



Independent Auditors' Report and Financial Statements

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

December 31, 2023

## Table of contents

	Page
Independent auditors' report	1
Balance sheet	4
Statement of income	6
Statement of changes in the shareholders' equity	7
Statement of cash flows	8
1. Incorporation, operations, and legal framework	9
2. Main accounting policies	16
3. Cash and due from banks	28
4. Investments securities	31
5. Loan portfolio	36
6. Financial statements of the foreign branch	40
7. Interests and commissions receivable	41
8. Premises and equipments	41
9. Other assets	42
10. Customers deposits	44
11. Other financing obtained	46
12. Accruals and other liabilities	46
13. Income tax	48
14. Employee benefits and employee benefit plan	50
15. Regulatory contributions	52
17. General and administrative expenses	58
18. Other operating income and expenses	58
19. Memorandum accounts	60
20. Fair value of financial instruments	63
21. Contingencies and commitments	63
22. Balances and transactions with related parties	64
23. Assets and liabilities in a foreign currency	65
24. Communications from sudeban	68

## 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 December 31, 2023, and the related statements of income, changes in the equity and the 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 December 31, 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 December 31, 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.

---

### Gómez, Marquis y Asociados

Av. Casanova, Edificio Banco Plaza Piso 6. Ofic.  
6-A. Urb. El Recreo  
Caracas 1050-A,  
Caracas Venezuela  
T +58 (0) 212 7620353

twitter.com/gomez\_marquis

RIF: J306553100

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 expired on July 31, 2023, to submit its considerations and supporting documentation, which may modify the concepts, provisions and adjustments indicated in the inspection report. On July 31, 2023, the Bank proceeded to respond to each of the questions mentioned in the above-mentioned Official Letter from SUDEBAN, and on August 17, 2023, the SUDEBAN Official Letter No. SIB-II-GGIBPV-GIBPV1-05317 was received, indicating that the answers sent are in the process of being evaluated.

#### **Responsibilities of management and corporate governance officers regarding 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:

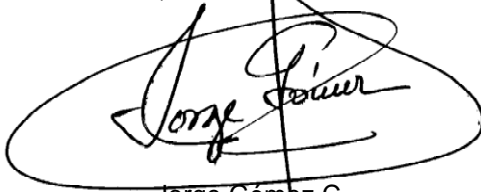
- Identify and assess the risks of material misstatement of the financial statements due to either error or fraud, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 account 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 have contacted those charged with the Bank corporate 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 have identified in the course of our audit.

GÓMEZ, MARQUIS Y ASOCIADOS

(Member of the Grant Thornton International Ltd.)



Jorge Gómez C.

CPC – 10951

CP- 824

January 25, 2024

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

	Notes	December 31, 2023	June 30, 2023
(in bolivars)			
<b>Assets</b>			
<b>Cash and due from banks</b>			
Cash	3	270.257.011	273.429.417
Banco Central de Venezuela	3	695.809.915	386.666.697
Banks and other financial institutions in the country		47.230	4.218
Banks and correspondents from abroad	3	752.708.311	487.001.971
Immediate collection effects		-	285.000
		<u>1.718.822.467</u>	<u>1.147.387.303</u>
<b>Investments securities</b>			
Placements in the Banco Central de Venezuela and interbank operations		-	36.000.000
Investments in securities available for sale		312.068.279	227.275.103
Investments in securities held until maturity		665.037.734	433.374.070
Restricted availability investments		231.566.017	175.024.733
	4	<u>1.208.672.030</u>	<u>871.673.906</u>
<b>Loan portfolio</b>			
Current loans		1.691.669.237	847.277.971
Pat-due loans		516.064	659.431
Loans in litigation		19.641.451	16.759.487
(Allowance for loans portfolio)		(44.314.628)	(27.235.144)
	5	<u>1.667.512.124</u>	<u>837.461.745</u>
<b>Interest and commissions receivable</b>			
Accrued interest receivable from investments securities		7.771.332	5.362.576
Accrued interest receivable from loan portfolio		16.933.060	8.316.567
Commissions receivable		1.537.346	985.390
(Allownce for accrued interest receivable and others)		-	(3)
	7	<u>26.241.738</u>	<u>14.664.530</u>
<b>Premises and equipments</b>			
	8	<u>17.946.669</u>	<u>11.080.117</u>
<b>Other assets</b>			
	9	<u>154.986.901</u>	<u>121.866.046</u>
<b>Total assets</b>		<u><u>4.794.181.929</u></u>	<u><u>3.004.133.647</u></u>
<b>Memorandum accounts</b>			
Contingent accounts receivable		23.513.130	16.632.887
Trust assets		395.744.995	210.178.295
Other trust assignments		24.695.707	5.392
Other memorandum accounts receivable		1.848.004.686	1.008.543.922
	<b>19</b>	<u><u>2.291.958.518</u></u>	<u><u>1.235.360.496</u></u>

Notes from 1 to 24 are part of the financial statements.

