foreign branch, which the accounting records are expressed in U.S. dollars, the financial statements of such branch have been converted into bolivars by applying the official purchase exchange rate reported by BCV in force at the closing date.

Significant balances between the Bank and its Branch were removed from the combination.

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	June 30, 2023	December 31, 2022
	(in Bolivars)	
Combined asset balances without eliminations	3.924.698.826	2.148.353.724
Elimination of accounts receivable from the Branch to Venezuela	(270.423.213)	(83.241.712)
Elimination of Venezuela investment in the Branch	(649.941.979)	(381.117.337)
Reclassification to equity of provision for available-for-sale investments	(199.987)	1.071.087
Total combined assets	<u>3.004.133.647</u>	<u>1.685.065.762</u>
Venezuela net assets	1.272.661.068	711.788.706
Branch net assets	<u>1.731.472.592</u>	<u>973.277.056</u>
	<u>3.004.133.660</u>	<u>1.685.065.762</u>

i) Employment Benefits

They are recorded when they are caused, thus generating the legal or implicit obligation as a result of the service received from the employee, and a reliable estimate of the labor obligation can be made.

On July 29, 2021, the agreement containing all the provisions that regulate the Collective Labor Convention was signed and shall be in force from June 1, 2021, through June 30, 2023.

Employment benefits are classified as follows:

Accrual for Employee Compensation

The LOTTT and the Bank Collective Labor Convention establish that social benefits are an acquired right of employees. The payment of social benefits in Venezuela is made at the end of the labor relationship, in proportion to the time of service, calculated with the last integral salary earned by the worker. The integral salary is composed of the basic salary, vacation bonus, profit sharing, bonuses (except for the food bonuses) and other cash payments made by the employer on a regular and permanent basis to the employee.

The worker is entitled to be paid at least thirty days of full salary for each year worked or fraction of more than six months, calculated according to the last salary (retroactive benefits). The employer must deposit quarterly 15% of the worker's integral salary in a social benefits account, which generates monthly interest. This interest is paid to the employee each time he/she completes one year of service unless the employee wishes to capitalize it. The LOTTT establishes that at the end of the labor relationship the greater of the two calculations, between the retroactive social benefits and the total amount paid to the worker's guarantee in its trust, must be paid.

The worker may also request an advance of his social benefits, up to 75% of the accumulated amount, for the following purposes: construction, acquisition, improvement, or repair of housing; release of mortgage or any other encumbrance on housing; investment in education; medical and hospital care expenses. The employee must demonstrate to the employer that the money will be used for any of these purposes.

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The last salary of the worker, the moment of the termination of the employment relationship and the final amount paid in the guarantee of each employee are uncertain future events at each year end. Therefore, assumption-based actuarial methods are used to measure and record the additional obligation and expenditure related to social benefits, including the obligation discount rate, the wage increase rate and the employee turnover rate. These assumptions are evaluated annually and may have effects on the amount of the obligation, should variations be defined. The Bank, according to the LOTT, calculates the additional obligation for social benefits based on the last salary earned by the employee upon termination of the employment relationship by using actuarial methods. By December 31, 2021, the Bank has recorded actuarial gains or losses with charges to the results of the semester as it has considered that the amounts were immaterial. As of the first half of 2022, actuarial gains and losses are recorded in equity as re-measurements for staff benefit plans.

Short-term Employee Benefits

The bylaws, legal provisions and individual and collective bargaining agreement entered into managers and/or employees provide for their participation in net profits, as well as other short-term profits. The main accruals for this concept refer to the participation of employees in net profits and the vacation bonus. The Bank recognizes such cost based on the provisions of said regulations during the year in which they are incurred according to undiscounted calculations based on the labor regulations and the existing Collective Labor Convention.

Parafiscal Contributions

Parafiscal contributions are established by or based on a law. They are collected by certain public entities to ensure their autonomous financing. Some of the parafiscal contributions are those destined to social security, which include the contributions of workers and employers to the different social protection subsystems, such as the Compulsory Social Security (SSO), the Employment Benefit System, the Compulsory Housing Savings Fund (FAO), the National Institute for Socialist Educational Training (INCES). These contributions are calculated based on the worker's salary, whether normal or integral.

Job Security

Job security is a measure that protects workers of the public and private sectors from being dismissed, transferred or having their working conditions adversely affected without prior authorization from the Labor Inspector's Office. The National Executive has issued several decrees of labor immovability since 2002, the most recent being Decree No. 4,753, published in the Extraordinary Official Gazette No. 6,723 of December 20, 2022, which establishes job security for a period of two years, from January 1, 2023 to December 31, 2024. However, there are some exceptions to the job security, such as workers holding management positions, seasonal or occasional workers and cases of definitive or partial closing of the company.

j) Other Assets

Assets that the Bank may not classify in other asset groups are included under Other Assets, e.g. deferred expenses, expenses paid in advance, miscellaneous assets, items to be applied, etc., as well as the their corresponding provision.

Deferred expenses include expenses for organizing and installing owned branches and agencies, improvements to properties taken for rent, software and purchased licenses not recognized as expenses upon payment, however, they are distributed in future years because the benefits to be received extend beyond the year of generation.

Some items in this group are held for a maximum of 360 days, counted from the date they become due or payable. Should after this period they have not been realized, a provision of 100% is made and, prior authorization, they are divested. Excluded from this maximum period are miscellaneous goods, Value Added Tax (VAT) resulting from leasing transactions, prepaid income tax (ISLR), the Tax on Large Financial Transactions (IGTF), tax stamps cancelled to the states of the nation and items that, as required by the National Integrated Customs and Tax Administration Service (SENIAT), must remain in this account.

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The Bank conducts an evaluation of the collectability of items recorded under Other Assets, by assigning provisions for all those items that so require because of their age and nature, and by requirements of the Superintendence.

In addition, deferred expenses are recorded at cost and presented net of the accumulated amortization. The related amortization is calculated based on the straight-line method and is amortized over a maximum period of four years.

k) Trust Assets

Trust assets are valued based on the same parameters used by the Bank to value its own assets except for: (i) the non-constitution of generic provisions in the credit portfolio category, (ii) the recording of all investments in securities at acquisition cost adjusted for the amortization of the premium or discount and (iii) the recording of exchange gains, both realized and unrealized, in the results of the year rather than in the trust equity as required for the Bank

The Bank provides custody, administration, and management of investments with a wide range of financial instruments; Bank assets do not include trust assets. As of June 30, 2023 and December 31, 2022, the Bank holds Bs. 210,178,295 and Bs. 109,180,100 of trust assets, respectively, which are included in memorandum accounts (Note 19).

l) Financial Risk Management

Due to the nature of the business, the Bank is subject to market risk (price and foreign exchange), credit and liquidity risk, cash flow risks and interest risk. These risks are controlled by the Bank through approval, supervision, and control mechanism pursuant to the risk management policies run by the Steering Committee.

The BCV has implemented monetary policy measures to reduce inflationary and the exchange rate pressures, which have a direct impact on the banking sector as they include important measures to restrict monetary liquidity and automatic and discretionary foreign exchange intervention by the BCV that significantly limit the credit intermediation and restrict the free availability of cash, and generate significant operating costs. Additionally, the stabilization of the exchange rate as a reference for determining the IDI in the credit portfolio in a restricted environment for lending interest rates affects the banks ability to generate financial income from their credit portfolio.

For facing these challenges, the Bank has created mechanisms to monitor these risks, reviews its business model as appropriate, and has established provisions to cover general risks inherent to the Venezuelan banking activity.

In this context, a summary of the Bank risk exposure is as follows:

Market Risk

Market risk occurs in a financial institution when market conditions change adversely, affecting the liquidity and value of financial instruments held by the Bank in investment portfolios or in contingent positions, including derivative transactions, resulting in a loss for the Institution. There are two fundamental types of risk: price risk (which can be categorized as interest rate risk, currency risk, or equity value risk) and liquidity risk.

Exchange Rate Risk

This is the risk that the value of a financial instrument will fluctuate due to changes in currencies. The Bank has significant operations in U.S. dollars. The Bank may also invest in foreign exchange instruments, primarily in U.S. dollars, when it identifies an opportunity in the short or medium term.

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The Bank maintains recognized transactions in assets and liabilities denominated in currencies other than the bolivar and its net foreign currency position is active, mainly in a currency with less volatility than the reporting currency. The assets of the Cayman Islands Branch, the functional currency of which is the US dollar, represent 57.64% (57.76% in the six-month period ended December 31, 2022) of the Bank total assets. Public fundraising in foreign currency captured under the repealed Exchange Agreement No. 20 are placed in foreign banks in the same currency as shown under the Availabilities item (Note 3 and 10).

Pricing Risk

Financial assets are mainly held in cash, deposits in the BCV, domestic and foreign banks, and in obligations in foreign companies, which are classified as either as available-for-sale or held-to-maturity and restricted availability which in total represent 57.64% (72.72% for the six-month period ended December 31, 2022) of the Bank assets. Such assets are substantially independent of price fluctuations, so the Bank has limited exposure to this risk. The Bank does not use hedging instruments to manage its exposure to the price risk.

Liquidity Risk

This is the risk that the Bank will not be able to meet obligations related to settled financial obligations, delivering cash or other financial assets. The Bank reviews its available resources daily in cash, checking accounts, loans, and guarantees. The Bank investment strategy is aimed at ensuring the right level of liquidity. The Bank maintains its investments mostly in sight and/or with short-term maturities for liquidity risk management, and makes cash flow projections to assess available liquid assets and financing needs.

Credit Risk

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

Operational Risk

The Bank assumes exposure to operational risk as the risk of direct or indirect losses resulting from inadequate internal processes or failures thereof, human and system errors and external events.

In order to measure operational risk, the Bank employs two approaches: qualitative and quantitative; the first involves identification and analysis of risks before related events occur; whereas the second focuses primarily on gathering the events occurred and the experience derived from them.

m) Subsequent Events

Subsequent events are those that occur between the end of the reporting period and the date the financial statements are authorized for publication. These events may be of two types: those that involve adjustment and those that do not involve adjustment. Adjusting events are those that provide evidence of the existing conditions at the end of the reporting period. Non-adjusting events are those that indicate arising conditions after the reporting period. Subsequent events may affect the presentation and disclosure of the financial statements.

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3. Availabilities

The cash balance in availabilities includes the following:

	Note	June 30, 2023	December 31, 2022
		(in Bolivars)	
Banknotes and foreign currency	24	199.317.396	53.941.079
Banknotes and national currency		25.676.222	12.763.678
Coined gold	24	48.168.215	28.643.827
Freely convertible foreign exchange market		267.584	65.420
		<u>273.429.417</u>	<u>95.414.004</u>

As of June 30, 2023, and December 31, 2022, the Bank holds stocks of gold coins and bars equivalent to 897,717 ounces, which are priced at US\$ 1,920 and US\$ 1,829 per ounce.

The BCV balance included in availabilities is made up of the following:

	Note	June 30, 2023	December 31, 2022
		(in Bolivars)	
Legal Reserve		304.008.586	183.785.454
Currencies acquired to be traded in operations according to the Free Convertibility Exchange Market System	24	45.782.329	69.167.692
Demand deposits		5.821.570	63.882.363
Others		31.054.212	13.510.594
		<u>386.666.697</u>	<u>330.346.103</u>

The BCV, based on its legal authority, determines the amount related to the legal reserve in bolivars to be held in such institution single account, as per the related resolutions.

Foreign Exchange Intervention (BCV)

The foreign exchange intervention mechanism is a monetary policy measure used by the BCV to influence the exchange rate of the local currency, generally with its own reserves. The BCV may buy or sell foreign currency in the market to moderate exchange rate fluctuations that may affect inflation, economic activity or financial stability.

BCV Resolution 19-09-03, dated September 5, 2019 and published in Official Gazette No. 41,742 dated October 21, 2019, is an administrative act that establishes the BCV may carry out foreign currency sale transactions with banking entities by debiting the single account held with the BCV. Banking entities must apply the foreign currency position received from the BCV in sale and purchase transactions with their private sector clients, at the exchange rate applied by the BCV for the foreign exchange intervention. In addition, the total foreign currency position sold shall be used in foreign currency purchase and sale operations integrated to the Exchange Market System, to its private sector clients at the official exchange rate in effect on the date of the transaction, except for those making up the banking and stock market sectors. The amount in bolivars equivalent to the amount of the exchange intervention shall be deducted from the amount of the legal reserve, from the date of the transaction until the last day of the following week.

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On October 21, 2022, a circular letter issued by the BCV ratifies that foreign currency sale transactions agreed with customers shall be settled on the same value date, by debiting the bolivar account of the countervalue of the amount acquired and crediting the foreign currency account of the respective customer. Similarly, it establishes that the special deposits referred to in article 2 of Resolution No. 19-09-03, as of the date of the circular, shall be immediately credited to the foreign currency accounts referred to in Chapter IV of the Exchange Agreement No. 1 dated August 21, 2018, held by the customers in the respective banking entity (account 211. 05 "Current accounts under the Free Convertibility Exchange Market System" according to the Accounting Manual for Banking Institutions issued by the Superintendency of Banking Sector Institutions) (Note 10).

On June 30, 2023, the balance of Bs. 45,782,328 (Bs. 69,767,692 in December 2022) includes Bs. 37,224,288 (Bs. 60,157,248 in December 2022) equivalent to US\$ 1,332,000 (US\$ 3,448,339 in December 2022) for the amount of foreign currency pending receipt from the BCV and sold to customers under the Foreign Exchange Intervention mechanism (Note 10). These amounts, as of the date of this report, have already been delivered by the BCV. The remaining balance of Bs. 8,558,040 equivalents to US\$ 306,233 corresponds to the Exchange and Retail Bureau transactions available in foreign bank accounts.

Should it is not possible to sell all the foreign currency that was liquidated as a result of the foreign exchange intervention, an annual rate of 32.2% shall be applied on the unsold balance in purchase and sale transactions, from the date of execution of the foreign exchange intervention and for each day of occurrence of the reserve deficit.

The BCV, in the circular letter dated October 7, 2021, agreed to modify the procedure regarding the balance not applied by the banking institutions in operations with the public, contained in the Circular issued by the Institute on January 30, 2019; stating that in the event that banking institutions may not apply in public or interbank operations, all of the foreign currency sold on occasion of the exchange intervention carried out by the BCV, the Bank automatically shall, on the last banking working day of the week corresponding to such measure, carry out an operation to purchase the remaining foreign currency from the respective banking institutions based on the last balance reported, and applying for such purpose the exchange rate used in the respective foreign exchange intervention operation reduced by five point two thousand three hundred and seventy-five ten thousandths percent (5.2375%). Additionally, the following measures may be agreed upon:

- a) Not to apply to banks the reduction of 5.2375% of the exchange rate for the purchase of the balance not sold to the exchange intervention public at the end of the corresponding week, as per the Single Paragraph of Article 2, Resolution No. 19-09-03 dated September 5, 2019, using instead the current purchase exchange rate for the day on which the sale of such intervention was made.
- b) Not to collect the legal reserve deficit rate as specified in Article 5 of the aforementioned Resolution, for currencies that are not sold to customers.
- c) To extend the period for banking institutions to sell foreign currency to their customers, in virtue of the exchange intervention, and accordingly, to verify the sale to the BCV of the foreign currency not applied on the date it may determine.

Legal Reserve Deficit

Resolution 22-01-01 of the BCV, dated January 27, 2022, and published in the Official Gazette on February 4, 2022, establishes the rules governing the constitution of the minimum reserve requirement that banking institutions shall deposit at the BCV. The reserve requirement is a percentage of the net obligations and assigned investments of the banking institutions that shall be maintained as a reserve in the BCV to guarantee the solvency and stability of the financial system.

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The Resolution provides that banks must maintain a minimum legal reserve requirement of 73% on net obligations and assigned investments and 31% for deposits in foreign currencies. The Resolution also settles that if the Bank has a reserve requirement deficit, it shall incur a daily financial cost (COFIDE). The annual base interest rate to be paid by banks for the reserve requirement deficit shall be 9 percentage points in addition to the rate set by the BCV in its ordinary discount, rediscount and advance operations. . Following are the assumptions to be used for increasing such rate:

- a) Two additional percentage points, if a legal reserve deficit occurs three to seven times within 30 days;
- b) Four additional percentage points, if a legal reserve deficit occurs more than eight times in a period of 30 consecutive days starting when the first default occurred.

During the semester ended June 30, 2023, the Bank has received financial charges from the BCV for Bs. 7,282,487 (Bs. 21,066 as of December 31, 2022) for interest on the legal reserve deficit, variation of the IDI and penalization of the legal reserve derived from the foreign exchange intervention mechanism, which are presented in "Other Operating Expenses" (Note 18).