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

	Notes	December 31, 2023	June 30, 2023
(in bolivars)			
<b>Liabilities and equity</b>			
<b>Customers' Deposits</b>			
<b>Demand deposits</b>			
Non- interest-bearing current accounts		633.452.550	348.893.610
Interest-bearing current accounts		2.080.034.333	1.282.630.610
Checking accounts according to Exchange Agreement No. 20		-	7.576.390
Demand deposits and certificates		54.618.631	37.849.024
Current accounts under freely Convertible Foreign Exchange System		152.375.705	117.277.192
		<u>2.920.481.219</u>	<u>1.794.226.826</u>
Other demand obligations		109.964.142	64.477.923
Savings deposits		47.170.429	25.387.985
Restricted customer's deposits		370.827.768	154.438.454
	10	<u>3.448.443.558</u>	<u>2.038.531.188</u>
<b>Other borrowings</b>			
Obligations with domestic financial institutions due in one year or less		67.576.000	1.000.000
Obligations with foreign financial institutions due in one year or less		39.026	38.897
	11	<u>67.615.026</u>	<u>1.038.897</u>
<b>Interest and commissions payable</b>			
Accrued expenses for customer's deposits		1.493.764	715.263
Accrued expenses for other borrowings		51.287	-
		<u>1.545.051</u>	<u>715.263</u>
<b>Accruals and other liabilities</b>	12	<u>762.193.199</u>	<u>580.738.546</u>
<b>Total liabilities</b>		<u>4.279.796.834</u>	<u>2.621.023.894</u>
<b>Equity</b>			
Capital stock		12.368.918	12.368.918
Contributions to capital increases		15.481.626	15.481.626
Capital reserves		12.554.455	12.492.611
Adjustments to shareholders' equity		180.542.230	190.296.051
Unrealized gain or loss on investment in available for sale securities		5.637.711	199.987
Accumulated results		287.800.155	152.270.560
<b>Total equity</b>	16	<u>514.385.095</u>	<u>383.109.753</u>
<b>Total liabilities and equity</b>		<u>4.794.181.929</u>	<u>3.004.133.647</u>
<b>Memorandum accounts per contra</b>	19	<u>2.291.958.518</u>	<u>1.235.360.496</u>

Notes from 1 to 24 are part of the financial statements.

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

	Notes	December 31, 2023	June 30, 2023
		(in bolivars)	
<b>Financial income</b>			
Cash and due from banks		9.614.500	6.383.767
Investments securities		36.768.611	17.126.148
Loan portfolio		284.765.575	147.996.176
Other accounts receivable		357.318	85.353
Other		5.338	-
		<u>331.511.342</u>	<u>171.591.444</u>
<b>Financial expenses</b>			
Customers' Deposits		(15.285.353)	(6.455.736)
Other borrowings		(1.131.373)	(1.373.308)
Other		(9.493.696)	(1.456.145)
		<u>(25.910.422)</u>	<u>(9.285.189)</u>
<b>Gross financial margin</b>		305.600.920	162.306.255
Income from recovery of financial assets		5.713	10.431
Expenses for uncollectible and impaired financial assets	5	<u>(17.258.586)</u>	<u>(15.689.365)</u>
<b>Net financial margin</b>		288.348.047	146.627.321
Other operating income	18	350.790.542	604.389.665
Other operating expenses	18	<u>(59.676.113)</u>	<u>(382.787.417)</u>
Financial intermediation margin		<u>579.462.476</u>	<u>368.229.569</u>
<b>Less-operating expenses</b>			
Personnel		(207.781.434)	(140.330.473)
General and administrative	17	(151.297.517)	(82.963.860)
Contributions to Deposit Guarantee and Banking Protection Fund	15	(4.022.043)	(2.474.817)
Contributions to the Superintendence of Bank and other Financial Institutions	15	<u>(5.728.149)</u>	<u>(3.232.663)</u>
		<u>(368.829.143)</u>	<u>(229.001.813)</u>
<b>Gross operating margin</b>		210.633.333	139.227.756
Miscellaneous operating income	18	17.098.203	1.249.491
Miscellaneous operating expenses	18	<u>(34.505.379)</u>	<u>(30.913.620)</u>
<b>Net operating margin</b>		193.226.157	109.563.627
Extraordinary expenses		<u>(72.109)</u>	<u>(362.005)</u>
<b>Gross income before income taxes</b>		193.154.048	109.201.622
Income taxes	13	<u>(29.289.000)</u>	<u>(4.923.768)</u>
<b>Net income</b>		<u>163.865.048</u>	<u>104.277.854</u>
<b>Net income distribution</b>			
Legal reserve		-	6.184.459
Other capital reserves		61.845	61.845
Accrued net income		<u>163.803.203</u>	<u>98.031.550</u>
		<u>163.865.048</u>	<u>104.277.854</u>

Notes from 1 to 24 are part of 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 December 31 and June 30, 2023**