The legal reserve required by the BCV for June 30, 2023, amounts to a total of Bs.304,008,586 (Bs. 183,785,454 as of December 31, 2022). The Bank has maintained available balances at the BCV for Bs. 309,830,290 to cover this amount. During the first half of the year 2023, the Bank has presented several days of reserve requirements deficit in the months of March through June 2023 (reserve requirements deficit in the months of September and October, for the second half of 2022).

Public fundraising in foreign currency derived from alternative exchange systems under the repealed Exchange Agreement No. 20 and the Exchange Market System under the current Exchange Agreement No. 1 are excluded from the calculation of the legal reserve deficit in foreign currency, that is equivalent to 31% of foreign currency deposits, under the provisions of the BCV in its Resolution 21-01-01. Nevertheless, such deposits may not be used in financial intermediation, except by SUDEBAN prior authorization; therefore, they are fully held in banking accounts and/or in cash in the same currency in which they originate (Note 10).

4. Investments in Securities

Investments in debt, equity and other securities have been classified in the financial statements in accordance with management's intention. Investments in securities include:

	Note	June 30, 2023	December 31, 2022
		(in Bolivars)	
Placements with Banco Central de Venezuela and interbank operations.		36.000.000	-
Securities available for sale		227.275.103	67.062.133
Held until maturity		433.374.070	303.752.638
Restricted availability		175.024.733	106.801.020
		<u>871.673.906</u>	<u>477.615.791</u>

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a) Placements in the BCV and Interbank Operations

Following is a detail of such investments:

	June 30, 2023	December 31, 2022
	(in Bolivars)	
Overnight placements with annual yields between 5% and 50% and maturity in July 2023	36.000.000	-

Placements in the BCV and interbank transactions correspond to overnight placements made in the very short-term money market, generally with maturities of 24 hours or, at the most, two or three days. These placements are submitted at their nominal value, which is equivalent to their fair value. During the six-month period ended June 30, 2023, interest income of Bs. 1,354,822 (Bs. 4,000,599 in December 2022) was recognized on interbank transactions.

b) Investments in Available-for-Sale Securities

Investments in available-for-sale securities are stated at fair value and are detailed as follows:

	June 30, 2023			December 31, 2022		
	Acquisition Cost	Gross Unrealized Gross Profit (Loss)	Market Fair Value	Acquisition Cost	Gross Unrealized Gross Profit (Loss)	Market Fair Value
	(in Bolivars)					
Obligations issued by Foreign Private Non-financial Companies						
APPLE INC, with a nominal value of US\$ 200,000, an annual yield of 2.5% and an overdue date in February 2025, in June 2023 and December 2022.	5.374.242	(7.294)	5.366.948 (1)	3.424.404	(88.692)	3.335.712 (1)
AT&T INC, with a nominal value of US\$ 200,000, an annual yield of 3.8750% and an overdue date in January 2026, June 2023 and December 2022.	5.353.255	52.538	5.405.793 (1)	3.341.747	59.315	3.401.062 (1)
Microsoft Corporation, with a nominal value of US\$ 200,000, an annual yield of 3.1250% and an overdue date in November 2025	-	-	-	3.476.531	(106.034)	3.370.497 (1)
Pepsico Capital Resources, Inc., with a nominal value of US\$ 200,000, an annual yield of 2.75% and an overdue date in April 2025, in June 2023 and December 2022.	5.375.304	(21.601)	5.353.703 (1)	3.440.419	(104.219)	3.336.200 (1)
The Procter & Gamble Company, with a nominal value of US\$ 750,000, an annual yield of 2,45% and an overdue date in November 2026, (US\$ 200,000, a yield of 0.55% p.a. and maturing in October 2025, in December 2022).	19.709.057	(57.317)	19.651.740 (3)	3.214.293	(85.064)	3.129.229 (1)
Verizon Communications INC, with a nominal value of US\$650,000, yielding 0.75% per annum and maturing in March 2024.	17.527.608	2.892	17.530.500 (2)	-	-	-
	<u>53.339.466</u>	<u>(30.782)</u>	<u>53.308.684</u>	<u>16.897.394</u>	<u>(324.694)</u>	<u>16.572.700</u>

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	June 30, 2023			December 31, 2022		
	Acquisition Cost	Gross Unrealized Gross Profit (Loss)	Market Fair Value	Acquisition Cost	Gross Unrealized Gross Profit (Loss)	Market Fair Value
	(in Bolivars)					
Obligations issued by Foreign Financial Institutions						
Bank of America Corporation, with a nominal value of US\$ 200,000, an annual yield of 3.0930% and an overdue date in October 2025, in June 2023 and December 2022.	5.384.191	(8.076)	5.376.115 (1)	3.378.139	(35.554)	3.342.585 (1)
Bank of New Zealand, with a nominal value of US\$ 250,000, an annual yield of 3.093% and an overdue date in February 2025, in June 2023 and December 2022.	6.641.265	(69.516)	6.571.749 (1)	4.145.777	(71.214)	4.074.563 (1)
Barclays Bank Plc, with a nominal value of US\$ 200,000, an annual yield of 1.007% and an overdue date in December 2024.	-	-	-	3.307.695	13.572	3.321.267 (1)
BNP Paribas, with a nominal value of US\$ 200,000, an annual yield of 4.25% and maturing in October 2024, in June 2023 and December 2022.	5.570.508	(132.241)	5.438.267 (1)	3.477.368	(65.979)	3.411.389 (1)
Canadian Imperial Bank of Commerce, with a nominal value of US\$ 200,000, an annual yield of 0.95% and an overdue date in October 2025.	-	-	-	3.166.318	(30.983)	3.135.335 (1)
Capital One Financial Corporation, with a nominal value of US\$ 200,000, an annual yield of 3.65% and an overdue date in May 2027, June 2023 and December 2022.	5.205.252	(13.861)	5.191.391 (1)	3.331.455	(48.917)	3.282.538 (1)
Citigroup Inc., with a nominal value of US\$ 200,000, an annual yield of 1.2810% and an overdue date in November 2025.C	-	-	-	3.242.344	(27.389)	3.214.955 (1)
E-Trade Financial Corporation, with a nominal value of US\$ 200,000, an annual yield of 3.80% and an overdue date in August 2027, June 2023 and December 2022.	5.309.211	(10.399)	5.298.812 (1)	3.378.070	(95.706)	3.282.364 (1)
Goldman Sachs Group (B), with a nominal value of US\$1,000,000, a yield of 1.217% per annum and maturity in December 2023 (US\$200,000, yield of 3.2720% per annum and maturity in September 2025, in December 2022.	27.064.123	343.514	27.407.637 (2)	3.398.446	(36.287)	3.362.159 (1)
HSBC Holdings PLC, with a nominal value of US\$ 200,000, an annual yield of 4.3% and an overdue date in August 2026, June 2023 and December 2022.	5.414.764	(12.605)	5.402.159 (1)	3.462.889	(88.135)	3.374.754 (1)
ING Groep N.V., with a nominal value of US\$ 200,000, an annual yield of 3.550% and an overdue date in April 2024, in June 2023 and December 2022.	5.498.155	(11.932)	5.486.223 (1)	3.461.494	(48.605)	3.412.889 (1)
JPMorgan Chase & Co, with a nominal value of US\$ 200,000, an annual yield of 2.3010% and an overdue date in October 2025, in June 2023 and December 2022.	5.333.077	(7.042)	5.326.035 (1)	3.329.154	(41.243)	3.287.911 (1)
State Street Corporation, with a nominal value of US\$ 200,000, an annual yield of 2.354% and an overdue date in November 2025, in June 2023 and December 2022.	5.342.970	(8.441)	5.334.529 (1)	3.372.103	(44.381)	3.327.722 (1)
The Bank of New York Mellon Corporation, with a nominal value of US\$ 100,000, an annual yield of 2.10% and an overdue date in October 2024.	2.691.886	(20.987)	2.670.899 (1)	-	-	-
Toyota Motor Credit Corp, with a nominal value of US\$ 200,000, an annual yield of 3.2% and an overdue date in October 2025, in June 2023 and December 2022.	5.527.080	(148.115)	5.378.965 (1)	3.450.257	(90.785)	3.359.472 (1)
Wells Fargo & Company, with a nominal value of US\$ 200,000, an annual yield of 2.406% and an overdue date in October 2025, in June 2023 and December 2022.	5.332.323	(10.197)	5.322.126 (1)	3.334.318	(34.788)	3.299.530 (1)
	<u>90.314.805</u>	<u>(109.898)</u>	<u>90.204.907</u>	<u>51.235.827</u>	<u>(746.394)</u>	<u>50.489.433</u>
Securities issued or guaranteed by the Nation:						
U.S. Government Treasury Bills with annual yields between 4.9159% and 5.2545%, nominal value of US\$3,045,000 and maturity between July and December 2023.	83.420.845	340.667	83.761.512 (1)	-	-	-
	<u>227.075.116</u>	<u>199.987</u>	<u>227.275.103</u>	<u>68.133.221</u>	<u>(1.071.088)</u>	<u>67.062.133</u>

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Custodian of investments

- (1) Raymond James & Associates Inc.
- (2) Venecredit Securities
- (3) Brown Brothers Harriman

The maturities of investments in available-for-sale securities are as follows:

	June 30, 2023		December 31, 2022	
	Acquisition Cost	Market Fair Value	Acquisition Cost	Market Fair Value
	(in Bolivars)			
Up to six months	110.484.974	111.169.152	-	-
Between six months and one year	23.025.763	23.016.736	-	-
Between one and five years	93.564.379	93.089.215	68.133.218	67.062.133
	<u>227.075.116</u>	<u>227.275.103</u>	<u>68.133.218</u>	<u>67.062.133</u>

c) Held-to-Maturity Investments in Securities

Held-to-maturity investments in securities correspond to securities for which the Bank has the firm intention and ability to hold to maturity. The detail of such investments is as follows:

	June 30, 2023			December 31, 2022		
	Acquisition Cost	Amortized Cost (Book Value)	Fair Value	Acquisition Cost	Amortized Cost (Book Value)	Fair Value
	(in Bolivars)					
Obligations issued by Foreign Financial Institutions						
Morgan Stanley, with a nominal value of US\$ 1,500,000, annual yield of 3.125% and overdue date in January 2023.	-	-	-	27.159.837	26.188.851	26.158.757
Société Générale, S.A., with a nominal value of US\$ 1,600,000, an annual interest rate of 5% and an overdue date in January 2024, December, June 2023 and December 2022.	49.140.918	45.424.590	44.176.486	30.676.020	28.755.644	27.621.474
Bank of America, N.A. with a nominal value of US\$ 1,550,000, an annual yield of 4.183% and overdue date in November 2027, in June 2023 and December 2022.	50.147.567	47.654.002	41.168.090	31.304.417	30.052.406	25.667.115
Barclays Bank PLC, with a nominal value of US\$ 1,500,000, annual yields between 4.375% and 5.2%, and overdue date between January and May 2026, in June 2023 and December 2022.	48.015.414	44.825.421	40.256.666	29.973.429	28.321.920	25.389.246
Wells Fargo & CO, with a nominal value of US\$ 500,000, an annual yield of 4.1% and overdue date in June 2026, in June 2023 and December 2022.	15.957.676	14.986.229	13.401.721	9.961.515	9.462.179	8.452.586
BPCE SA REGS, with a nominal value of US\$ 500,000, an annual yield of 4.625% and an overdue date in July 2024, in June 2023 and December 2022.	15.605.191	14.411.957	13.653.795	9.741.478	9.128.137	8.488.959
Bayer US Finance II LLC, with a nominal value of US\$ 1,350,000, an annual yield of 2.850% and overdue date in April 2025, in June 2023 and December 2022.	40.045.923	38.656.176	35.575.576	24.998.507	24.291.188	22.073.056
Harley-Davidson Financial Services INC REGS, with a nominal value of US\$ 1,000,000, annual yield of 3.350% and overdue date in June 2025, in June 2023 and December 2022.	29.379.434	28.539.729	26.408.282	18.339.993	17.910.403	16.371.085
General Electric, with a nominal value of US\$ 1,000,000, annual yield of 4.9116% and overdue date in May 2026, June 2023 and December 2022.	27.610.806	27.841.046	27.848.348	17.235.934	17.368.239	16.840.799
	<u>275.902.929</u>	<u>262.339.150</u>	<u>242.488.964</u>	<u>199.391.130</u>	<u>191.478.967</u>	<u>177.063.077</u>

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	June 30, 2023			December 31, 2022		
	Acquisition Cost	Amortized Cost (Book Value)	Fai Value	Acquisition Cost	Amortized Cost (Book Value)	Fai Value
(in Bolivars)						
Obligations issued by Foreign Private Non-financial Companies						
Molson Coors Beverage Company, with a nominal value of US\$ 1,000,000, 3% annual yield and overdue date in July 2026, June 2023 and December 2022.	30.060.007	29.068.226	26.104.508 (1)	18.764.839	18.259.837	16.190.090 (3)
Ralph Lauren Corp, with a nominal value of US\$ 1,500,000, an annual yield of 3.750% and overdue date in September 2025, in June 2023 and December 2022.	44.317.020	42.919.449	40.473.864 (4)	27.664.721	26.932.160	25.429.458 (5)
Micron Technology INC, with a nominal value of US\$ 1,000,000, an annual yield of 4.975% and overdue dates in February 2026, June 2023 and December 2022.	32.738.926	30.338.773	27.528.364 (2)	20.437.142	19.222.825	17.213.953 (2)
Walgreens Boots Alliance INC, with a nominal value of US\$1,000,000, annual yield of 3,450% and overdue dates in June 2026, June 2023 and December 2022.	30.963.506	29.482.185	26.211.821 (1)	19.328.846	18.566.790	16.584.528 (3)
General Motors Company, with a nominal value of US\$ 490,000, a yield of 6.125% and overdue dates in October 2025, in June 2023 and December 2022.	16.140.668	14.810.101	13.775.369 (2)	10.075.747	9.398.241	8.706.921 (2)
Dell International LLC, with a nominal value of US\$ 280,000, an annual yield of 5.450% and an overdue date in June 2023.	-	-	-	5.386.352	4.968.968	4.887.748 (3)
	<u>154.220.127</u>	<u>146.618.734</u>	<u>134.093.926</u>	<u>101.657.647</u>	<u>97.348.821</u>	<u>89.012.698</u>
Certificates of Deposits in Financial Institutions						
Banco Sabadell, S.A., with a nominal value of US\$873,687, annual interest rate of 4.60% and maturity in July 2023 (US\$855,524 interest rate between 3.7% and 3.8% and maturity in January 2023, in December 2022).	24.416.186	24.416.186	24.416.186 (4)	14.924.853	14.924.852	14.924.852 (4)
	<u>454.539.242</u>	<u>433.374.070</u>	<u>400.999.076</u>	<u>315.973.633</u>	<u>303.752.638</u>	<u>281.000.627</u>

Custodian of investments

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

The maturities of held-to-maturity investments in securities are as follows:

	June 30, 2023		December 31, 2022	
	Amortized Cost	Market Fair Value	Amortized Cost	Market Fair Value
(in Bolivars)				
Less than six months	24.416.186	24.416.186	46.082.660	45.971.360
Between six months and one year	45.424.584	44.176.478	-	-
Between one and five years	363.533.300	332.406.412	257.669.978	235.029.269
	<u>433.374.070</u>	<u>400.999.076</u>	<u>303.752.638</u>	<u>281.000.629</u>

During the six-month period ended June 30, 2023, the Bank recognized premium amortization losses of Bs. 3,998,905 (equivalent to US\$ 143,093) (Bs. 2,997,824, equivalent to US\$ 168,215 in the second half of 2022), and are included in "Other Operating Expenses" (Note 18).

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d) Restricted Availability Investments

Investments of restricted availability are comprised of:

	June 30, 2023					December 31, 2022				
	Cost	Fair Value	Book Value	Market Value	Provision Made	Cost	Fair Value	Book Value	Market Value	Provision Made
	(In Bolivars)					(In Bolivars)				
Cash and Certificates of Deposit										
JP Morgan Chase Bank, with a nominal value of US\$5,642,453 (US\$5,516,095 in December 2022).	157.684.885	157.684.885	157.684.885	157.684.885	-	96.229.803	96.229.803	96.229.803	96.229.803	-
PNC Bank, with a nominal value of US\$ 535,291 (US\$ 521,872 in December, 2022).	14.959.330	14.959.330	14.959.330	14.959.330	-	9.104.207	9.104.207	9.104.207	9.104.207	-
	<u>172.644.215</u>	<u>172.644.215</u>	<u>172.644.215</u>	<u>172.644.215</u>	<u>-</u>	<u>105.334.010</u>	<u>105.334.010</u>	<u>105.334.010</u>	<u>105.334.010</u>	<u>-</u>
Restricted funds provided to trusts										
Social fund trust for contingencies, held at Banco Exterior, Banco Universal.	123.692	123.692	123.692	123.692	-	61.848	61.848	61.848	61.848	-
Other investments of restricted availability										
MasterCard, Inc. (22,940 class "B" shares, nominal value US\$0.0001 for US\$ 70,574).	-	2	1.972.273	1.972.273	-	-	2	1.231.183	1.231.183	-
Swift Shares: 2 shares, nominal value of EUR 125 per share.	284.553	7.625	284.553	473.324	-	173.979	4.662	173.979	271.998	-
	<u>408.245</u>	<u>131.319</u>	<u>2.380.518</u>	<u>2.569.289</u>	<u>-</u>	<u>235.827</u>	<u>66.512</u>	<u>1.467.010</u>	<u>1.565.029</u>	<u>-</u>
	<u>173.052.460</u>	<u>172.775.534</u>	<u>175.024.733</u>	<u>175.213.504</u>	<u>-</u>	<u>105.569.837</u>	<u>105.400.522</u>	<u>106.801.020</u>	<u>106.899.039</u>	<u>-</u>

The maturities of restricted investments are as follows:

	June 30, 2023		December 31, 2022	
	Cost	Market Fair Value	Cost	Market Fair Value
	(in Bolivars)			
Less than one year	172.644.215	172.644.215	105.334.010	105.334.010
More than one year	123.692	2.380.518	66.512	1.467.010
	<u>172.767.907</u>	<u>175.024.733</u>	<u>105.400.522</u>	<u>106.801.020</u>

As of June 30, 2023 and December 31, 2022, the certificate of deposit at JP Morgan Chase Bank and PNC Bank act as collateral to secure the VISA and Mastercard credit card transactions of the Bank.

The shares of MasterCard Incorporated were received by the Bank because of the conversion of MasterCard Incorporated into a corporation, in May 2006. Class B common stock of MasterCard Inc. may only be held by Class A shareholders.

SUDEBAN Resolution 305.11 of November 28, 2011 is a regulation that establishes the conditions for the creation and administration of the Social Fund for Contingencies by banking institutions, in order to guarantee the payment of social benefits and indemnities to their workers in the event of liquidation or intervention of the entity. Among the aspects regulated by this resolution are:

- The amount and frequency of contributions to the fund, which must be equivalent to 0.5% of the capital stock of each banking institution, until reaching ten (10%) of the capital stock.
- The accounting and reporting obligations to be met by banking institutions with respect to the fund, as well as the penalties applicable in the event of noncompliance.

As of June 30, 2023 the bank maintains in the Trust the amount of Bs. 123,692 (Bs. 61,848 as of December 31, 2022).

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e) Concentration of operations

The Bank has run its investment activities as follows:

Note	June 30, 2023		December 31, 2022	
	Book Value	%	Book Value	%
(in Bolivars)				
Securities issued by the U.S. government	83.761.512	9,61	-	0,00
Obligaciones emitidas por diversas entidades financieras del exterior	352.544.057	40,44	241.968.400	50,66
Foreign private non-financial companies	199.927.418	22,94	113.921.517	23,85
Term deposits in domestic financial institutions	36.000.000	4,13	-	0,00
Term deposits in foreign financial institutions	197.060.401	22,61	120.258.864	25,18
Shares and other	2.380.518	0,27	1.467.010	0,31
	<u>871.673.906</u>	<u>100,00</u>	<u>477.615.791</u>	<u>100,00</u>

The Bank Cayman Islands Branch holds placements and obligations issued by financial institutions and several foreign private companies denominated in U.S. dollars, which do not singly exceed 7% of the portfolio. Obligations issued by financial and non-financial companies are held with companies listed on the New York Stock Exchange.

As of June 30, 2023, 61.10% of the investments in securities, including the Branch, are concentrated in nine (9) issuers.

5. Credit Portfolio

The Credit Portfolio, consolidated with the Foreign Branch, is classified as follows:

	June 30, 2023				December 31, 2022			
	Current	Overdue	In Dispute	Total	Current	Overdue	In Dispute	Total
(In Bolivars)								
By type of economic activity - Operations in Venezuela								
Agriculture and fishing	128.652.612	1	-	128.652.613	62.979.445	1	-	62.979.446
Exploitation of mines and quarries	343.980	-	15.226.750	15.570.730	3.874.440	-	-	3.874.440
Manufacturing industries	94.624.316	-	-	94.624.316	30.419.163	-	-	30.419.163
Wholesale and retail trade, restaurants and hotels	90.011.791	9.236	184.674	90.205.701	52.179.746	399	-	52.180.144
Community, social and personal services	59.923.425	249.534	1.348.063	61.521.022	28.918.769	26.432	-	28.945.201
Construction, engineering and related services	12.232.636	-	-	12.232.636	14.755.497	-	-	14.755.497
Financial establishments, insurance, real estate.	5.752.218	152	-	5.752.370	4.741.443	-	-	4.741.443
Transport, storage and communication services and others	13.426.670	400.508	-	13.827.178	8.515.582	-	-	8.515.582
	<u>404.967.648</u>	<u>659.431</u>	<u>16.759.487</u>	<u>422.386.566</u>	<u>206.384.084</u>	<u>26.832</u>	<u>-</u>	<u>206.410.916</u>
By type of economic activity - Operations in Cayman Islands Branch								
Wholesale and retail trade, restaurants and hotels	209.184.764	-	-	209.184.764	35.491.447	-	-	35.491.447
Communal, social and personal services	91.905.271	-	-	91.905.271	38.918.805	-	-	38.918.805
Agriculture and fishing	66.454.414	-	-	66.454.414	61.630.288	-	-	61.630.288
Exploitation of mines and quarries	2.794.616	-	-	2.794.616	16.311.334	-	-	16.311.334
Construction	3.563.135	-	-	3.563.135	1.940.787	-	-	1.940.787
Manufacturing industry	31.647.279	-	-	31.647.279	34.861.770	-	-	34.861.770
Transport, storage and communication services and others	36.760.844	-	-	36.760.844	20.556.352	-	-	20.556.352
	<u>442.310.323</u>	<u>-</u>	<u>-</u>	<u>442.310.323</u>	<u>209.710.785</u>	<u>-</u>	<u>-</u>	<u>209.710.785</u>
	847.277.971	659.431	16.759.487	864.696.889	416.094.869	26.832	-	416.121.701
Provision for loan portfolio	-	-	-	(27.235.144)	-	-	-	(7.300.908)
	<u>847.277.971</u>	<u>659.431</u>	<u>16.759.487</u>	<u>837.461.745</u>	<u>416.094.869</u>	<u>26.832</u>	<u>-</u>	<u>408.820.793</u>

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	June 30, 2023				December 31, 2022			
	Current	Overdue	In Dispute	Total	Current	Overdue	In Dispute	Total
	(In Bolivers)							
By type of guarantee - Operations in Venezuela								
Bails	212.819.752	612.828	15.411.425	228.844.005	152.919.137	26.341	-	152.945.479
Pledge	8.998.029	-	1.348.062	10.346.091	19.806.272	-	-	19.806.272
Secured pledge	49.796.294	-	-	49.796.294	-	-	-	-
Mortgage and bail	212	-	-	212	223	-	-	223
Mercantile	-	-	-	-	-	-	-	-
Without guarantee	133.353.361	46.603	-	133.399.964	33.658.453	491	-	33.658.944
Total	404.967.648	659.431	16.759.487	422.386.566	206.384.084	26.832	-	206.410.916
By type of guarantee - Operations in Cayman Islands Branch								
Bails	115.755.126	-	-	115.755.126	116.354.282	-	-	116.354.282
Pledge	152.773.578	-	-	152.773.578	40.835.760	-	-	40.835.760
Secured pledge	131.530.928	-	-	131.530.928	30.090.487	-	-	30.090.487
Without guarantee	42.250.691	-	-	42.250.691	22.430.256	-	-	22.430.256
Total	442.310.323	-	-	442.310.323	209.710.785	-	-	209.710.785
	847.277.971	659.431	16.759.487	864.696.889	416.094.869	26.832	-	416.121.701
Due to expiration - Operations in Venezuela								
Up to 30 days	19.111.786	46.603	-	19.158.389	36.727.192	491	-	36.727.683
Between 31 and 60 days	6.549.254	-	-	6.549.254	14.091.415	-	-	14.091.415
Between 61 and 90 days	89.724.412	-	15.226.750	104.951.162	83.646.818	-	-	83.646.818
Between 91 and 180 days	201.979.860	-	1.348.062	203.327.922	27.449.457	-	-	27.449.457
Between 181 and 360 days	60.971.479	612.828	184.675	61.768.982	35.825.286	26.341	-	35.851.627
More than 360 days	26.630.857	-	-	26.630.857	8.643.917	-	-	8.643.917
Total	404.967.648	659.431	16.759.487	422.386.566	206.384.084	26.832	-	206.410.916
Due to expiration - Operations in Cayman Islands Branch								
Up to 30 days	-	-	-	-	-	-	-	-
Between 31 and 60 days	-	-	-	-	-	-	-	-
Between 61 and 90 days	181.733.875	-	-	181.733.875	41.818.511	-	-	41.818.511
Between 91 and 180 days	47.757.658	-	-	47.757.658	32.088.407	-	-	32.088.407
Between 181 and 360 days	85.623.422	-	-	85.623.422	95.155.409	-	-	95.155.409
More than 360 days	127.195.368	-	-	127.195.368	40.648.458	-	-	40.648.458
Total	442.310.323	-	-	442.310.323	209.710.785	-	-	209.710.785
	847.277.971	659.431	16.759.487	864.696.889	416.094.869	26.832	-	416.121.701
By type of credit - Operations in Venezuela								
Fixed term credits	311.040.697	-	16.574.812	327.615.509	157.185.772	-	-	157.185.772
Credits for installments	84.882.290	612.828	184.675	85.679.793	46.332.113	26.341	-	46.358.454
Consumer credits	9.044.661	37.367	-	9.082.028	2.866.199	11	-	2.866.210
Credits in current account	-	9.236	-	9.236	-	480	-	480
Total	404.967.648	659.431	16.759.487	422.386.566	206.384.084	26.832	-	206.410.916
By type of credit - Operations in Cayman Islands Branch								
Fixed term credits	295.450.182	-	-	295.450.182	131.628.253	-	-	131.628.253
Credits for installments	146.860.141	-	-	146.860.141	78.082.531	-	-	78.082.531
Consumer credits	-	-	-	-	-	-	-	-
Credits in current account	-	-	-	-	-	-	-	-
Total	442.310.323	-	-	442.310.323	209.710.785	-	-	209.710.785
	847.277.971	659.431	16.759.487	864.696.889	416.094.869	26.832	-	416.121.701

As of June 30, 2023, the Bank maintains a balance of Bs. 7,106,485 (Bs. 5,331,282 in December 2022) in credits for use of funds not available to the Bank from interbank mobile payment operations and immediate credits for being in the process of compensation, and for which they accrue an annual interest rate of 40%. The income recorded for these operations was Bs. 2,909,322 (Bs. 995,124 in December 2022).

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As of June 30, 2023 and December 31, 2022, the Bank does not have loans with debtors that individually exceed 10% of its net worth or with economic groups for amounts exceeding 20%, and does not have investments and loans that exceed the limits stipulated in the Law of Banking Sector Institutions.

Regulatory Portfolios

As for the current legal regulations, the Bank must allocate a minimum nominal percentage for granting loans to the Single National Productive Portfolio and to the micro-enterprise sector, as detailed below:

The gross microloan loan portfolio is allocated as follows:

Activity	June 30, 2023			December 31, 2022		
	Balance Held in Bolivars	Held %	Required %	Balance Held in Bolivars	Held %	Required %
Marketing	5.543.926	44,23%	40%	1.947.043	65,04%	40%
Provision of services (public transportation for urban and trunk routes; communal, social and personal services;	5.918.236	47,22%	40%	211.440	7,06%	40%
Other activities	1.071.316	8,55%	20%	835.080	27,90%	20%
	<u>12.533.478</u>			<u>2.993.563</u>		

SUDEBAN Circular Letter No. SIB-II-GGR-GNP-00335, dated January 18, 2023, instructs the Banking Institutions to grant credits in local currency to their clients, with the resources coming from fundraising in foreign currency, up to a maximum equivalent to 30% (up to a maximum equivalent to ten percent (10%) for the semester ending December 31, 2022) of the balance in foreign currency recorded in the account "Current Accounts under the Free Convertibility Market System" reflected as of December 31, 2022, excluding foreign currency custody accounts. The foreign currency corresponding to such percentage shall be offered in the Foreign Exchange Market System for subsequent settlement in bolivars under the different credit modalities set forth in the Law and other complementary regulations.

These credits shall be measured and expressed solely by using UVC. In addition, the banking institutions that intend to enter into such credit operations shall submit a contract proposal to SUDEBAN for its subsequent approval.

During the semesters ended June 30, 2023, and December 31, 2022, neither the Bank nor its foreign branch have carried out repurchase and resale transactions.

Provision for the Credit Portfolio

The Bank holds provisions for credit portfolio contingencies that exceed SUDEBAN minimum requirements. Following is the movement for the balance provision of credit portfolios:

	June 30, 2023	December 31, 2022
	(in Bolivars)	
Balance at the beginning of the semester	7.300.909	1.427.102
increase of provision		
With charge to results	15.652.486	4.773.843
With charge to equity	4.281.749	1.143.930
Decrease of provision		
Debits for uncollectable receivables	-	(43.966)
Transfers to Provision for income receivable	-	-
Balance at the end of the semester	<u>27.235.144</u>	<u>7.300.909</u>

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The increase in the allowance for loan portfolio includes the increase in the counter-cyclical allowance for Bs. 3,342,691 charged to the semester shown in the account "Expenses for Uncollectibility and Impairment of Financial Assets" (Bs. 2,550,255 as of December 31, 2022) and Bs. 26,406 charged to equity and shown in the account "Adjustments to Equity", as per SUDEBAN Resolution No. 070.19 dated December 20, 2019 (Bs. 1,143,930 as of December 31, 2022).

The amount of the portfolio, past due and in litigation, without interest accrued, amounted to Bs. 17,418,917 (Bs. 26,832 as of December 31, 2022). Additionally, the amount of unrecognized interests on this portfolio was Bs. 850,896 (Bs. 1 in the semester ended December 31, 2022).

During the six-month period ended June 30, 2023, and December 31, 2022, there was no portfolio recovery through foreclosure.

6. Financial Statements of the Foreign Branch

As of June 30, 2023, and December 31, 2022, the Branch has an assigned capital of US\$ 13,500,000 coming from the Bank contributions and approved by the Board of Directors. A summary of the Cayman Islands Branch financial statements integrated with the Bank financial statements is shown below:

	June 30, 2023		December 31, 2022	
	US\$	Equivalent in Bolivars	US\$	Equivalent in Bolivars
Assets				
Availabilities	15.875.097	443.647.993	16.129.978	281.391.942
Investments in securities	29.827.996	833.577.934	27.303.822	476.322.752
Credit portfolio	15.827.231	442.310.322	12.021.063	209.710.780
Interest and commissions receivable	382.078	10.677.613	333.834	5.823.827
Other assets	9.721.620	271.681.943	4.773.181	83.269.467
	<u>71.634.022</u>	<u>2.001.895.805</u>	<u>60.561.878</u>	<u>1.056.518.768</u>
Memorandum Accounts:				
Other debt memorandum accounts	<u>18.498.858</u>	<u>516.972.036</u>	<u>13.800.578</u>	<u>240.754.913</u>
Liabilities				
Public fundraising	47.462.579	1.326.396.803	37.944.251	661.947.988
Other financing obtained	-	-	100.868	1.759.670
Interest and commissions payable	-	-	23	401
Accruals and other liabilities	907.354	25.357.060	731.687	12.764.483
	<u>48.369.933</u>	<u>1.351.753.863</u>	<u>38.776.829</u>	<u>676.472.542</u>
Allocated capital and accumulated surplus	23.264.089	650.141.942	21.785.049	380.046.225
	<u>71.634.022</u>	<u>2.001.895.805</u>	<u>60.561.878</u>	<u>1.056.518.767</u>
Per-con Memorandum Accounts:				
Other credit memorandum accounts	<u>18.498.858</u>	<u>516.972.036</u>	<u>13.800.578</u>	<u>240.754.913</u>
Statements of Results:				
Financial income	1.668.556	46.629.732	1.255.732	21.906.593
Financial expenses	(4.012)	(112.120)	(2.315)	(40.386)
	<u>1.664.544</u>	<u>46.517.612</u>	<u>1.253.417</u>	<u>21.866.207</u>
Other operating income	1.884.743	52.671.328	1.520.211	26.520.503
Other operating expenses	(429.608)	(12.005.894)	(376.081)	(6.560.837)
Transformation expenses	(1.546.928)	(43.230.697)	(815.512)	(14.226.833)
Other income or expense, net	(162.264)	(4.534.656)	(324.744)	(5.665.249)
	<u>(254.057)</u>	<u>(7.099.919)</u>	<u>3.874</u>	<u>67.584</u>
Net profit for the semester	<u>1.410.487</u>	<u>39.417.693</u>	<u>1.257.291</u>	<u>21.933.791</u>