	Notes	Accumulated results										Unrealized gain or loss on investments in securities available for sale	Total
		Capital stock	Contributions to capital increase	Capital reserves	Adjustments to equity	Non distributable surplus	Surplus to be applied			Total accumulated results			
							Restricted surplus	Undistributed earnings	Remeasure-ment for employee benefit plans				
							(in bolívars)						
Balances as of January 1, 2023		12.368.918	-	6.246.306	155.202.119	5.547.153	44.803.836	12.312.349	(519.637)	62.143.701	(1.071.088)	234.889.956	
Contribution to increase capital stock	16	-	15.481.626	-	-	-	-	-	-	-	-	15.481.626	
Net result for the semester		-	-	-	-	-	-	104.277.854	-	104.277.854	-	104.277.854	
Reversal of the unrealized loss on investment securities	4	-	-	-	-	-	-	-	-	-	1.071.088	1.071.088	
Net unrealized profit on investment securities		-	-	-	-	-	-	-	-	-	199.987	199.987	
Transfers of non-capitalized contributions		-	-	-	-	-	-	-	-	-	-	-	
Exchange rate differential adjustment, net	16	-	-	-	51.726.039	-	-	-	-	-	-	51.726.039	
Transfer of the available exchange profit to results 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 decree	16	-	-	-	-	-	-	(7.904.691)	-	(7.904.691)	-	(7.904.691)	
Legal reserve	16	-	-	6.184.459	-	-	-	(6.184.459)	-	(6.184.459)	-	-	
Reserve for Social Contingency Fund	16	-	-	61.845	-	-	-	(61.845)	-	(61.845)	-	-	
Reclassification to Restricted Surplus of the net results for the semester of the Foreign Branch	16	-	-	-	-	-	39.417.676	(39.417.676)	-	-	-	-	
Reclassification to Restricted Surplus of 50% of the net results for the semester, excluding the results of the Foreign Branch	16	-	-	-	-	-	29.306.937	(29.306.937)	-	-	-	-	
Balances as of June 30, 2023		12.368.918	15.481.626	12.492.610	190.296.051	5.547.153	113.528.449	33.714.595	(519.637)	152.270.560	199.987	383.109.752	
Net result for the semester		-	-	-	-	-	-	163.865.048	-	163.865.048	-	163.865.048	
Reversal of unrealized loss on securities investment	4	-	-	-	-	-	-	-	-	-	5.437.724	5.437.724	
SUDEBAN adjustment	16	-	-	-	718.784	-	(7.541.476)	(7.541.475)	-	(15.082.951)	-	(14.364.167)	
Adjustment for exchange differential, net	16	-	-	-	32.714.877	-	-	-	-	-	-	32.714.877	
Valuation of credits as established by the BCV	16	-	-	-	(47.548.169)	-	-	-	-	-	-	(47.548.169)	
Generic provisions on UVC credits	5	-	-	-	4.360.687	-	-	-	-	-	-	4.360.687	
Cash Dividend Decree	16	-	-	-	-	-	-	(9.704.844)	-	(9.704.844)	-	(9.704.844)	
Reserve for Social Contingency Fund	16	-	-	61.845	-	-	-	(61.845)	-	(61.845)	-	-	
Actuarial gain or loss on labor liabilities	14	-	-	-	-	-	-	-	(3.485.815)	(3.485.815)	-	(3.485.815)	
Reclassification of the net results for the semester to Restricted Surplus of 50%, including the results of the Foreign Branch	16	-	-	-	-	-	81.901.602	(81.901.602)	-	-	-	-	
Balances as of December 31, 2023		12.368.918	15.481.626	12.554.455	180.542.230	5.547.153	187.888.575	98.369.877	-4.005.452	287.800.153	5.637.711	514.385.093	

Notes from 1 to 24 are part of the financial statements.

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

	Notes	December 31, 2023	June 30, 2023
		(in bolivars)	
<b>Cash flow from operating activities:</b>			
Net result for the semester		163.865.048	104.277.854
<b>Adjustments to reconcile net income with cash from operation-</b>			
Provisions and depreciation in income accounts:			
Provision for uncollectable and devaluation of financial assets		17.079.481	19.934.236
SUDEBAN adjustments		(15.082.952)	-
Actuarial loss of labor liabilities		(3.485.815)	
Depreciation and amortization		4.136.907	1.216.587
Unrealized exchange gain from the valuation of assets and liabilities in foreign currency with an effect on equity, net of transfers to results		32.714.878	(11.035.205)
Financial income from credits adjusted to the UVC, net of collections		(46.829.385)	50.410.886
Generic and countercyclical provisions on credits adjusted to the UVC		4.360.687	(4.281.749)
		156.758.849	160.522.609
Net variation of other assets		(35.297.443)	(83.031.209)
Net variation in interest and commissions receivable		(11.577.205)	(7.080.592)
Net variation of accruals and other liabilities		181.454.653	252.260.535
Net variation in interest and commissions payable		829.788	572.180
<b>Net cash provided by operating activities</b>		<b>292.168.642</b>	<b>323.243.523</b>
<b>Cash flow from activities related to financing:</b>			
Net variation from public fundraising		1.409.912.371	918.742.338
Contributions pending for capitalization and increase in capital stock		-	15.481.626
Net variation in other financing obtained		66.576.129	(726.992)
Payment of dividends		(9.704.843)	(7.904.691)
<b>Net cash from financing activities</b>		<b>1.466.783.657</b>	<b>925.592.281</b>
<b>Cash flow used in investing activities:</b>			
Credits granted in the period		(2.245.153.989)	(3.911.137.771)
Credits collected in the period		1.398.024.126	3.462.562.583
Net variation of placements in Banco Central de Venezuela and interbank operations		36.000.000	(36.000.000)
Net variation in investments available for sale		(79.355.452)	(158.941.895)
Net variation in investments held to maturity		(231.663.664)	(129.621.432)
Net variation in restricted availability investments		(56.541.284)	(68.223.713)
Incorporation of fixed and realizable assets, net		(8.826.872)	(7.826.299)
<b>Net cash used in investing activities</b>		<b>(1.187.517.135)</b>	<b>(849.188.527)</b>
		571.435.164	399.647.277
<b>AVAILABILITY, at the beginning of the semester</b>		<b>1.147.387.303</b>	<b>747.740.026</b>
<b>AVAILABILITY, at the end of the semester</b>		<b>1.718.822.467</b>	<b>1.147.387.303</b>

Notes from 1 to 24 are part of the financial statements.

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

## **Notes to the Financial Statements**

### **December 31 and June 30, 2023**

#### **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, it has 75 offices, 43 in the Caracas metropolitan area and 32 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 transact business with several of its related companies. (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 December 31, 2023 were approved for publication and issuance by the Board of Directors at its meeting held on January 16, 2024 (those for June 30, 2023, on July 11, 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**  
**December 31 and June 30, 2023**

**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. 42,782. 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 BCV Resolution No. 22-03-01 published in Official Gazette No. 42,341 dated March 21, 2022 establishes that the liable interest rate for savings deposits, including liquid asset accounts, may not be less than 32% per annum, calculated on daily balances; and the liable interest rate for time deposits, and for transactions through which time deposits are issued, may not be less than 36% per annum (Note 10).