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7. Interests and Commissions Receivable

Below is a detail of the interests and commissions receivable:

	Note	June 30, 2023	December 31, 2022
(in Bolivars)			
Yields receivable from investments in securities			
On securities available for sale		888.038	468.782
In securities held until overdue		4.432.038	3.124.488
For placements in the Banco Central de Venezuela and interbank transactions		42.500	-
		<u>5.362.576</u>	<u>3.593.270</u>
Yields receivable from loan portfolio			
Current credits		8.234.003	3.510.114
Overdue credits		1.530	1
Delinquency		3.067	-
Microcredits and other financing instruments		77.967	25.605
		<u>8.316.567</u>	<u>3.535.720</u>
Commissions receivable			
Trust		985.390	453.977
Others		-	974
		<u>985.390</u>	<u>454.951</u>
Provision for yields receivable and others			
		(3)	(3)
		<u>14.664.530</u>	<u>7.583.938</u>

8. Fixed Assets

Fixed Assets are represented by:

	Note	Computer Equipment	Office Equipment	Vehicles	Furniture	Total
(In Bolivars)						
Cost						
Balance as of June 30, 2022		1.889.228	968.992	2.097	22.378	2.882.695
Additions		1.415.676	827.033	-	48.438	2.291.147
		<u>3.304.904</u>	<u>1.796.025</u>	<u>2.097</u>	<u>70.816</u>	<u>5.173.842</u>
Depreciation						
Balance as of June 30, 2022		(320.850)	(180.114)	(1.565)	(56)	(502.585)
Semester Expenses		(311.305)	(164.660)	(262)	-	(476.227)
		<u>(632.155)</u>	<u>(344.774)</u>	<u>(1.827)</u>	<u>(56)</u>	<u>(978.812)</u>
Balance as of December 31, 2022		<u>2.672.749</u>	<u>1.451.251</u>	<u>270</u>	<u>70.760</u>	<u>4.195.030</u>
Cost						
Balance as of December 31, 2022		3.304.904	1.796.025	2.097	70.816	5.173.842
Additions		4.224.878	3.460.035	-	141.686	7.826.599
		<u>7.529.782</u>	<u>5.256.060</u>	<u>2.097</u>	<u>212.502</u>	<u>13.000.441</u>
Depreciation						
Balance as of December 31, 2022		(632.155)	(344.774)	(1.827)	(56)	(978.812)
Semester Expenses		(522.265)	(413.597)	(259)	(5.091)	(941.212)
Other		-	1.518	-	(1.818)	(300)
		<u>(1.154.420)</u>	<u>(756.853)</u>	<u>(2.086)</u>	<u>(6.965)</u>	<u>(1.920.324)</u>
Balance as of June 30, 2023		<u>6.375.362</u>	<u>4.499.207</u>	<u>11</u>	<u>205.537</u>	<u>11.080.117</u>

During the semester ending on June 30, 2023, the Bank has recorded expenses for fixed assets depreciation for Bs. 941,212 (Bs. 476,227 in the semester ending on December 31, 2022), shown under the "General and Administrative Expenses" account (Note 17).

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9. Other Assets

Other Assets include the following:

	Note	June 30, 2023	December 31, 2022
(in Bolivars)			
Prepaid Expenses:			
Prepaid maintenance contracts		12.331.872	2.276.227
Insurance premiums paid in advance		8.724.005	1.493.182
Advances to suppliers for miscellaneous services		6.085.217	2.223.029
Prepaid professional fees		6.222.694	410.389
Prepaid rents		1.660.644	134.731
Prepaid taxes	13	8.116.163	4.896.176
		<u>43.140.595</u>	<u>11.433.734</u>
Items to be applied		19.795.562	2.744.859
Cost of foreign currency purchased at point-of-sale terminals US\$657,345 (US\$615,187 in December 2022)	10	18.363.301	10.732.102
Receivables pending immediate credits received		14.940.816	3.201.180
Deferred expenses		9.451.238	2.809.959
Advances to suppliers		7.607.125	5.994.031
Bonus to employees		1.633.780	-
Recoverable expenses		1.418.237	140.916
IGTF ME cost settled at TN		1.251.160	174.270
Debit card claims		61.465	371.197
Accounts receivable from other banks for P2P operations		30.175	11.526
Others		4.244.292	1.566.562
		<u>121.937.746</u>	<u>39.180.336</u>
Provisions for other assets		(71.700)	(70.124)
		<u>121.866.046</u>	<u>39.110.212</u>

Prepaid taxes consist mainly of: (i) income tax advances for special taxpayers Bs. 7,046,122 (Bs. 4,309,961 as of December 31, 2022), (ii) VAT tax credits of Bs. 47,620 (Bs. 531,262 as of December 31, 2022) and (iii) taxes paid by the branch related to the annual operating license in the Cayman Islands of Bs. 1,022,421.

Prepaid technology maintenance contracts among others mainly comprise maintenance and support services for technology platform equipment and renewal of software and internet licenses for one year.

Advances to suppliers for miscellaneous services refer to expenses for maintenance and repair services paid in advance to suppliers and amortized upon receipt of the contracted goods or services.

Prepaid insurance premiums consist of prepayments of the bank crime policy, the coverage of which extends to the following period.

Advances to suppliers are payments made to suppliers for goods and services acquired but not yet received.

The items to be applied consist mainly of accounts receivable from customers' debit and credit card transactions, most of which were applied to the corresponding accounts during the first days of the month following the closing. The balance of Bs. 19,795,562 includes Bs. 15,555,525 corresponding to checking and savings account transactions that were regularized the following business day and Bs. 3,944,768 for consumer transactions with debit cards to be applied to affiliated businesses, which were also regularized the following business day.

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Recoverable expenses include Bs. 287,691 (Bs. 114. 901 as of December 31, 2022), arising from the net loss derived from the debit and credit notes unilaterally issued by the BCV in the single account held by the Bank with that institution, which is shown under Cash and Cash equivalents, due to the differential between the discretionary exchange rate applied in the debits and credits received in application of the exchange intervention mechanism established in Resolutions No. 19-01-04 and No. 19-05-03 issued by the BCV (Note 22).

In 2019, the Bank filed a nullity action with a request for a precautionary measure of suspension of effects against the aforementioned resolutions and, based on the opinion of its legal advisors on the unconstitutionality of such measure, has recognized these net deductions as recoverable disbursements since they do not constitute foreign currency purchase and sale transactions for the Bank and maintains the positive expectation of their recovery.

Penalty expenses applied by the BCV related to the foreign exchange intervention, as explained in Note 3, are recorded as a charge to income, in accordance with the instructions received from SUDEBAN in its Official Letter No. SIB-II-GGIBPV-GIBPV6-02729 dated May 22, 2020. For the semesters ended June 30, 2023 and December 31, 2022, no expenses for these penalties have been recorded.

During the semester ended June 30, 2023, Bs. 114,901 (Bs. 600,794 in the six-month period ended December 31, 2022) of recoverable expenses older than one year have been amortized. During the first half of 2023 and second half of 2022 there have been no penalty charges arising from the foreign exchange intervention mechanism.

The movement in deferred expenses is shown below:

	Note	Licenses	Software for Currency Reconversion	Leased Property Improvements	Other Software	Advertising for Currency Reconversion	Other	Total
(In Bolivars)								
Cost								
Balance as of June 30, 2022		297.364	94.900	32.289	14.864	11.204	764.202	1.214.823
Additions		350.988	-	1.152.843	32.828	-	444.625	1.981.284
Withdrawals		-	-	-	-	-	-	-
		<u>648.352</u>	<u>94.900</u>	<u>1.185.132</u>	<u>47.692</u>	<u>11.204</u>	<u>1.208.827</u>	<u>3.196.107</u>
Amortization								
Balance as of June 30, 2022		(51.579)	(11.379)	(2.953)	(4.645)	(2.490)	(37.728)	(110.774)
Semester Expenses		(38.387)	(9.489)	(8.363)	(5.277)	(1.867)	(211.990)	(275.373)
Withdrawals		-	-	-	-	-	-	-
		<u>(89.966)</u>	<u>(20.868)</u>	<u>(11.316)</u>	<u>(9.922)</u>	<u>(4.357)</u>	<u>(249.718)</u>	<u>(386.147)</u>
Balance as of December 31, 2022		<u>558.386</u>	<u>74.032</u>	<u>1.173.816</u>	<u>37.770</u>	<u>6.847</u>	<u>959.109</u>	<u>2.809.960</u>
Cost								
Balance as of December 31, 2022		648.352	94.900	1.185.132	47.692	11.204	1.208.827	3.196.107
Additions		3.139.057	-	115.572	86.247	-	4.517.533	7.858.409
Withdrawals		-	-	-	-	-	-	-
Balance as of June 30, 2023		<u>3.787.409</u>	<u>94.900</u>	<u>1.300.704</u>	<u>133.939</u>	<u>11.204</u>	<u>5.726.360</u>	<u>11.054.516</u>
Amortization								
Balance as of December 31, 2022		(89.966)	(20.868)	(11.316)	(9.922)	(4.357)	(249.718)	(386.147)
Semester Expenses		(159.247)	(9.490)	(159.298)	(14.946)	(1.867)	(872.282)	(1.217.130)
Withdrawals		-	-	-	-	-	-	-
		<u>(249.213)</u>	<u>(30.358)</u>	<u>(170.614)</u>	<u>(24.868)</u>	<u>(6.224)</u>	<u>(1.122.000)</u>	<u>(1.603.277)</u>
Balance as of June 30, 2023		<u>3.538.196</u>	<u>64.542</u>	<u>1.130.090</u>	<u>109.071</u>	<u>4.980</u>	<u>4.604.360</u>	<u>9.451.239</u>

During the six months ended June 30, 2023, the Bank has made disbursements of Bs. 7,858,409 (Bs. 1,981,284 in the semester ended December 31, 2022) mainly for the maintenance of licenses for MAIFRAME equipment and licenses for the Exchange server.

The Bank has recognized amortization expenses of deferred charges totaling Bs. 1,217,130 (Bs. 275,373 as of December 31, 2022) (Note 17).

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The Bank makes provisions for other assets based on specific recovery and aging analyses, in accordance with SUDEBAN parameters. The movement in the provision for other assets is shown below:

	Note	June 30, 2023	December 31, 2022
		(in Bolivars)	
Balance at the beginning of the semester		(70.124)	(8.207)
Increase in provision			
With charge to results		-	(45.909)
With charge to equity		(1.576)	(16.008)
Balance at the end of the semester		<u>(71.700)</u>	<u>(70.124)</u>

10. Public Fundraising

Public Fundraising include the following:

	Note	June 30, 2023	December 31, 2022
		(in Bolivars)	
Demand Deposits			
Unpaid checking accounts		348.893.610	155.770.904
Paid current accounts include US\$ 41,453,168 of the Branch customers (US\$ 34,478,561 in December 2022)		1.282.630.610	741.479.899
Current accounts under Exchange Agreement No. 20, equivalent to US\$271,107 (equivalent to US\$275,882 in December 2022)	3 y 21	7.576.390	4.812.832
Deposits and demand certificates include US\$ 113,457 from customers of the Branch (US\$ 113,457 in December 2022)		37.849.024	6.979.291
Current accounts under the Free Convertible Exchange Market System, equivalent to US\$ 4,196,541 (US\$ 5,288,699 in December 2022)	3	117.277.192	92.262.814
		<u>1.794.226.826</u>	<u>1.001.305.740</u>
Other demand obligations			
Cashier checks sold		987.442	16.516.890
Trust obligations include US\$ 456,846 (US\$ 324,028 in December 2022) deposited in current accounts at the Branch	20	32.174.651	16.162.372
Money orders and transfers payable	9	30.434.612	18.535.188
Others		881.218	599.300
		<u>64.477.923</u>	<u>51.813.750</u>
Savings deposits		25.387.985	13.708.308
Restricted deposits from the public include US\$ 5,429,064 from customers of the Branch (US \$2,944,916 in December 2022) that guarantee credit operations		154.438.454	52.961.051
		<u>2.038.531.188</u>	<u>1.119.788.849</u>

Ninety-nine percent of public fundraising comes from natural and legal entities in the private sector.

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Exchange Agreement No. 20 was issued by the BCV and the People's Ministry of Planning and Finance and published in Official Gazette No. 39,968 on July 19, 2012. This agreement authorized universal banks to receive deposits in foreign currency from individuals and legal entities, under certain conditions and limitations. Exchange Agreement No. 20 was partially repealed by Exchange Agreement No. 27, published in Official Gazette No. 40,106 on February 7, 2013 and was fully repealed by Exchange Agreement No. 34, published in Official Gazette No. 40,865 on March 9, 2016, and no provision thereof is currently in force. The balance as of June 30, 2023 and December 31, 2022 corresponds to deposits received by the Bank in accordance with the aforementioned agreement and which have not been withdrawn by customers.

The Free Convertibility Exchange Market System is a system for the purchase and sale of foreign currency in bolivars, in which demanders and bidders participate without any restriction. This system has been established by Exchange Agreement No. 1 of September 7, 2018. According to this system, individuals and legal entities may carry out foreign exchange transactions through the exchange bureaus authorized by the BCV, which shall publish daily the average exchange rate resulting from the transactions carried out. The most relevant aspects of the agreement are:

- 1) It establishes the free convertibility of the currency throughout the national territory.
- 2) It overrules the exchange control regime that began to be implemented in 2003.
- 3) It establishes two mechanisms for foreign exchange operations: the mechanism applicable to the public sector and the mechanism applicable to the private sector:
 - a. The public sector mechanism centralizes the purchase and sale of foreign currency and foreign currencies in the BCV.
 - b. The private sector mechanism allows individuals to carry out foreign exchange transactions directly, without the BCV intermediation, through the Exchange Market System.
- 4) It regulates retail transactions and transactions with securities.

Current accounts under the Free Convertibility Exchange Market System correspond to public deposits in foreign currency held in Venezuela (Notes 3 and 24) of which Bs. 37,224,288 (Bs. 60,157,248 in December 2022) are pending for receipt from the BCV and the remainder is held in cash in the Bank vaults. Additionally, the Bank has charged its customers between 1% and 3% of the amount in cash in foreign currency withdrawn at branches and ticket offices, accruing income for this concept during the six months ended June 30, 2023 of Bs. 5,801,948 (from Bs. 3,533,220 in the semester ended December 31, 2022) which are included in Other Operating Income (Note 18).

Cashier's checks sold correspond to obligations for funds received from the public in exchange for cashier's checks mainly for payments to the National Treasury from large customers.

Drafts and transfers payable include US\$ 431,699 equivalent to Bs. 12,064,339 (US\$ 431,699 equivalent to Bs. 7,531,115 as of December 31, 2022) corresponding to interest on Sovereign Bonds which have suspended interest payments to the Bank customers. Additionally, they include US\$ 657,345 (US\$ 630,650 as of December 31, 2022), for foreign currency acquired by points of sale of foreign bank cards that will be sold to the Bank customers, previously authorized by the BCV.

The deposits of the Bank Cayman Islands Branch are susceptible to the Venezuelan market and in recent semesters they have experienced variations due to the needs derived from the country inflationary effects. Consequently, the Bank monitors its liquidity risks and modifies its investment strategy as necessary.

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11. Other Financing Obtained

Details for Other Financing Obtained are as follows:

	Nota	30 de junio de 2023	31 de diciembre de 2022
(En bolívares)			
Cuenta corriente con el Bancaribe, C.A. Banco universal		1.000.000	-
Otros		-	90
		<u>1.000.000</u>	<u>90</u>
Colocación de Raymond James & Associates Inc, con valor nominal de US\$100,868, un rendimiento anual del 8% y vencimiento en enero de 2023		-	1.759.671
Depósitos de instituciones financieras del exterior en moneda nacional		38.897	6.128
		<u>38.897</u>	<u>1.765.799</u>
		<u>1.038.897</u>	<u>1.765.889</u>

12. Accruals and Other Liabilities

Accruals and Other Liabilities include the following:

	Note	June 30, 2023	December 31, 2022
(in Bolivars)			
Provision for contingencies includes US\$ 14,330,710 (US\$ 14,167,932 in December 2022)".		407.224.903	247.310.825
		103.139.459	34.448.177
Profits payable to officers and employees include US\$ 1,174,769 (US\$ 1,182,652 in December 2022)		32.830.334	20.631.755
Provision for income tax	13	1.500.000	7.950.000
Accruals for Social Benefits	14	10.613.326	5.389.511
Dividends payable		6.800.261	4.195.483
Contracted services payable		3.341.584	2.096.599
Taxes withheld		4.205.941	1.751.540
Contribution payable related to Organic Law on Drugs	1	1.130.745	711.208
Contribution payable related to Sports Law	1	1.686.672	643.893
Other taxes		2.157.196	459.453
Other accounts payable		2.895.189	420.518
Provisions for employee welfare		1.265.648	-
Contribution in Science, Technology and Innovation	1	-	374.481
Others		1.947.288	2.094.568
		<u>580.738.546</u>	<u>328.478.011</u>

"Contingency Provisions" include estimates made by Management for covering tax, labor, administrative and/or civil contingencies, and voluntary provisions to cover general risks of banking activity. The movement of such provision is as follows:

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	Note	June 30, 2023	December 31, 2022
		(in Bolivars)	
Balances at the beginning of the semester		247.310.825	76.558.774
Effects of exchange fluctuation due to the valuation of balances in foreign currency, which is shown in Equity	16 c)	149.242.190	160.958.025
Increases charged to results		12.178.821	10.399.104
Decrease due to payments and others		<u>(1.506.933)</u>	<u>(605.078)</u>
Balances at the end of the semester		<u>407.224.903</u>	<u>247.310.825</u>

Items to be applied include the following:

	Note	June 30, 2023	December 31, 2022
		(in Bolivars)	
P2P payments pending to Suiche 7B		43.655.305	15.979.220
Payment orders to be applied to the BCV		2.085.582	1.631.810
Point of sale operations payable - Compensating accounts		29.932.315	8.579.422
Unavailable funds receivable by P2P		7.106.485	4.290.812
Immediate credits to Electronic Clearing House		19.490.564	2.728.923
Funds not available for immediate credit collection		-	1.040.470
Others		<u>869.208</u>	<u>197.520</u>
		<u>103.139.459</u>	<u>34.448.177</u>

P2P (person-to-person) payments are money transfers between individuals through mobile devices, which are made effective instantly from any bank affiliated to Suiche 7B. These payments are known as mobile payments and work as an alternative to pay at merchants and make transactions between individuals. P2P payments pending to Suiche 7B as of June 30, 2023, correspond to Mobile Payment transactions that are normally settled the day after the transaction.

Point-of-sale transactions are transactions made with debit or credit cards through electronic devices (POS) that allow the merchant to charge the customer for a sales transaction. As of June 30, 2023, and December 31, 2022, the balance of point-of-sale transactions payable corresponds to the use of other financial institutions points-of-sale by Venezolano de Crédito customers, most of which are regularized during the first days of the month following each monthly closing.

Payment orders to be applied as of June 30, 2023, and December 31, 2022 correspond to transfers made by the Bank customers to other financial institutions on the last days of June 2023 and December 2022, respectively, which become effective on the first days of July and January 2023, respectively.

The "Profits payable to employees and officers" are calculated based on the net profits of the semester, in accordance with the provisions of the collective bargaining agreement in force and the Bank bylaws. As approved by the Steering Committee, the currency of payment for the amounts due for labor and statutory profits would be the US dollar, in order to avoid, as far as possible, the beneficiary the effects of inflation in the purchasing power generated from the time the obligation has been caused until the time of its cancellation. During the six-month period ended June 30, 2023, bonuses were paid to employees and executives for Bs. 43,450,638, of which Bs. 40,892,557 (equivalent to US\$ 1,463,262) were paid through its Branch (US\$ 725,161 equivalent to Bs. 12,650,637 in December 2022).

13. Income Tax

The Income Tax Law includes the system for the payment of taxes related to operating profits and capital gains, the world income system, the international tax transparency system, the transfer pricing system and the inflation adjustment system, among other things.

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The Bank fiscal year ends on December 31 of each year and it files tax returns on an annual basis and estimates tax expense semi-annually at the close of each accounting year. Among other aspects, the current Income Tax Law establishes for institutions engaged in banking and financial activities a proportional tax of 40% on taxable income, and the exclusion from the adjustment system for tax inflation. Furthermore, the Law provides that the net operating losses may be carried forward during the following three years offsetting a maximum of 25% of the annual enrichment.

As of June 30, 2023, the Bank holds an income tax provision of Bs. 1,500,000, which is based on estimates of the results of the semester and shall be updated with the results of the annual fiscal year ending December 31, 2023.

The estimated reconciliation between book income and taxable income for the fiscal year ended December 31, 2022, was as follows:

	December 31, 2022
Applicable Tax Rate	40%
Book profit before income taxes	<u>72.339.323</u>
Tax expense determined on accounting profit	28.935.729
Effect of tax on expenses paid in advance	124.600
Effect of income tax not available at the end of the semester	(17.767.146)
Tax effect on exempt income	(1.670.921)
Other net effects	<u>(1.695.748)</u>
	<u>7.926.514</u>
Estimated income tax expense	<u><u>7.950.000</u></u>

On February 22, 2023, the Bank has filed the definitive income tax return for fiscal year 2022 and has determined a final tax payable of Bs. 11,374,673, which was partially offset with advances of Bs. 11,259,954, leaving a net tax payable of Bs. 114,718. The difference between the estimates made for the end of the 2022 fiscal year and the final calculation of Bs. 3,423,768 has been charged to the income tax expense account for the six-month period. The detail of the income tax expense as of June 30, 2023 is as follows:

Concept	Amount (Bs.)
Estimated tax for the first half of 2023	1,500,000
Adjustment for definitive declaration of year 2022	<u>3,423,768</u>
Total	<u><u>4,923,768</u></u>

Income Tax Deferred

The Bank has not recorded the tax effect originated by temporary differences between taxable income and accounting income, due to its recovery uncertainty, and because SUDEBAN prudential accounting standards do not require it, the Bank does not recognize the deferred tax liability for the temporary difference generated with effect on equity accounts.

As of June 30, 2023, and December 31, 2022, the deferred tax asset resulting from certain loan portfolio provisions and the deferred tax liability resulting from valuations with effect on patrimonial accounts are not recognized, in accordance with the accounting interpretation of the Accounting Manual for Banks instructions, Resolution No. 198 of June 17, 1999, Resolution No. 025.17 of March 28, 2017 and Resolution No. 101.17 of September 12, 2017, issued by SUDEBAN.

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Income Tax Advance System

On August 21, 2018, the National Government has published a Constituent Decree establishing the temporary income tax advance payment system for taxpayers qualified as special taxpayers engaged in economic activities other than the exploitation of mines, hydrocarbons and related activities, and who are not recipients of royalties from such exploitations. The advance payment is determined based on the gross income from the sale of goods and services rendered, obtained during the previous fortnightly tax period, within the national territory and shall be between 0.5% and 2%. The National Government may establish different aliquots but may not exceed the limits provided for. The percentage of advance payments is described as follows:

- a. Two percent for financial institutions, banking, insurance, and reinsurance sector.
- b. One percent for the rest of the taxpayers.

Such advance payments shall be deductible in the final income tax return. The advance payment system established under this Decree shall be in force until its total or partial repeal by the National Government. As of June 30, 2023, the Bank has settled income tax advances of Bs. 7,046,122 (Note 9).

Transfer Pricing System

Taxpayers subject to income tax that carry out transactions with shareholder or related companies domiciled abroad shall determine their income for exports and their costs for goods and services acquired from related parties abroad, applying the methodology set forth in the Law for such transactions. The evaluation of the Bank activities and the regulations on transfer pricing carried out by Management and its tax advisors has concluded that Bank activities are not subject to the aforementioned system.

Tax on Capital Gains

The Income Tax Law establishes a dividend tax, the taxable base of which is represented by the excess of the Company net financial income, not exempt or exonerated, on its taxable income subject to income tax. The applicable tax rate is 34% and shall be withheld in full by the Bank when paying or crediting dividends attributed from the aforementioned excess. The Bank is subject to this system as a withholding agent for dividends paid to its shareholders.

Organic Tax Code

The Organic Tax Code (COT) is the most important standard following the National Constitution that regulates the country taxation. The COT contains the principles, sources, classification, characteristics, procedures and sanctions of Venezuelan tax law. The current Venezuelan Tax Code was issued by Constituent Decree of the National Constituent Assembly and published in the Extraordinary Official Gazette No. 6,507 dated January 29, 2020.

The current COT introduced several modifications with respect to the previous one, among which the following stand out:

- a. It is established that the value of the Tax Unit (UT) applicable to the taxes that are settled for annual periods shall be the one in force at the close of the respective fiscal year.
- b. The maximum term of the exoneration benefit is reduced to one year with possibility of renewal by the National Executive for the same maximum term.
- c. The UT is eliminated as a factor for the calculation of fines for formal and material faults and it is replaced by the official exchange rate of the highest value currency published by the Central Bank of Venezuela.
- d. Penalties for tax offenses are strengthened by increasing fines and charges indexed to the euro.
- e. It is established that the exonerations of national taxes shall be contained in a single administrative act that shall be called General Decree of Exonerations of National Taxes and shall be published for each fiscal year.

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14. Employee Benefits and Employee Benefit Plan

a) Accrual for Employee Benefits

The accrual for workers' compensation includes:

	Note	June 30, 2023	December 31, 2022
		(in Bolivars)	
Guarantee for social benefits		6.708.389	3.032.672
Additional obligation for social benefits		<u>3.904.937</u>	<u>2.356.839</u>
	12	<u>10.613.326</u>	<u>5.389.511</u>

As of June 30, 2023, and December 31, 2022, the Bank holds a defined benefit plan for the social benefits of its employees, in accordance with the Organic Labor Law (LOTTT) and the collective bargaining agreement in force.

The defined benefit plan for the Bank employees' social benefits exposes the Bank to actuarial risks such as interest rate risk, mortality risk and salary risk.

The present value of the defined benefit obligation and service cost have been determined as of June 30, 2023, and December 31, 2022, by an independent actuary. The present value of the defined benefit obligation and the service cost were determined using the projected unit credit method.

The key long-term assumptions used for purposes of the actuarial study as of June 30, 2023, and December 31, 2022, are as follows:

	June 30, 2023	December 31, 2022
Turnover rate	22,12%	22,12%
Mortality rate	GAM83	GAM83
Salary increase rate	0,00%	0,00%
Discount rate	8,00%	8,00%
Long-run geometric average inflation rate	150%	100%

During the second and first half of 2022, the reconciliation of the change in the present value of the defined benefit obligation shown in the defined benefit plan account is as follows:

	June 30, 2023	December 31, 2022
	(in Bolivars)	
Present value of the obligation at the beginning of the semester	2.356.841	1.838.909
Interest cost (a)	1.239.570	67.283
Cost of services (a)	118.410	56.074
Benefits paid	(254.755)	(125.063)
Actuarial losses (gains) of obligations (b)	<u>3.070.861</u>	<u>519.638</u>
Balance at the end of the semester	<u>6.530.927</u>	<u>2.356.841</u>

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

(b) Shown under the surplus to be applied account.

b) Provisional Retirement Plan

Since 2017, the Bank maintains a program called the "Provisional Retirement Plan" for its employees, which has replaced the defined benefit plan known as the "Retirement Plan".

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The Provisional Retirement Plan is contributive, and it allows the worker to make monthly and extraordinary contributions that compel the Bank to contribute for the benefit of each worker, both determined according to the basic monthly salary of the workers under certain conditions. The contributions are administered by a civil association created for this purpose by mutual agreement among the workers; this association is responsible for investing the funds received and distributing the income generated, if any, among the beneficiary workers during the employment relationship and can be withdrawn only at the end of this. The Bank is only responsible for making its contributions and does not assume responsibility for the administration and/or disposition of the funds of the plan.

As of June 30, 2023, and December 31, 2022, the Bank has made the extraordinary and ordinary contributions established in the contractual agreement. The Bank expense in the semester ended June 30, 2023, related to this Plan, is Bs. 998,523 (Bs. 600,322 in the six-month period ended December 31, 2022), which are presented in "Personnel Expenses".

The funds of the Pension Plan are managed by a domestic financial institution through a Trust agreement, the purpose of which is to administrate and invest the resources received from the Bank related to pension payments. Management and its actuaries consider that the Trust for the social fund for contingencies also covers the post-retirement benefits of the workers of the going concern and, therefore, makes part of the assets of the pension and retirement plan.

15. Regulatory Contributions

Contribution to Community Council Projects

According to Resolution No. 233.11 of August 22, 2011, published in Official Gazette of the Bolivarian Republic of Venezuela, No. 39,741 of August 23, 2011, the contributions for communal council projects are resources allocated to communal councils or other forms of social organization for the financing of projects aimed at meeting the needs, potentialities and aspirations of the communities. The Banking Institutions Law establishes that financial institutions must allocate 5% of their gross profit before taxes to the fulfillment of social responsibility through the contribution to communal councils, this contribution shall be made within 30 days after the closing of the semester, and it is amortized in the 6 months of the semester in which it is paid.

The Bank recognized expenses of Bs. 3,037,258 (Bs. 579,708 for the six-month period ended December 31, 2022), which is presented as "Miscellaneous Operating Expenses" (Note 18).

Contribution to SUDEBAN

For the fiscal years ended June 30, 2023, and December 31, 2022, financial institutions must make special contributions to support SUDEBAN operations, calculated based on 0.8 per thousand of the average assets corresponding to the two months preceding the two-month period, respectively. The Bank recognized expenses of Bs. 3,232,663 (Bs. 984,700, for the six-month period ended December 31, 2022), which are shown separately under "Transformation Expenses" in the accompanying statements of income.

Contribution to FOGADE

Financial institutions must make special contributions to support FOGADE operations, calculated based on 0.75% of the balance of public deposits at the end of each semester. The Bank recognized expenses for this concept for Bs. 2,474,817 (Bs. 1,015,460, for the six-month period ended December 31, 2022), which are shown separately under "Transformation Expenses" in the attached statements of income.

16. Equity

Paid-in Capital

Resolution No. 014.22 dated March 10, 2022, issued by the Superintendence through which the "Rules Relating to the Minimum Share Capital for the Constitution and Operation of Banking Institutions" were published in Official Gazette No. 42,412 dated July 6, 2022, and entered into force as of its publication in the Official Gazette.

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For the semesters ended June 30, 2023 and December 31, 2022, the Bank paid-in capital stock is Bs. 12,368,918, represented by 1,902,910,464 shares with a par value of Bs. 0.0065 each, fully subscribed and paid.

At the Extraordinary General Shareholders' Meeting held on May 16, 2023, it was approved to increase the subscribed and paid-in capital stock of the Bank by twenty-six million one hundred ninety-three thousand three hundred seventy-three bolivars and thirteen cents (Bs. 26,193,373.13) to thirty-eight million five hundred sixty-two thousand two hundred ninety-one bolivars and sixteen cents (Bs. 38,562,291.16) as follows:

- a) The amount of fifteen million four hundred eighty-one thousand six hundred twenty-five bolivars and sixty cents (Bs. 15,481,625.60) through the issuance of two billion three hundred eighty-one million seven hundred eighty-eight thousand five hundred fifty-four (2,381,788,554) new shares.
- b) The amount of ten million seven hundred eleven thousand seven hundred forty-seven bolivars and fifty-three cents (Bs. 10,711,747.53) from the Restricted Surplus at the end of December 31, 2022, by increasing the par value of the shares to zero bolivars and nine thousandths (Bs. 0.009).

This capital increase is awaiting the approval of SUDEBAN to be registered with the corresponding Commercial Registry. With this increase, the Bank complies with the requirements of SUDEBAN in Resolution No. 014.22 of March 10, 2022, which establishes that the minimum capital stock required to be maintained by banking institutions must be equivalent to 3% of total assets as of December 31, 2021 or the equivalent of 1,200,000 times the official exchange rate of the currency of highest value, as published by the BCV.

In the case of the Bank, the minimum capital stock is Bs. 38,171,627, equivalent to 1,200,000 times the official exchange rate of the highest value currency, published by the BCV, and the United Kingdom currency (GBP) has been taken as reference at the exchange rate of Bs. 31.80968947 on May 16, 2023.

At the Extraordinary General Shareholders' Meeting held on September 15, 2022, it was approved to increase the subscribed and paid-in capital stock of the Bank in the amount of four million one hundred twenty-two thousand nine hundred seventy-two bolivars and sixty-eight cents (Bs. 4,122,972.68) through the issuance of six hundred thirty-four million three hundred three thousand four hundred eighty-eight new shares with a par value of Bs. 0.0065 each. This increase was partially paid in cash.

By official letter received from SUDEBAN No. SIB-II-GGR-GA-#09304 dated December 15, 2022, the Bank was authorized to increase its capital stock for four million one hundred twenty-two thousand nine hundred seventy-two bolivars and sixty-eight cents (Bs. 4,122,972.68) through the issuance of six hundred and thirty-four million three hundred and three thousand four hundred and eighty-eight (634,303,488) new shares of par value Bs. 0.0065 each, whereby the new capital stock will remain divided into 1,902,910,464 shares. In addition, it has authorized the registration of the Extraordinary Meeting Minutes before the corresponding Mercantile Registry.