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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.

On March 17, 2022, the BCV has issued Resolution No. 22-03-01, which is effective as of December 31 and 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.

SUDEBAN issued Circular SIB-II-GGR-GNP-07108, dated November 1, 2023 to inform public and private banks that they must allocate 15% of the Single National Productive Portfolio to finance projects of women entrepreneurs, under the CREDIMUJER plan. This measure is based on Presidential Decree 4,874, which seeks to promote and strengthen national economic sovereignty through the participation of women in the productive apparatus. The compliance of the portfolio shall be measured monthly based on the September 2023 balance.

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

### **Notes to the Financial Statements**

#### **December 31 and June 30, 2023**

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).

#### **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 Bank, being a special taxpayer, enjoys certain benefits and must comply with certain tax obligations, such as tax payment according to a special schedule according to which, the Bank has until February 29, 2024 to file its final income tax return to pay its income tax for the 2023 tax year.

#### **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 December 31, 2023, the Bank has recognized large financial transaction tax expenses of Bs.5,849,134 (Bs.3,433,211 in the six-month period ended June 30, 2023), which is shown under "General and Administrative Expenses" in the accompanying statement of income. The liability derived from its performance as withholding agent is reflected in "Accruals and Other Liabilities" (Note 12). Additionally, the Bank, as a withholding agent, has collected and paid to the National Treasury the amount of Bs.164,639,149 (Bs.86,232,229 in the six-month period ended June 30, 2023).



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**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.

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.

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 December 31, 2023, the Bank has recognized an expense of Bs.15,526 (Bs.379,596 in the six-month period ended June 30, 2023), which are shown under 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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

The main changes introduced by the reform are:

- The definition of contributors is modified, by establishing that contributors shall be considered 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, whereby 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.
- The concept of Gross Income is modified, 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 December 31, 2023, the Bank has recorded an expense for this concept of Bs.3,290,303 (Bs.4,462,184 in the six-month period ended June 30, 2023), which are included in the "General and Administrative Expenses" account (Note 17).

#### **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 December 31, 2023, the Bank has created a provision for the payment of this contribution of Bs.1,932,262 (Bs.1,095,636 in the six-month period ended June 30, 2023), shown in the account "Accruals and Other Liabilities" (Note 12), which shall be cancelled in the first half of 2024. Such amount was charged in the semester results to "Other Miscellaneous Operating Expenses" account (Note 18).

#### **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. 39,741, on August 23, 2011, and its regulations on February 28, 2012.



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

### **Notes to the Financial Statements**

#### **December 31 and June 30, 2023**

The Law establishes that companies or other public and private for-profit organizations the annual net income of which exceeds 20,000 U.T. 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 semester ending December 31, 2023, the Bank has created a provision for the payment of this contribution of Bs.1,638,650 (Bs.1,042,779 in the six-month period ended June 30, 2023) and is presented in the account "Accruals and Other Liabilities" (Note 12), which shall be cancelled in the first half of 2024. This amount was charged in the income statement for the semester to "Other Miscellaneous Operating Expenses" account (Note 18).

#### **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.

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. However, management has considered the following aspects in the preparation of the financial statements:

- Assessment of the ability to continue as a going concern, taking into account potential economic and financial scenarios arising from the pandemic, as well as the available sources of funding and contingency plans in place.
- Review of the recognition, measurement, presentation and disclosure criteria for financial assets and liabilities, especially those being subject to significant estimates or judgments, such as recoverability of receivables, valuation of financial instruments, allowance for credit risk, impairment of non-financial assets, calculation of deferred tax liabilities and lease obligations.
- Update of information on the risks and uncertainties faced by the Bank, as well as the measures taken to mitigate them, in the context of the pandemic and its potential short and long term consequences.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**2. Main Accounting Policies**

**a) Basis for Preparation**

The accompanying financial statements for the six-month periods ended December 31 and June 30, 2023, 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-NIFs 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-NIFs and established that, until otherwise indicated, the financial statements and their notes should continue to be presented as supplementary information, in accordance with the generally accepted accounting principles in force until December 31, 2007 (GAAP-Ven). SUDEBAN, through Circular No. SIB-II-GGR-GNP-08302 dated December 15, 2023, has indicated that the presentation of the complementary financial statements as of December 31, 2023, prepared under the generally accepted accounting principles in force as of December 31, 2007 (GAAP-Ven), as well as the publication of financial statements adjusted for the effects of inflation, is deferred. In this regard, the referred supplementary information shall be submitted for comparison purposes with the information related to the closing of the first half of 2024. Likewise, by means of Circular No. SIB-II-GGR-GNP-04388 dated July 6, 2023, the Superintendency has deferred the presentation of the complementary information for the six-month period ending June 30, 2023.

The Bank has applied Circular No. SIB-II-GGR-GNP-07514, issued by the Superintendency of Banking Sector Institutions (SUDEBAN) on September 9, 2021, and addressed to all banking institutions. The circular has granted a temporary regulatory exception for the filing of Form "A" Publication Balance Sheet of banking institutions, within the framework of the monetary reconversion. According to this circular, the detail of the balances of the accounts comprising the equity shall be suppressed, and only the total balance shall be shown, for publication in printed, digital and web media. This exception does not apply to the financial statements sent to SUDEBAN, which shall maintain the structure required by the accounting manual for banking institutions.

On October 25, 2023, SUDEBAN has issued Circular No. SIB-II-GGR-GNP-06925, extending the period of application of the regulatory exception for the filing of Form "A" in the terms indicated in the abovementioned Circular No. SIB-II-GGR-GNP-07514, for the financial statements as of the end of December 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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**2) Inflation-adjusted Financial Statements**

The financial statements of the institutions in the National Banking System and 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.