By official communication received from SUDEBAN No. SIB-II-GGR-GA-#09310 dated December 15, 2022, the Bank was authorized to increase its capital stock for eight million two hundred forty-five thousand nine hundred fifteen bolivars and thirty-five cents (Bs. 8,245,915.35) by increasing the nominal value of the share to Bs. 0.0065, so that the capital stock will remain divided into 1,268,606,976 shares. In addition, it has authorized to register the Minutes of the Extraordinary Meeting held on February 17, 2022 before the corresponding Commercial Registry.

As of June 30, 2023 and December 31, 2022, the share certificates subscribed by the stockholders are identified as registered non-convertible common bearer shares distributed as follows:

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	June 30, 2023		December 31, 2022	
	Number of Shares	Participation %	Number of Shares	Participation %
Vencred, S.A. Vencred, S.A. Vencred, S.A.	304.336.294	15,99%	304.336.294	15,99%
Tabay Netherl; Tabay Netherl; Tabay Netherlands B.V.	188.009.824	9,88%	188.009.824	9,88%
Kamalei Inves Kamalei Inves Kamalei Investments, B.V.	95.229.910	5,00%	95.229.910	5,00%
Parthena Inves Parthena Inves Parthena Investments, B.V.	94.498.064	4,97%	94.498.064	4,97%
Barbina Invest Barbina Invest Barbina Investments, B.V.	79.876.029	4,20%	79.876.029	4,20%
Great White In Great White In Great White Investment Fund, Ltd	59.458.954	3,12%	59.458.954	3,12%
Green View In Green View In Green View Investment Enterprises L	59.205.048	3,11%	59.205.048	3,11%
Alivium, Inc. Alivium, Inc. Alivium, Inc.	58.622.554	3,08%	58.622.554	3,08%
Addendum, In Addendum, In Addendum, Inc.	57.651.735	3,03%	57.651.735	3,03%
Inversiones B Inversiones B Inversiones Bonorum, C.A.	36.039.761	1,89%	36.039.761	1,89%
Inversiones In Inversiones In Inversiones Invena 2000, C.A.	30.921.606	1,62%	30.921.606	1,62%
Valores El Tor Valores El Tor Valores El Torbes C A	26.719.936	1,40%	26.719.936	1,40%
Hashland Ass Hashland Ass Hashland Associates, Inc	20.372.270	1,07%	20.372.270	1,07%
Corporacion J Corporacion J Corporacion Jau Ca	19.595.615	1,03%	19.595.615	1,03%
Campanero C Campanero C Campanero C A	19.491.065	1,02%	19.491.065	1,02%
San Pedro Lp San Pedro Lp San Pedro Lp	17.459.812	0,92%	17.459.812	0,92%
Ingenieria y C Ingenieria y C Ingenieria y Construcciones Vencred S A	16.369.508	0,86%	16.369.508	0,86%
Promociones Promociones Promociones Markowitz C A	16.369.508	0,86%	16.369.508	0,86%
Promociones Promociones Promociones Vencred, S.A.	16.369.508	0,86%	16.369.508	0,86%
Inversiones H Inversiones H Inversiones Hansvo C A	16.241.502	0,85%	16.241.502	0,85%
Prieto Alvarez Prieto Alvarez Prieto Alvarez Ana Teresita De Jesus	15.098.464	0,79%	10.798.498	0,57%
Gonzalo Aranc Gonzalo Aranc Gonzalo Aranda Pablo Celio	13.710.319	0,72%	13.754.436	0,72%
Corporacion 1 Corporacion 1 Corporacion 18465, C.A.	12.844.687	0,68%	12.844.687	0,68%
Inversiones K Inversiones K Inversiones Kendall, S.A.	12.441.422	0,65%	12.441.422	0,65%
Inversiones 2 Inversiones 2 Inversiones 2028 S A	12.082.967	0,63%	12.082.967	0,63%
Hidalgo Seco Hidalgo Seco Hidalgo Seco Julio Enrique	10.962.790	0,58%	10.962.790	0,58%
Pantin De Koc Pantin De Koc Pantin De Kochen Cristina Maria	10.649.139	0,56%	10.649.139	0,56%
Blue Moon, C Blue Moon, C Blue Moon, C.V.	10.216.005	0,54%	10.216.005	0,54%
Lageter S A Lageter S A Lageter S A	10.036.777	0,53%	10.036.777	0,53%
Inversiones V Inversiones V Inversiones Vencred, S.A.	9.409.479	0,49%	9.409.479	0,49%
Mata Osorio A Mata Osorio A Mata Osorio Andres Augusto	9.382.841	0,49%	9.382.841	0,49%
Agro Industrial Agro Industrial Agro Industrial Guatire S.A.	8.528.273	0,45%	8.528.273	0,45%
Corporacion 4 Corporacion 4 Corporacion 4268, C.A	8.274.367	0,43%	8.274.367	0,43%
Interbasca Lir Interbasca Lir Interbasca Limited	8.139.945	0,43%	8.139.945	0,43%
Inversiones R Inversiones R Inversiones Raim 3000 C.A	7.975.653	0,42%	7.975.653	0,42%
Francisco M A Francisco M A Francisco M Abascal Revocable Trust	7.917.884	0,42%	7.917.884	0,42%
Velutini Gonza Velutini Gonza Velutini Gonzalez Jose Manuel	7.856.168	0,41%	7.856.168	0,41%
Inversiones M Inversiones M Inversiones Marolva C.A.	7.811.360	0,41%	7.811.360	0,41%
Corporacion 2 Corporacion 2 Corporacion 2910 Ca	7.512.647	0,39%	7.512.647	0,39%
Hernandez Lo Hernandez Lo Hernandez Lovera Antonio Jose	6.930.155	0,36%	6.930.155	0,36%
Herrera Velutir Herrera Velutir Herrera Velutini Julio Jose	6.902.298	0,36%	6.902.298	0,36%
Garcia-Velutin Garcia-Velutin Garcia-Velutini Mendoza German Antonio	6.586.635	0,35%	6.586.635	0,35%
Zerpa Sanche Zerpa Sanche Zerpa Sanchez Felix Eduardo	6.452.213	0,34%	6.452.213	0,34%
Luma 418302 Luma 418302 Luma 418302 S A	6.310.531	0,33%	6.310.531	0,33%
Padron Reyes Padron Reyes Padron Reyes Pedro Manuel	6.278.788	0,33%	6.278.788	0,33%
Inmuebles y V Inmuebles y V Inmuebles y Valores Berlin, C.A.	6.183.371	0,32%	6.183.371	0,32%
Corporacion T Corporacion T Corporacion Ticket, C.A.	6.153.500	0,32%	6.153.500	0,32%
Moreno Jesus Moreno Jesus Moreno Jesus Eloy	5.914.529	0,31%	5.914.529	0,31%
Chevalier Nat Chevalier Nat Chevalier Natividad Oliva	5.910.410	0,31%	5.910.410	0,31%
Corporacion C Corporacion C Corporacion Canoan Ca	5.884.656	0,31%	5.884.656	0,31%
Abascal Alvare Abascal Alvare Abascal Alvarez Maria Margarita	5.795.043	0,30%	5.795.043	0,30%
Garcia Velutini Garcia Velutini Garcia Velutini De Fleury Maria	5.585.945	0,29%	5.585.945	0,29%
Inversiones F Inversiones F Inversiones Ferisanyo, C.A.	5.585.945	0,29%	5.585.945	0,29%
Grisanti Salaz Grisanti Salaz Grisanti Salazar Yolanda	5.503.369	0,29%	5.503.369	0,29%
Serizier Sosa Serizier Sosa Serizier Sosa Andres Miguel	5.464.997	0,29%	5.063.196	0,27%
Benacerraf Ad Benacerraf Ad Benacerraf Adida Armando Mesod	5.444.667	0,29%	5.444.667	0,29%
	1.526.576.742	80,22%	1.521.919.092	79,98%
Others with lesser participation	376.333.722	19,78%	380.991.372	20,02%
	1.902.910.464	100,00%	1.902.910.464	100,00%

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Capital reserves.

a) Legal Reserve

The Banking Sector Institutions Law establishes that the Bank must transfer to the legal reserve a minimum of 20% of net income for each period until it reaches 50% of capital stock. When this limit has been reached, no less than 10% of the net income of each six-month period must be transferred to the legal reserve until it reaches 100% of capital stock. As of June 30, 2023, and December 31, 2022, the Bank has recorded in the legal reserve account Bs. 12,368,918 and Bs. 6,184,459, respectively, which represent 100% and 50% of capital stock, respectively.

b) Adjustments to Equity

The item "Adjustments to Equity" includes income and expenses and/or gains and losses that are presented in equity accounts, in accordance with prudential accounting standards. The movement of the "Adjustments to equity" accounts is as follows:

	June 30, 2023			December 31, 2022		
	Profit in Exchange	UVC Income	Total	Profit in Exchange	UVC Income	Total
	(En bolívares)					
Initial balance	64.796.765	90.405.354	155.202.119	9.023.400	3.674.509	12.697.909
Unrealized foreign exchange gain for the semester, net	51.726.038	-	51.726.038	64.587.173	-	64.587.173
Transfer to results of net foreign exchange gains by authorization from SUDEBAN	(62.761.244)	-	(62.761.244)	(8.813.808)	-	(8.813.808)
Income accrued from UVC credits	-	145.894.575	145.894.575	-	110.488.162	110.488.162
Transfer from income collected to results	-	(95.483.688)	(95.483.688)	-	(22.613.387)	(22.613.387)
Transfer to generic and counter-cyclical provisions	-	(4.281.749)	(4.281.749)	-	(1.143.930)	(1.143.930)
Final balance	<u>53.761.559</u>	<u>136.534.492</u>	<u>190.296.051</u>	<u>64.796.765</u>	<u>90.405.354</u>	<u>155.202.119</u>

In accordance with current banking prudential regulations, the net profits/income that are included in "Adjustments to equity" accounts are of restricted availability and can only be used based on the following criteria:

The profits in the exchange rate can only be used to:

- write off the operational losses or deficits held in the equity accounts.
- create or cover the deficit balances in provisions for asset contingencies, adjustments or determined losses.
- increase the capital.
- compensate the amounts paid up to national suppliers for inputs required for the functionality of the institution hardware and software, among others; and
- create a provision for the income tax generated by the sale of the position in foreign currency, depending on the source of these gains and subject to the prior approval by SUDEBAN.

On February 2, 2023, SUDEBAN authorized, through official letter No. SIB-II-GGIBPV-GIBPV1-00691, to record in the results of the semester the amount of Bs. 62,761,244 (Bs. 8,813,808 for the semester ended December 31, 2022).

Unrealized gains from the valuation of UVC credits: may be used to cover generic and counter-cyclical loan portfolio provisions, as established by SUDEBAN in Resolution No. 070.19 dated December 20, 2019. During the semester ended June 30, 2023, the Bank constituted loan portfolio provisions against these gains for Bs. 4,281,749 (Bs. 1,143,930 in December 2022).

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Accrued Results

a) Restricted Earnings

The "Non-distributable and Restricted Surplus" is made up as follows:

	Note	June 30, 2023	December 31, 2022
		(in Bolivars)	
Restricted surplus, according to Resolution No. 329-99		43.201.661	13.894.724
Accumulated results of the foreign branch		75.873.941	36.456.265
		<u>119.075.602</u>	<u>50.350.989</u>

SUDEBAN Circular Letter SIB-II-GGR-GNP-03660 is a document issued by the Superintendency of Banking Sector Institutions on February 3, 2015, which establishes the parameters that banking institutions must consider for the application of the restricted surplus constituted on occasion of the equity set aside of fifty percent (50%) of the results of each semester.

The restricted surplus is the balance maintained in sub-account 361.02 derived from the aforementioned equity section, which is made in compliance with Resolution No. 329.99, issued by SUDEBAN on December 28, 1999.

Circular Letter SIB-II-GGR-GNP-03660 indicates that the restricted surplus may be applied or used according to the following order of priority:

- To increase in capital stock.
- To cover losses or deficits originated in the operations carried out and maintained in the equity accounts
- To constitute or cover deficit balances in provisions for asset contingencies, adjustments or losses determined by SUDEBAN.
- To offset deferred expenses based on special plans approved by SUDEBAN; additionally, costs and capital gains generated in mergers or transformations that were reflected in due course in accordance with the provisions of the repealed Decree with Rank, Value and Force of Law for the Partial Reform of the Banking Sector Institutions Law shall be offset.

Circular Letter SIB-II-GGR-GNP-03660 also establishes the conditions and requirements to be met by banking institutions to request SUDEBAN authorization to apply the restricted surplus, as well as the deadlines and procedures for doing so.

On December 28, 1999, SUDEBAN issued Resolution No. 329-99, which establishes that 50% of the semiannual results, as well as 50% of the balance of the "Surplus to be applied" account for semesters prior to December 31, 1999, must be presented as "Restricted surplus" and may only be distributed with prior authorization from SUDEBAN. During the six-month period ended June 30, 2023, the Bank restricted a total of Bs. 29,306,937 (Bs. 12,307,544, in December 2022), equivalent to 50% of its available net income for the six-month period, after deducting those profits that must be fully restricted.

During the six-month period ended June 30, 2023, the Bank restricted the total net income generated by the foreign Branch for a total of Bs. 39,417,676 (Bs. 21,933,793, in December 2022). According to current regulations, these amounts are not available for distribution as dividends until the Branch transfers to its Head Office the accumulated results generated in previous years.

b) Cash Dividends Declared and Paid

At the General Ordinary Stockholders' Meeting held on February 16, 2023, it was decided to delegate to the Steering Committee the approval of cash dividends, up to a maximum equivalent to Bs. 0.006470 per share.

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As per the authorization granted by the General Shareholders' Meeting on February 16, 2023, the Steering Committee has authorized the declaration of dividends 708 and 709 of zero three thousand two hundred and thirty-five million bolivars (Bs. 0.003235) each for a total of Bs. 12,311,831. On May 15, 2023, official communication No. SIB-II-GGIBIVP-GIBPV1-02994 was received, instructing the Bank to reconsider and/or reformulate the dividend decree to the amount that would be available to be distributed for Bs. 7,905,444. On June 1, 2023, the Bank Management Committee has decided to pay dividend 708 of zero with three thousand two hundred and thirty-five millionths of bolivars (Bs. 0.003235) for a total of Bs. 6,155,915 and dividend 709 of zero with nine hundred and nineteen millionths of bolivars (Bs. 0.000919) for a total of Bs. 1,748,775.

At the General Ordinary Stockholders' Meeting held on August 18, 2022, the stockholders have approved the declaration of dividends up to a maximum cash dividend of Bs. 0.00283 per share, totaling Bs. 3,590,159. These dividends were charged to "Surplus to be Applied" during the six-month period ended December 31, 2022.

c) Risk Capital Index

The ratios maintained, calculated by the Bank and based on the figures presented in its financial statements, as well as the minimum ratios required, in accordance with SUDEBAN standards, are indicated below:

	%Required	Held	
		June 30, 2023	December 31, 2022
Total equity adequacy	12	22,75%	26,06%
Solvency statement	6	22,75%	26,06%
Accounting equity adequacy	9	13,58%	16,07%

For the calculation of equity indicators, the prudential regulations of SUDEBAN establish the following regulatory exceptions, depending on the applicable index:

- Exclusion of total assets from balances with the BCV and PDVSA bonds.
- Inclusion in accounting equity of generic and countercyclical provisions as Level 1 equity,
- Exclusion of total assets and/or "zero" weighting of the participation certificates of the "Simón Bolívar Fund for Reconstruction, S.A.", and "BANDES Agricultural Participation Certificate".

As of June 30, 2023, and December 31, 2022, the Bank has no amounts to deduct for investments in securities of this category.