**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 shall 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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**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 the VEN-NIFs, 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.

**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 for assessing the impairment loss in value.

**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.

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) the 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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**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.

According to 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.



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**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:

	December 31, 2023	June 30, 2023
US\$1	Bs 35,86940175	Bs 27,94615950
€ 1	Bs 39,71711247	Bs 30,49876170

**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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**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, 2023, 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.

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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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:

**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.



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**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 Bank financial statements include the accounts of its branch in the Cayman Islands, which operates in U.S. dollars as its functional currency. For the purpose of presenting the consolidated financial statements, the accounts of the branch have been converted into bolivars, which is the Bank presentation currency, using the official purchase exchange rate reported by the BCV, at the closing date of each period. This conversion reflects the economic and financial position of the branch, in terms of the Bank presentation currency.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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

	December 31, 2023	June 30, 2023
	(In Bolivars)	
Combined asset balances without eliminations	6.101.346.447	3.924.698.826
Elimination of accounts receivable from the Branch to Venezuela	(345.184.282)	(270.423.213)
Elimination of Venezuela investment in the Branch	(961.980.236)	(649.941.979)
Reclassification to equity of provision for available-for-sale investments	-	(199.987)
Total combined assets	<u>4.794.181.929</u>	<u>3.004.133.647</u>
Venezuela net assets	1.944.500.577	1.272.661.068
Branch net assets	<u>2.849.681.352</u>	<u>1.731.472.579</u>
	<u>4.794.181.929</u>	<u>3.004.133.647</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 November 8, 2023 a new Collective Bargaining Agreement was signed which will be in effect from January 1, 2023 until December 31, 2025. The benefits of the aforementioned Agreement will also be effective as of January 1, 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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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 are defined. The Bank, according to the LOTTT, 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 articles of association, the legal provisions and the 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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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 Superintendency.

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 December 31 and June 30, 2023, the Bank holds Bs.395,744,995 and Bs.210,178,295, 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**

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

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

The Bank has recognized transactions in assets and liabilities denominated in currencies other than the bolivar and its net foreign currency position is mainly active in a currency with lower volatility than the reporting currency. The assets of the Cayman Islands Branch, whose functional currency is the U.S. dollar, represent 59.44% (57.64% in the semester ending June 30, 2023) of the Bank total assets. Public deposits in foreign currency collected under the repealed Exchange Agreement No. 20, until June 30, 2023, are placed in banks abroad in the same currency and are shown under the Cash and cash Equivalents item (Notes 3 and 10).

**Pricing Risk**

Financial assets are mainly held in cash, deposits with the BCV, domestic and foreign banks, as well as obligations in foreign companies, which are classified as available-for-sale, held-to-maturity and restricted investments, and which in total represent 61.07% (67.21% in the six-month period ended June 30, 2023) 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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**3. Cash and due from banks**

The cash balance in availabilities includes the following:

	Note	December 31, 2023	June 30, 2023
		(In Bolivars)	
Banknotes and foreign currency	23	154.718.925	199.317.396
Banknotes and national currency		47.625.855	25.676.222
Coined gold	23	66.554.074	48.168.215
Freely convertible foreign exchange market		1.358.157	267.584
		<u>270.257.011</u>	<u>273.429.417</u>

As of December 31, and June 30, 2023 the Bank holds stocks of gold coins and bars equivalent to 897,717 ounces, which are quoted at US\$2,067 and US\$1,920 per ounce.

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

	Note	December 31, 2023	June 30, 2023
		(In Bolivars)	
Legal Reserve		594.978.172	304.008.586
Currencies acquired to be traded in operations according to the Free Convertibility Exchange Market System	23	60.568.001	45.782.329
Demand deposits		-	5.821.570
Other		40.263.742	31.054.212
		<u>695.809.915</u>	<u>386.666.697</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.



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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).

As of December 31, 2023, the balance of Bs.60,568,000, equivalent to US\$1,688,570, corresponds to the amount of foreign currency pending receipt from the BCV, which was 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.

At June 30, 2023, the balance of Bs.45,782,328 includes Bs.37,224,288, equivalent to US\$1,332,000, corresponding to the amount of foreign currency pending receipt from the BCV, which was sold to customers under the Foreign Exchange Intervention mechanism (Note 10). The remaining balance of Bs.8,558,040, equivalent to US\$306,233, corresponds to Exchange Desk and Retail Transactions, which are available in foreign bank accounts. The Bank, following the instructions of SUDEBAN, reclassified the balances of these transactions from account 112.00 "Central Bank of Venezuela" to account 114.00 "Banks and Correspondents Abroad" for the six-month period ended December 31, 2023.

In addition, the BCV will apply an annual interest rate of 32.2% on the unsold balance in purchase and sale transactions, from the date of execution of the foreign exchange intervention and for each day that the reserve requirement deficit has arisen.

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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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.

The Bank had to maintain a legal reserve of Bs.726,331,308 as of December 31, 2023, as required by the BCV (Bs.304,008,586 for June 30, 2023). The Bank had available balances with the BCV of Bs.594,978,172 (Bs.309,830,290 as of June 30, 2023), which only covered part of this amount. In the second half of 2023, the Bank had a reserve requirement deficit for several days in the months of July, September, October, November and December (it also had a reserve requirement deficit from March to June, in the first half of 2023).

During the semester ended December 31, 2023, the Bank has received financial charges from the BCV for Bs.6,555,814 (Bs.7,282,487 as of June 30, 2023) 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).