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17. General and Administrative Expenses

General and Administrative Expenses include the following:

	Note	June 30, 2023	December 31, 2022
(in Bolivars)			
Transportation and communications		11.680.196	6.304.358
Professional fees		11.454.704	4.220.010
Maintenance and repairs		12.701.881	3.957.911
Rentals		3.434.067	930.998
Software Licensing		2.733.463	1.729.019
Other external services		8.874.963	1.556.823
Other taxes		2.010.044	1.259.193
Monitoring service		4.038.910	1.235.778
Tax on Economic Activities		3.999.924	1.098.710
Insurances		3.650.943	1.093.863
Tax on Large Financial Transactions	1	3.433.211	982.687
Services and supplies		6.320.293	885.551
Depreciations and amortizations	8	2.273.479	742.730
Contribution to the Organic Law of Science, Technology and Innovation	1	4.462.184	694.314
Tax on Great Patrimony	1	379.596	158.931
Other expenses		1.516.002	488.399
		<u>82.963.860</u>	<u>27.339.275</u>

18. Other Operating Income and Expenses

"Other Operating Income" and "Other Operating Expenses" shown in the income statements are represented by the following concepts:

	Note	June 30, 2023	December 31, 2022
(in Bolivars)			
Other Operating Income			
Exchange gains include Bs. 131,971,086 (Bs. 35,432,390 in December 2022) from "Adjustments to Equity" authorized by Sudeban.			
	9 & 16 c)	440.256.042	57.542.776
Commissions from services	20	163.152.320	76.971.394
Gains on securities		981.303	3.942.102
		<u>604.389.665</u>	<u>138.456.272</u>
Other Operating Expenses			
Exchange losses include Bs. 68,981,165 (Bs. 26,618,582 in December 2022) arising from "Adjustments to Shareholders' Equity", authorized by Sudeban			
		345.269.172	27.747.886
Commissions from services		32.274.522	12.238.896
Losses on securities	4	5.243.723	2.997.824
		<u>382.787.417</u>	<u>42.984.606</u>

Commissions for Services Rendered consist of the following:

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	Note	June 30, 2023	December 31, 2022
		(in Bolivars)	
Commissions charged from the use of points of sale		28.497.684	12.652.120
Wire and transfers commissions		25.771.854	9.786.700
Cash withdrawal commissions		21.461.367	6.982.552
Commissions from the consignment of funds		12.848.575	6.284.448
Commissions from trust assignments and assigned investments		12.409.036	10.775.925
Commissions from payments to suppliers		10.429.028	4.946.788
Commissions from use and maintenance of debit cards		8.414.708	4.789.843
Commissions from trust		7.924.595	3.097.648
Commissions from operations in the exchange system		5.801.948	3.533.220
Commissions from P2P payments sent		5.016.138	2.189.725
Credit card issuance commissions		4.421.441	2.683.494
Mobile payment commissions		4.346.118	1.856.406
Current account maintenance commissions		3.934.818	2.202.944
Commissions from collection		3.397.084	1.599.817
Commissions from issuance of cashier's checks		1.456.024	324.438
Commissions from payroll services		1.293.888	578.093
Other commissions		5.728.014	2.687.233
		<u>163.152.320</u>	<u>76.971.394</u>

Miscellaneous Operating Income and Expenses are listed as follows:

	Note	June 30, 2023	December 31, 2022
		(in Bolivars)	
Other Operating Expenses			
Decrease in other provisions of liabilities		987.603	-
Favorable experience in insurance policies		133.406	-
Others		128.482	301.007
		<u>1.249.491</u>	<u>301.007</u>
Other Operating Expenses			
Provision for various contingencies		11.675.790	5.663.588
Contribution to the National Anti-drug Fund	1	1.095.636	607.513
Contribution to community council projects	15	3.037.258	579.708
Contribution to the Organic Sports Law	1	1.042.779	527.952
Comprehensive prevention expenses against money laundering		250.430	166.363
Costs related to reserve requirements deficits	3	7.282.487	21.066
Others		6.529.240	99.670
		<u>30.913.620</u>	<u>7.665.860</u>

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19. Memorandum Accounts

The "Memorandum Accounts" shown in the balance sheets correspond to the following operations:

	Note	June 30, 2023	December 31, 2022
(in Bolivars)			
Contingent Accounts Receivable:			
Guarantees granted		11.048.779	6.516.049
Automatic draw line of credit		5.584.108	344.066
		<u>16.632.887</u>	<u>6.860.115</u>
Trust Assets		<u>210.178.295</u>	<u>109.180.100</u>
Other Trust Assignments		<u>5.392</u>	<u>7.050.047</u>
Other Memorandum Accounts Receivable:			
Guarantees received		853.159.291	400.374.199
Custody received		128.745.899	86.263.033
Other registration accounts		26.638.732	17.404.355
		<u>1.008.543.922</u>	<u>504.041.587</u>
		<u>1.235.360.496</u>	<u>627.131.849</u>

a) Guarantees Granted

After a credit risk analysis and within its line of credit, the Bank grants guarantees at the request of certain clients, which are issued in the name of a beneficiary and shall be executed by the latter if the client does not comply with the conditions established in the contract.

b) Trust Assets

The Bank manages trust assets on behalf of third parties. The combined balance sheets of the Bank Trust Department are presented below:

	June 30, 2023	December 31, 2022
ASSETS		
Availabilities include US\$ 984,886 (US\$ 1,155,186 in December 2022)	46.931.426	30.662.206
Investments in securities	24.740.943	12.006.463
Credit Portfolio, net	137.847.660	66.225.636
Interest and commissions receivable	473.596	107.232
Other Assets	184.670	178.563
	<u>210.178.295</u>	<u>109.180.100</u>
LIABILITIES AND EQUITY		
Liabilities	1.351.399	710.465
Total Liabilities	<u>1.351.399</u>	<u>710.465</u>
Trust Equity		
Equity allocated to trusts	206.176.029	106.312.869
Adjustment to equity	219.750	-
Accumulated results	2.431.117	2.156.766
Total Equity	<u>208.826.896</u>	<u>108.469.635</u>
Total Liabilities and Equity	<u>210.178.295</u>	<u>109.180.100</u>

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The availabilities in the trust are made up of the following:

	June 30, 2023	December 31, 2022
Deposits with foreign institutions, US\$ 422,645 (US\$ 725,763 in December 2022).	11.811.292	12.661.133
Deposits with the institution include US\$ 456,846 (including US\$ 324,028 in December 2022).	32.174.651	16.162.372
Other cash on hand of US\$ 105,395 in June 2023 and December 2022)	2.945.386	1.838.645
Deposits with other institutions in local currency	97	56
	46.931.426	30.662.206

Below is the classification of trusts according to their purpose and type of contracting entity:

	June 30, 2023				December 31, 2022				
	%	Investment	Administration	Guarantee	Total	%	Investment	Administration	Total
Legal Persons	95,58%	31	197.052.857	10.379	197.063.267	95,45%	31	101.474.572	101.474.603
Natural Persons	0,00%	-	2.095	-	2.095	0,00%	-	1.253	1.253
Decentralized Agencies and other Entities with Special Regime	4,42%	-	9.110.667	-	9.110.667	4,55%	-	4.837.013	4.837.013
	100,00%	31	206.165.619	10.379	206.176.029	100,00%	31	106.312.838	106.312.869

As of June 30, 2023, and December 31, 2022, the trust funds do not exceed 5 times the Bank equity, as established in Resolution No. 083.12 published in Official Gazette No. 39,941 of June 11, 2012.

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

	June 30, 2023		December 31, 2022	
	Amortized Cost / Book Value	Fair Value	Amortized Cost / Book Value	Fair Value
<i>Demand and term deposits in financial institutions in the country</i>				
Banco Mercantil, C.A. Banco Universal, annual interest rate between 20% and 40%, nominal value of Bs. 8,271,951, and maturity between 27 and 29 days, for June 2023 (annual interest rate between 20% and 25%, nominal value of Bs. 3,216,386, and maturity between 27 and 29 days, for December 2022).	8.271.951	8.271.951	3.216.386	3.216.386
Banco del Caribe, C.A., Banco Universal, with an annual interest rate between 20% and 45%, a nominal value of Bs.7,903,030 and a maturity from 27 to 29 days, for June 2023 (annual interest rate between 15% and 25%, a nominal value of Bs. 3,882,477, and maturing between 27 and 29 days, by December 2022).	7.903.030	7.903.030	3.882.477	3.882.477
Bancrecer S.A., Banco Microfinanciero, with an annual interest rate of 11%, nominal value of Bs. 694,039 and maturity between 27 and 29 days, for June 2023 (annual interest rate of 11%, nominal value of Bs. 655,417, and maturity between 27 and 28 days, for December 2022).	694.039	694.039	655.417	655.417
Banco Exterior, C.A., Banco Universal, with an interest rate between 20% and 47%, nominal value of Bs. 3,087,182, and maturity from 27 to 29 days, for June 2023 (annual interest rate between 10% and 20%, nominal value of Bs. 855,336, and a maturity between 28 and 29 days by December 2022	3.087.182	3.087.182	855.336	855.336
Banco BBVA Provincial, C.A., Banco Universal, with an annual interest rate of 15%, nominal value of Bs. 2,631,181 and maturing from 26 to 29 days, as of June 2023 (annual interest rate of 15%, nominal value of Bs. 2,447,247 and maturing between 27 and 28 days, for December 2022).	2.631.181	2.631.181	2.447.247	2.447.247
	22.587.383	22.587.383	11.056.863	11.056.863

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	June 30, 2023		December 31, 2022	
	Amortized Cost / Book Value	Fair Value	Amortized Cost / Book Value	Fair Value
Corporate commercial papers issued by private companies in the country				
Mercantil Servicios Financieros, C.A., with an annual interest rate of 70%, par value of Bs. 1,100,000, and maturity between 120 days, for June 2023 (annual interest rate between 50% and 70%, par value of Bs. 450,000, and maturity between 75 and 120 days, for December 2022).	1.100.000	1.100.000	450.000	450.000
Calox International C.A., with annual interest rate of 80%, nominal value of Bs. 99,600, and maturity of 150 days, for June 2023 (with annual interest rate of 60%, nominal value of Bs. 99,600, and maturity of 180 days, for December 2022).	99.600	99.600	99.600	99.600
Laboratorio Vicenti, C.A. with annual interest rate of 60%, nominal value of Bs. 150,000 and maturity of 120 days for June 2023 (with annual interest rate of 60%, nominal value of Bs. 150,000 and maturity of 179 days for December 2022).	150.000	150.000	150.000	150.000
Industrias Iberia, C.A. with an annual interest rate of 70%, nominal value of Bs. 500,000 and maturing in 120 days by June 2023 (with an annual interest rate of 70%, nominal value of Bs. 250,000 and maturing in 120 days by December 2022).	500.000	500.000	250.000	250.000
Abril Medical Salud 2015, C.A. with annual interest rate of 12.5%, nominal value of Bs. 303,960 and maturing in 117 days in June 2023.	303.960	303.960	-	-
	<u>2.153.560</u>	<u>2.153.560</u>	<u>949.600</u>	<u>949.600</u>
	<u>24.740.943</u>	<u>24.740.943</u>	<u>12.006.463</u>	<u>12.006.463</u>

Investments in securities have an overdue date not exceeding six (6) months.

The credit portfolio of the Trust Department includes the following:

	June 30, 2023	December 31, 2022
	(in Bolivars)	
Loans to beneficiaries receivable	<u>137.847.660</u>	<u>66.225.636</u>

The Loans to beneficiaries account corresponds to loans granted to workers with guarantees on the balances of their social benefits, which are deposited in the trust. These loans do not accrue interest, nor do they have a defined overdue period. The Trust Department does not maintain a provision for loan portfolios since these loans do not contemplate overdue or variable overdue. Full payment of said loans shall occur when the beneficiary terminates his labor or contractual relationship with the settlor or employer.

c) Other Trust Allocations

The trust allocations for Bs. 5,392 (Bs. 7,050,047 in December 2022) correspond to credit securities of clients (principals) received by the Bank, in its capacity as commission agent, with the commitment to place them with a third party, in accordance with the provisions of the commission agreements. Such contracts empower the Bank to trade such securities with other customers in exchange for a commission and it shall only be liable to the commission agent for willful misconduct, negligence, recklessness or breach of contractual obligations. During the six-month period ended June 30, 2023, the Bank obtained commission income of Bs. 7,924,595 (Bs. 3,097,648 in December 2022) which is included in "Other Operating Income" in the statement of income.

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d) Custodial Services Received

This subaccount registers the securities and goods received from customers in simple custody, such as jewelry, precious metals, securities, merchandise, third-party checks, documents and gold in BCV custody, as well as other values and goods. As of June 30, 2023, custodianships received correspond mainly to securities received from clients under the custody of Raymond James & Associates Inc. and the Bank has obtained income from custody commissions of Bs. 723,809 (Bs. 219,576 in December 2022).

20. Fair Value of Financial Instruments

Below are the book value and the estimated fair values for the financial instruments held by the Bank and its branch:

	June 30, 2023		December 31, 2022	
	Book Value	Fair Value	Book Value	Fair Value
	(in Bolivars)			
Assets:				
Availabilities	1.147.387.303	1.147.387.303	747.740.026	747.740.026
Investments in securities	871.673.906	801.042.088	477.615.791	456.757.780
Credit portfolio	837.461.745	837.461.745	408.820.793	408.820.793
Interest and commissions receivable	14.664.530	14.664.530	7.583.938	7.583.938
	<u>2.871.187.484</u>	<u>2.800.555.666</u>	<u>1.641.760.548</u>	<u>1.620.902.537</u>
Liabilities:				
Public fundraising	2.038.531.187	2.038.531.187	1.119.788.849	1.119.788.849
Other financing obtained	1.038.897	1.038.897	1.765.889	1.765.889
Interest and commissions payable	715.262	715.262	143.084	143.084
	<u>2.040.285.346</u>	<u>2.040.285.346</u>	<u>1.121.697.822</u>	<u>1.121.697.822</u>
Memorandum Account:				
Debtor contingent accounts	16.632.887	16.632.887	6.860.115	6.860.115

Short-term Financial Instruments

Short-term financial instruments, both assets and liabilities, have been presented at their book value included in the balance sheet, which does not differ significantly from their reasonable market value, given the relatively short overdue period of these instruments. This category includes availabilities, public fundraising with no defined overdue period and with a short-term overdue period, other financing obtained in the short term, other financial intermediation obligations with a short-term overdue period, and interest receivable and payable.

Investments in Securities

The fair market value of investments in securities available for sale and held until their overdue period was determined by using their specific market prices reported by the custodian. Investments in other securities are presented at their nominal value, which is considered their fair market value. For instruments denominated in foreign currency, the amount in bolivars equivalent to the fair value is calculated by using the official exchange rate.

Credit Portfolio

The credit portfolio accrues interests at variable rates that are reviewed frequently. Because of the foregoing and of the provisions constituted for uncollectible risks in the loan portfolio, according to the opinion of the Bank management, the book balance of said loan portfolio is close to its fair market value.

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Deposits, Long-term Obligations, and Other Financing Obtained

Deposits, long-term obligations and other financing obtained accrue interests at variable rates, which are reviewed frequently, for which reason the Bank management has considered their book value as fair market value.

21. Contingencies and Commitments

Under IAS 37, the disclosure and recognition of loss contingencies depends on whether they are contingent liabilities or provisions. A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events. A provision is a liability of uncertain amount or maturity arising from a past event.

IAS 37 prohibits the recognition of contingent liabilities, unless they have been assumed in a business combination. However, contingent liabilities are disclosed when an outflow of resources to settle them will be possible. The disclosures shall include a description of the contingency nature, an estimate of its financial effect, the uncertainties affecting the amount or maturity of the disbursement and the possibility of any reimbursement.

IAS 37 requires that a provision be recognized when three conditions are met: there is a present obligation (legal or implicit) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision is measured at the amount that the entity would reasonably pay at the balance sheet date to transfer the obligation to a third party, taking into account risks and uncertainties, present value and future events.

Litigation, regulation and other contingencies

In the ordinary course of business, Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch are subject to governmental and regulatory examinations, information gathering requests, investigations and proceedings (both formal and informal), some of which may result in adverse judgments, settlements, fines, penalties, restitution, disgorgement, injunctions or other relief. In connection with formal and informal investigations by these regulators, the Bank and its Branch receive numerous requests and orders seeking documents, testimony and other information regarding various aspects of its regulated activities and its customers.

The Bank has filed a nullity action with request for a precautionary measure of suspension of Resolutions No. 19-01-04 and No. 19-05-03 issued by the BCV on January 22 and May 30, 2019, referring to the foreign exchange intervention mechanism. As of the date of this report, proceedings from January 13, 2021 are pending for resume by the Court, at which time the Chamber shall issue the summons notice referred to in Article 81 of the Organic Law of the Contentious Administrative Jurisdiction, so that any interested party may appear to become a party to the trial and to be informed of the date of the trial hearing.

As of June 30, 2023, the Bank maintains as recoverable expenses the exchange losses derived from the intervention mechanism of less than one year, balance of which is presented under "Other Assets" for Bs. 287,691 (Bs. 114,901 in December 2022) (Note 8).

In December 2022, SUDEBAN prohibited Ubii Pagos, C.A. and Banco Venezolano de Crédito, S.A., Banco Universal to offer the financial product called "Ubii MasterCard Prepaid Card" and the reimbursement of the commissions charged to the clients for the operations performed in connection with such financial product. SUDEBAN by means of official letter SIB-DSB-CJ-OD-02055 dated April 12, 2023 formally notified the contents of Resolution No. 019.23 of the same date, which maintains in force and extends for ninety (90) banking business days the administrative measures previously issued to the Bank.