Public fundraising in foreign currency derived from alternative exchange systems under the repealed Exchange Agreement No. 20 (through June 2023) 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).

**Banks and Correspondents Abroad**

Banks and correspondent banks are financial entities that act as intermediaries between different banking entities, facilitating international transactions and operations. Correspondent banks manage operations on behalf of another financial institution that has no branches in the country, and may, on behalf of a third party, accept deposits, transfer money, manage loans, among others.

The credit quality of the banks and correspondents abroad in which Venezolano de Crédito maintains availabilities according to external indexes, is as follows:

	December 31, 2023
	(In Bolivars)
AA	291.963.818
BB+	15.523.599
BBB-	374.200.434
Not available	71.020.459
	<u>752.708.310</u>

As of December 31, 2023, the balance of Bs.752,708,310 includes Bs.15,813,429 (equivalent to US\$440,861) for Exchange Desk and Retail transactions



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**4. Investments 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	December 31, 2023	June 30, 2023
(In Bolivars)			
Placements with Banco Central de Venezuela and interbank operations.		-	36.000.000
Securities available for sale		312.068.279	227.275.103
Held until maturity		665.037.734	433.374.070
Restricted availability		231.566.017	175.024.733
		<u>1.208.672.030</u>	<u>871.673.906</u>

**a) Placements in the BCV and Interbank Operations**

Following is a detail of such investments:

	December 31, 2023	June 30, 2023
(In Bolivars)		
Overnight placements with annual yields between 5% and 50% and maturity in July 2023		<u>36.000.000</u>

As of December 31, 2023, there were no placements with the BCV or interbank transactions. As of June 30, 2023, there was a balance of Bs.36,000,000. Overnight placements are very short-term operations carried out in the money market, generally with maturities set at 24 hours or, at the most, two or three days. During the six-month period ended December 31, 2023, interest income of Bs.14,881,677 (Bs.1,354,822 as of June 30, 2023) was recognized on interbank transactions.

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

## Notes to the Financial Statements

### December 31 and June 30, 2023

#### b) Investments in Available-for-Sale Securities

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

	December 31, 2023			June 30, 2023		
	Acquisition Cost	Unrealized Gross Profit (Gross Loss)	Market Fair Value	Acquisition Cost	Unrealized Gross Profit (Gross Loss)	Market Fair Value
(in Bolívars)						
<b>Obligations issued by Foreign Private Non-financial Companies</b>						
APPLE INC., with a nominal value of US\$200,000, annual interest rate of 2.5% and maturity in February 2025, in December and June 2023.	6.897.937	104.488	7.002.425 (1)	5.374.242	(7.294)	5.366.948 (1)
AT&T INC., with a nominal value of US\$200,000, annual interest rate of 3.8750% and maturity in January 2026, in December and June 2023.	6.937.680	106.353	7.044.033 (1)	5.353.255	52.538	5.405.793 (1)
Microsoft Corporation, with a nominal value of US\$ 200,000, an annual yield of 3.1250% and an overdue date in November 2025	6.916.087	93.511	7.009.598 (1)	-	-	-
Mondelez International Holdings, with a nominal value of US\$750,000, annual interest rate of 1.5% and maturity in May 2025.	25.138.460	536.858	25.675.318 (3)	-	-	-
Pepsico Capital Resources, Inc., with a par value of US\$200,000, annual interest rate of 2.75% per annum and maturity in January 2025, in December and June 2023.	6.899.300	96.668	6.995.968 (1)	5.375.304	(21.601)	5.353.703 (1)
The Procter & Gamble Company, nominal value of US\$950,000, annual interest rate between 0.55% and 2.45% per annum and maturity between October 2025 and November 2026 (US\$750,000, annual interest rate of 2.45% and maturity in November 2026, by June 2023).	31.829.108	618.532	32.447.640 (3)	19.709.057	(57.317)	19.651.740 (3)
United Technologies Corp., with a nominal value of US\$200,000, annual interest rate of 3.125% and maturity in May 2027.	6.734.480	101.511	6.835.991 (1)	-	-	-
Verizon Communications INC, with a face value of US\$650,000, annual interest rate of 0.75% per annum and maturity in March 2024, in December and June 2023.	22.495.280	575.022	23.070.302 (2)	17.527.608	2.892	17.530.500 (2)
	113.848.332	2.232.943	116.081.275	53.339.466	(30.782)	53.308.684
<b>Obligations issued by Foreign Financial Institutions</b>						
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 December and June 2023.	6.910.707	123.283	7.033.990 (1)	5.384.191	(8.076)	5.376.115 (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 December and June 2023.	8.434.008	227.555	8.661.564 (1)	6.641.265	(69.516)	6.571.749 (1)
BNP Paribas, with a nominal value of US\$200,000, yielding 4.25% p.a. and maturing in October 2024, December and June 2023.	6.979.289	117.114	7.096.402 (1)	5.570.508	(132.241)	5.438.267 (1)
Canadian Imperial Bank of Commerce, with a nominal value of US\$200,000, yield of 0.95% per annum and maturity in October 2025.	6.506.745	196.528	6.703.274 (1)	-	-	-
Capital One Financial Corporation, with a nominal value of US\$200,000, yielding 3.65% per annum and maturing in May 2027, December and June 2023.	6.681.035	176.477	6.857.512 (1)	5.205.252	(13.861)	5.191.391 (1)
Citigroup Inc., with a nominal value of US\$200,000, yield of 1.2810% per annum and maturity in November 2025.	6.728.167	172.388	6.900.556 (1)	-	-	-
E Trade Financial Corporation, with a nominal value of US\$200,000, yield of 3.80% per annum, maturing in August 2027, in June 2023.	-	-	-	5.309.211	(10.399)	5.298.812 (1)
Goldman Sachs Group (B), nominal value US\$200,000, yield 3.272% p.a., maturing in September 2025 (US\$1,000,000, annual yield 1.217%, maturing in December 2023, in June 2023).	6.937.501	124.467	7.061.968 (1)	27.064.123	343.514	27.407.637 (2)
HSBC Holdings PLC, with a nominal value of US\$200,000, yielding 4.3% per annum and maturing in March 2026, in December and June 2023.	6.949.948	106.998	7.056.946 (1)	5.414.764	(12.605)	5.402.159 (1)
Hyundai Capital American (HCA), nominal value US\$200,000, yielding 4.3% per annum and maturing in February 2024, in December 2023.	7.135.859	22.239	7.158.098 (2)	-	-	-
ING Groep N.V., with a nominal value of US\$200,000, yield of 3.550% per annum and maturity in April 2024, in December and June 2023.	7.056.982	73.855	7.130.837 (1)	5.498.155	(11.932)	5.486.223 (1)
JPMorgan Chase & Co, nominal value US\$200,000, yielding 2.3010% per annum and maturing in October 2025, December and June 2023.	6.835.166	150.042	6.985.207 (1)	5.333.077	(7.042)	5.326.035 (1)
State Street Corporation, with a nominal value of US\$200,000, yield of 2.354% per annum and maturity in November 2025, December and June 2023.	6.857.799	139.604	6.997.403 (1)	5.342.970	(8.441)	5.334.529 (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, in December and June 2023.	3.455.084	44.693	3.499.778 (1)	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 December and June 2023.	7.094.107	(47.204)	7.046.903 (1)	5.527.080	(148.115)	5.378.965 (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 December and June 2023.	6.844.133	143.944	6.988.077 (1)	5.332.323	(10.197)	5.322.126 (1)
	101.406.530	1.771.983	103.178.515	90.314.805	(109.898)	90.204.907
<b>Securities issued or guaranteed by the Nation:</b>						
U.S. Government Treasury Bills, with an annual yield of 4,9159% y 5,2545%, a nominal value of US\$3,045,000 and maturing between July and December 2023.	92.028.259	780.231	92.808.488	83.420.845	340.667	83.761.512 (1)
	307.283.121	4.785.157	312.068.278	227.075.116	199.987	227.275.103