SUDEBAN argued that the financial product was not duly authorized by the supervisory agency, and that it also incurred in commission charges not authorized by the BCV, and promoted an exchange rate different from the one established by the issuing agency.

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22. Balances and Transactions with Related Parties

The Bank and its branch abroad are part of the Vencred Group. Due to the nature of its business, the Bank and its Branch have conducted transactions and maintain balances with Group companies, the effect of which is included in its financial statements.

The most important transactions conducted by the Bank with shareholders and other related parties are represented by fundraising operations and banking and security services, the most significant effects of which are presented as follows:

Note	June 30, 2023	December 31, 2022
	(in Bolivars)	
Transformation Expenses:		
Vencred, S.A.	235.783	278.035
Inversiones 120915, C.A.	655.755	327.525
Inversiones Las Monjas, C.A.	674.610	155.415
Others	2	4
	1.566.150	760.979

As a result of these transactions, together with others of less importance, the following balances are included in various items of the balance sheets:

Note	June 30, 2023	December 31, 2022
	(in Bolivars)	
Public fundraisings and other demand obligations		
Venezolana de Bienes, S.A.	14.105	17.476
Vencred, S.A.	53.919	126.207
Inversiones Las Monjas, C.A.	26.199	6.504
Inversiones Modigliani, C.A.	2.125	547
Promociones Markowitz, C.A.	1.969	705
Inversiones Bonorum, C.A.	1.452	1.782
Inversiones Vencred, C.A.	1.927	201
Valores Vencred Casa de Bolsa, S.A.	21.120	75.844
Inversiones 120915, C.A.	14.148	-
Ingeniería y Construcciones Vencred, C.A.	2.017	753
Others	1.958	3.735
	140.939	233.754

23. Assets and Liabilities in a Foreign Currency

Resolution No. 19-04-01, published in Official Gazette No. 41.611, establishes the Standards Related to Foreign Currency Positions of Banking Institutions, the most relevant aspects of which are as follows:

- The resolution establishes the rules that regulate the purchase and sale of foreign currencies by individuals and legal entities through the exchange bureaus of banking institutions authorized as foreign exchange operators.
- The resolution provides that banking institutions may agree to purchase and sell foreign currencies among their customers or in interbank transactions, at the exchange rate resulting from supply and demand.
- The resolution establishes the requirements to be met by individuals and legal entities to participate in foreign exchange transactions, as well as the maximum and minimum limits of such transactions.
- The resolution also determines the information, registration and control obligations to be complied with by banking institutions and participants in the foreign exchange market, as well as the penalties applicable in case of non-compliance.

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- The BCV shall determine the maximum limit that the global net position in foreign currency of each banking institution can reach at the close of operations of each day.
- The BCV shall review the limits determined for each banking institution at least every six months and may modify them whenever the situation and circumstances so advise.
- The percentage of interest to be paid by banking institutions that exceed the limits.
- The BCV may authorize banking institutions to exclude certain operations from the calculation of the foreign currency position authorized for this purpose or to maintain in any way a total risk position above that resulting from the established maximum limit.

Current legal regulations establish that universal banks shall hold their net positions in foreign currency within the limits established by the BCV through special resolutions. On April 8, 2019, in its Official Letter No. VOI-GOC-DNPC-004, the BCV has provided that the global net active or long position in foreign currency shall temporarily not be subject to a maximum limit.

Balances in foreign currencies included in the balance sheets are detailed below:

	June 30, 2023				December 31, 2022			
	Venezuela	Cayman Islands Branch	Total	Equivalent in Bolivars	Venezuela	Cayman Islands Branch	Total	Equivalent in Bolivars
Assets:								
Availabilities	12,054,948	15,875,097	27,930,045	780,537,495	10,963,129	16,129,978	27,093,107	472,646,770
Investments in securities	70,574	29,827,996	29,898,570	835,550,214	70,574	27,303,822	27,374,396	477,553,935
Credit portfolio	-	15,827,231	15,827,231	442,310,323	-	12,021,063	12,021,063	209,710,780
Interest and commissions receivable	-	382,078	382,078	10,677,599	-	333,834	333,834	5,823,827
Other assets	1,300	45,041	46,341	1,295,047	300	1,592	1,892	33,006
	<u>12,126,822</u>	<u>61,957,443</u>	<u>74,084,265</u>	<u>2,070,370,678</u>	<u>11,034,003</u>	<u>55,790,289</u>	<u>66,824,292</u>	<u>1,165,768,318</u>
Liabilities:								
Public fundraising	5,556,692	47,462,579	53,019,271	1,481,684,987	(6,626,930)	(37,944,251)	(44,571,181)	(777,556,621)
Other financing obtained	-	-	-	-	-	(100,868)	(100,868)	(1,759,670)
Interest and commissions payable	-	-	-	-	-	(23)	(23)	(401)
Accruals and other liabilities	15,046,222	907,353	15,953,575	445,841,141	(14,990,622)	(731,687)	(15,722,309)	(274,280,043)
	<u>20,602,914</u>	<u>48,369,932</u>	<u>68,972,846</u>	<u>1,927,526,128</u>	<u>(21,617,552)</u>	<u>(38,776,829)</u>	<u>(60,394,381)</u>	<u>(1,053,596,735)</u>
<i>Active accounting position, net</i>	<u>(8,476,092)</u>	<u>13,587,511</u>	<u>5,111,419</u>	<u>142,844,550</u>	<u>(10,583,549)</u>	<u>17,013,460</u>	<u>6,429,911</u>	<u>112,171,583</u>
<i>Other debt memorandum accounts, net</i>	<u>2,245,746</u>	<u>-</u>	<u>2,245,746</u>	<u>62,759,969</u>	<u>2,236,055</u>	<u>-</u>	<u>2,236,055</u>	<u>12,349,861</u>

The amounts reflected in dollars include minor amounts in euros, presented at their equivalent value in dollars.

As of June 30, 2023, the net unrealized exchange gain amounted to Bs. 53,761,561 (Bs. 64,796,765 as of December 31, 2022) which is included in "Adjustments to Shareholders' Equity".

Exchange agreement No. 1 issued by the BCV and published in Official Gazette No. 6405 of September 7, 2018, aims to establish the free convertibility of the currency throughout the national territory, aiming to favoring the development of economic activity, in an orderly exchange market in which actions may be deployed to ensure its optimal functioning. The agreement establishes that the exchange rate that must govern the purchase and sale of foreign currencies shall fluctuate freely according to the supply and demand of natural or legal persons, through the Exchange Market System.

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Exchange agreement No. 1 authorizes natural and legal persons interested in carrying out operations of sale of foreign currency for amounts equal to or less than Eight Thousand Five Hundred Euros (€ 8,500) or its equivalent in another foreign currency, by operation either in banknotes, travelers checks, encryptions, transfers, account credits or electronic entrustment service, to do so through authorized exchange operators. The agreement has repealed all previous foreign exchange agreements and it establishes a new regulatory framework for foreign exchange operations in the country, in which the BCV can still regulate, authorize and supervise foreign exchange operations, as well as set the limits and requirements for access to foreign currency.

During the semester ended June 30, 2023, SUDEBAN through official letter No. SIB-II-GGIBPV-GIBPV1-00691, authorized the Bank to transfer from the equity account "Adjustments to Equity" to results the amount of Bs. 62,761,244 (Bs. 8,813,808 to December 31, 2022) corresponding to accrued unrealized, net of losses exchange gains, which are presented by their gross amounts of exchange gains and losses under the items of "Other Income and Other Operating Expenses", respectively (Note 18).

During the semester ended June 30, 2023, the Bank recognized gains made, mainly, from operations of the Bank, in its capacity as exchange operator, and its foreign branch for Bs. 308,418,583 (Bs. 22,110,386 for the semester ended December 31, 2022), and losses of Bs. 276,288,005 (Bs. 1,129,307 for the semester ended December 31, 2022), which are presented under "Other Operating Income" and "Other Operating Expenses", respectively, in the attached income statements (Note 18).

The "Public Fundraising" come from client operations in the legally permitted foreign exchange markets and in which the Bank acts as exchange operator, which is fully covered by sight placements shown in "Availabilities" (Note 10).

Circular Letter No. VOI-GOC-DNPC-004 issued by the BCV on April 8, 2019, reports on the rules regarding foreign exchange positions of banking institutions, by setting up the following:

- When the result of the overall net position in foreign currency is passive or short, the maximum limit shall be considered exceeded and the amount exceeded shall be charged the corresponding fee.
- All foreign exchange assets and liabilities shall be part of the net overall position.
- The global net active or long foreign currency position shall not temporarily be subject to a maximum limit.
- Banking entities shall continue sending to the BVC the information corresponding to the equity reflected in their balance sheet at the close of the financial statements for the specified month, within the first five (5) business days following said closure.

As of June 30, 2023, the net foreign currency position held by the Bank, calculated based on its individual financial statements is US\$ 5,111,419 (US\$ 6,429,911 as of December 31, 2022).

Valuation of assets and liabilities in foreign currency

SUDEBAN Circular Letter SIB-II-GGR-GNP-03636, dated June 5, 2023, is a regulation that establishes the aspects considered in the application of the net profits originated due to the valuation of assets and liabilities in foreign currency, at the exchange rate at free convertibility fixed through the exchange agreement No. 1 of August 21, 2018, for the operations maintained as of June 30, 2023 and that repeals circular letters SIB-II-GGR-GNP-03578 and SIB-DSB-CJ-OD-05294 dated March 29, 2019 and July 14, 2021, respectively. The new letter establishes that the balance originated and maintained as of June 30, 2023 for the referred valuation shall be applied as follows:

1. The amount for gains or losses arising from the holding of assets and liabilities in foreign currency on the exchange rate applied for the valuation and accounting recording of transactions other than those specified in other accounts of Group 350.00 "Adjustments to equity", shall be recorded in account 352.00 "Gain or Loss from Exchange Rate Fluctuations for Holding of Assets and liabilities in Foreign Currency".
2. The net credit balance reflected as of June 30, 2023 in account 352.00 "Gain or Loss from Exchange Rate Fluctuations for Holding of Assets and liabilities in Foreign Currency", should only be applied according to the following order of priority:

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- a. Writing-off of operating losses or operating deficits;
- b. Creation or coverage of deficit balances in provisions for asset contingencies, adjustments or losses determined by the Supervisory Entity.
- c. Creation or coverage of deficit balances in provisions for contingencies, adjustments or losses, directly related to assets in foreign currency generating such effect.

In any case, the Bank shall request authorization from SUDEBAN for the application of the aforementioned items, and upon approval, the Bank shall set aside an amount equivalent to fifty percent (50%) of the approved amount and record it in account 361.02 "Restricted Surplus". For the semester ending December 31, 2023 and subsequent semesters, it may only be applied following the order described in numeral two above, prior request for authorization to SUDEBAN, and the required provision shall also be made.

3. When the Bank, pursuant to its financial situation, does not need applying the balance recorded in account 352.00 to the items indicated in numeral 2 of the Circular Letter; or in any case, if once said items have been applied in the corresponding semester, there are amounts that are the product of realized profits; SUDEBAN, upon request and evaluation, may authorize their recording in the results of the fiscal year. Notwithstanding the foregoing, once such application has been authorized, the Bank shall set aside fifty percent (50%) of the results to sub-account 361.02 "Restricted Surplus" in accordance with the provisions of Resolution No. 329.99 of December 28, 1999.
4. The balance maintained in account 352.00 "Gain or Loss from Exchange Rate Fluctuations for Holding of Assets and liabilities in Foreign Currency", should be considered within the items to determine the primary equity level (I), which is used in the calculation of the "Total Equity Adequacy Ratio".
5. The gain and/or loss of Item 700.00 "Trusts and Trust Allocations" of the trusts generated, once the closing of the month of June 2023 is made due to the valuation and recording of assets and liabilities in foreign currency, shall be recorded in account 733.00 "Adjustments to Equity" and once said gain and/or loss is effectively realized, as a result of the transactions made with the assets and/or liabilities that originated them or when they are determined.
6. In the event that the Bank has generated gains or losses from exchange fluctuations at the freely convertible exchange rate, for holding assets and liabilities in foreign currency, other than those specified in other accounts of Group 350.00 "Adjustments to Equity", which are not recorded in the respective sub-account of account 352.00 "Gain or Loss from Exchange Rate Fluctuations for Holding of Assets and liabilities in Foreign Currency" and which are related as indicated in the description of this account, shall be reclassified to this account.

24. Communications from SUDEBAN

- a) On January 19, 2023, the Bank has received the Official Communication No. SIB-II-GGR-GA-00326 from SUDEBAN authorizing the implementation of the financial service "V.Pagos BVC", which is a service offered by the Bank to facilitate the payment of purchases, consumptions and services of any commercial establishment registered in the portal. It is a platform that allows the use of different means of payment in the same place, such as Mobile Payment, debit to BVC accounts, national and international credit cards, Visa Superefactiva and Visa CheckCard.
- b) On February 15, 2023, SUDEBAN has sent the official letter No. SIB-II-GGIBPV-GIBPV1-02994 stating that the Bank should reconsider and/or reformulate the amount of the dividends to be distributed and approved at the Ordinary General Shareholders' Meeting of February 16, 2023, of Bs. 12,311,830.70, considering that only Bs. 7,905,444.68 were available for distribution.
- c) On February 15, 2023, SUDEBAN has sent the official letter No. SIB-II-GGIBPV-GIBPV1-00875 determining, among other matters, that:
 - The accounting for the Social Contingency Fund shall be subsequent to the equity items described in Resolution No. 329.99.

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- It is the Bank responsibility that the Superintendency has not received certifications from custodians and account statements identifying the balances corresponding to investments in available-for-sale and restricted-availability securities, and therefore it requests to record evidence supporting the referred custodianships.
- d) On May 15, 2023, SUDEBAN has sent Official Letter No. SIB-II-GGIBPV-GIBPV1-02993 indicating that:
 - The amount for the capital increase, included in the draft Minutes, shall be updated according to the official exchange rate of the highest value currency existing by the date of the Meeting.
 - Under no circumstances may dividends be distributed on the resources released from account 352.00 "Gain or Loss from Exchange Rate Fluctuations for Holding of Assets and liabilities in Foreign Currency" until they are considered liquid and collected resources.
- e) On July 7, 2023, the Bank received from SUDEBAN the Official Letter No. SIB-II-GGIBPV-GIBPV1-04285 containing the results obtained in the general inspection carried out to the Bank as of September 30, 2022 and updated on May 31, 2023. The purpose of the review was to evaluate the Bank main assets, the adequacy of the provisions, the quality of the guarantees and the compliance with the legal provisions that regulate them. The highlights are as follows:
 - The Bank shall reclassify the balances held in account 112.06.202 and 112.06.203 resulting from the foreign currency positions held in its foreign correspondent bank accounts acquired to be negotiated through the "Exchange and Retail Bureau" mechanisms to account 114.00 "Foreign Banks and Correspondents", as it considers that the balances are available in foreign accounts and not in the domestic financial system.
 - The Bank has been instructed to suspend the sale of foreign currency through the foreign exchange bureau, charged to the "Current Accounts According to Exchange Agreement No. 20" (sub-account 211.03), since they constitute a mechanism enabled for Exchange Agreement No. 1, until the opinion of the issuing entity is requested and its express authorization to carry out these operations is obtained, which shall be duly informed to SUDEBAN.
 - Based on the evaluation of the allowance for credit portfolio as of May 31, 2023, the Bank will have to increase the allowance for loan portfolio and its yields by a total of Bs. 31,206,860,000 (Bs. 31,206,860).
 - The Bank has been instructed to reverse income of Bs. 9,440,880 on loans granted under the UVC financing modality, considering that the debts that generated such interest have not been effectively collected by the Bank, as required by the "Rules Regarding the Application and Recording of Net Profits Generated by Increases or Decreases in the Variation of the Capital of Commercial Loans" framed in the BCV Resolution No. 19-09-01.
 - The Bank has been instructed to review the loan portfolio to determine if there are any other loans that have not been written off in order to bring the equity account balances into line and make the necessary adjustments.
 - The Bank has been instructed to reimburse customers under the figure of "Conventional Installment Loans" for the interest collected. These loans are granted for the use of funds not available to the Bank from Interbank Mobile Payment and Immediate Credit transactions, which have not been received by the Bank and are available in the customers' accounts.

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Management considers that the current provisions in the credit portfolio are in accordance with current legal regulations. When reviewing credit applications, the Bank analyzes its business model and financial situation for each client, at the close of the last fiscal year and at the cut-off dates during the current fiscal year, operating cycle and cash flow. From the analysis of each debtor, a risk classification and its corresponding percentage of specific provision, if any, is determined. Thus, Management considers that the specified customers demonstrate having the payment capacity to comply with the obligations assumed with the Bank. The Bank shall submit to the Superintendency its considerations to the premises, in order to argue the proper management of its loan portfolio, and it believes they will be favorably considered.