#### Custodian of investments

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

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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

	December 31, 2023		June 30, 2023	
	Acquisition Cost	Market Fair Value	Acquisition Cost	Market Fair Value
(In Bolivars)				
Up to six months	130.167.727	130.167.727	110.484.974	111.169.152
Between six months and one year	10.596.180	10.596.180	23.025.763	23.016.736
Between one and five years	171.304.372	171.304.372	93.564.379	93.089.215
	<u>312.068.279</u>	<u>312.068.279</u>	<u>227.075.116</u>	<u>227.275.103</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:

	December 31, 2023			June 30, 2023		
	Acquisition Cost	Amortized Cost (Book Value)	Fair Value	Acquisition Cost	Amortized Cost (Book Value)	Fair Value
(in Bolivars)						
<b>Obligations issued by Foreign Financial Institutions</b>						
B.A.T. Capital Corp., with a nominal value of US\$500,000, annual interest rate of 4.7% and maturity in April 2027.	17.615.284	17.620.557	17.780.462 (2)	-	-	-
yield of 3.0930% and an overdue date in October 2025, in December and June 2023.	64.365.310	60.528.145	54.101.998 (3)	50.147.567	47.654.002	41.168.090 (3)
Barclays Bank PLC, with a nominal value US\$1,500,000, an annual interest rates between 4.375% and 5.2%, and maturity between January and May 2026, in December and June 2023.	61.628.654	56.823.948	53.233.779 (2)	48.015.414	44.825.421	40.256.666 (2)
Bayer US Finance II LLC, with a par value of US\$1,350,000, an annual interest rate of 2,850% and maturity in April 2025, in December and June 2023.	51.399.669	49.281.007	46.665.912 (3)	40.045.923	38.656.176	35.575.576 (3)
BPCE SA, with a nominal value of US\$500,000, interest rate of 4.625% and maturity in July 2024, in December and June 2023.	20.029.546	18.223.091	17.771.495 (1)	15.605.191	14.411.957	13.653.795 (1)
General Electric, with a nominal value of US\$ 1,000,000, annual yield of 4.9116% and overdue date in May 2026, in December and June 2023.	35.438.969	35.758.350	35.672.120 (3)	27.610.806	27.841.046	27.848.348 (3)
Goldman Sachs Group Inc., with a nominal value of US\$500,000, annual interest rate of 5% and maturity in June 2027.	17.741.903	17.744.880	17.706.930 (2)	-	-	-
Harley-Davidson Financial Services INC REGS, with a nominal value of US\$1,000,000, annual interest rate of 3,350% and maturity in June 2025, in December and June 2023.	37.709.036	36.433.556	34.667.777 (4)	29.379.434	28.539.729	26.408.282 (4)
Hyundai Capital America (HCA), with a nominal value of US\$500,000, interest rate of 5.5% and maturity in March 2026.	17.988.146	17.979.609	18.036.929 (2)	-	-	-
Pfizer Investment Enterprises PTE LTD, with a nominal value of US\$500,000, annual interest rate of 4.65% and maturity in May 2025.	17.824.761	17.850.695	17.880.897 (1)	-	-	-
Société Générale, S.A., with a nominal value of US\$1,600,000, annual interest rate of 5% and maturity in January 2024, in December and June 2023.	63.073.258	57.468.198	57.304.956 (2)	49.140.918	45.424.590	44.176.486 (2)
United Health Group, Inc., with a nominal value of US\$200,000, interest rate of 3.1% and maturity in March 2026.	6.896.395	6.902.457	6.896.251 (1)	-	-	-
Wells Fargo & CO, with a nominal value of US\$500,000, annual interest rate of 4.1% and maturity in June 2026, in December and June 2023.	20.481.966	19.011.249	17.541.931 (2)	15.957.676	14.986.229	13.401.721 (2)
	<u>432.192.897</u>	<u>411.625.742</u>	<u>395.261.437</u>	<u>275.902.929</u>	<u>262.339.150</u>	<u>242.488.964</u>

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

## Notes to the Financial Statements

### December 31 and June 30, 2023

#### Obligations issued by Foreign Private Non-financial Companies

General Motors Company, with a nominal value of US\$490,000, annual interest rate of 6.125% and maturity in October 2025, in December and June 2023.

HP Inc., nominal value of US\$500,000, annual interest rate of 4% and maturity in April 2029.

Micron Technology INC, with a nominal value of US\$1,000,000, annual interest rate of 4.975% and maturity in February 2026, in December and June 2023.

Molson Coors Beverage Company, with a nominal value of US\$1,000,000, annual interest rate of 3% and maturity in July 2026, in December and June 2023.

Ralph Lauren Corp, with a nominal value of US\$1,500,000, annual interest rate of 3.750% and maturity in September 2025, in December and June 2023.

Walgreens Boots Alliance INC, with a nominal value of US\$1,000,000, an annual interest rate of 3.450% and maturity in June 2026, in December and June 2023.

20.716.839	18.689.034	17.815.041 (2)	16.140.668	14.810.101	13.775.369 (2)
17.009.629	17.078.749	17.428.942 (1)	-	-	-
42.021.004	38.346.830	35.923.206 (2)	32.738.926	30.338.773	27.528.364 (2)
38.582.563	37.071.063	34.391.582 (1)	30.060.007	29.068.226	26.104.508 (1)
56.881.697	54.795.533	52.749.542 (4)	44.317.020	42.919.449	40.473.864 (4)
39.742.221	37.500.957	34.075.932 (1)	30.963.506	29.482.185	26.211.821 (1)
214.953.953	203.482.166	192.384.245	154.220.127	146.618.734	134.093.926

#### Certificates of Deposits in Financial Institutions

Banco Sabadell, S.A., with a nominal value of US\$895,263, annual interest rate of 4.85% and maturity in January 2024 (US\$873,687 interest rate of 4.60% and maturity in July 2023, for June 2023).

32.112.548	32.112.548	32.112.548 (4)	24.416.186	24.416.186	24.416.186 (4)
------------	------------	----------------	------------	------------	----------------

#### Securities issued or guaranteed by the Nation:

U.S. Government Treasury Bills, nominal value of US\$500,000, maturity in February 2024.

17.559.507	17.817.279	17.809.158 (1)	-	-	-
696.818.905	665.037.735	637.567.388	454.539.242	433.374.070	400.999.076

#### Custodian of investments

- (1) Raymond James & Associates Inc.
- (2) Venecredit Securities, Inc
- (3) Brown Brothers Harriman & Co
- (4) Banco de Sabadell, S.A. (Sucursal Miami)

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

	December 31, 2023		June 30, 2023	
	Amortized Cost	Market Fair Value	Amortized Cost	Market Fair Value
(In Bolivars)				
Less than six months	107.398.011	107.140.397	24.416.186	24.416.186
Between six months and one year	18.223.091	17.771.495	45.424.584	44.176.478
Between one and five years	522.337.884	495.208.800	363.533.300	332.406.412
More than five years	17.078.749	17.446.696	-	-
	665.037.735	637.567.388	433.374.070	400.999.076

During the semester ended December 31, 2023, the Bank recognized premium amortization losses of Bs.5,006,363 (equivalent to US\$139,572 (Bs.3,998,905, corresponding to US\$143,093 in the first half of 2023), and are included in "Other operating expenses" (Note 18).

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**d) Restricted Availability Investments**

Investments of restricted availability are comprised of:

	December 31, 2023					June 30, 2023				
	Cost	Nominal Value	Book Value	Market Value	Provision Booked	Cost	Nominal Value	Book Value	Market Value	Provision Booked
	(in Bolívars)					(in Bolívars)				
<b>Cash and Certificates of Deposits</b>										
JP Morgan Chase Bank, with a nominal value of US\$5,791,861 (US\$5,642,453 in June 2023).	207.750.589	207.750.589	207.750.588	207.750.589	-	157.684.885	157.684.885	157.684.885	157.684.885	-
PNC Bank, with a nominal value of US\$535,291 (US\$535,291 in June 2023).	19.682.186	19.682.186	19.682.203	19.682.186	-	14.959.330	14.959.330	14.959.330	14.959.330	-
	227.432.775	227.432.775	227.432.791	227.432.775	-	172.644.215	172.644.215	172.644.215	172.644.215	-
<b>Restricted funds delivered to trusts</b>										
Contingency social fund trust, held at Banco exterior, Banco Universal	185.536	185.536	185.536	185.536	-	123.692	123.692	123.692	123.692	-
ATM and Pago Móvil Transactions Guarantee Fund Trust at Mercantil, C.A., Banco Universal.	1.045.682	1.045.682	1.045.682	1.045.682	-	-	-	-	-	-
<b>Other Restricted-availability Investments</b>										
MasterCard, Inc. (22,940 class "B" shares, nominal value US\$0.0001 for US\$70,574).	-	2	2.531.447	2.531.447	-	-	2	1.972.273	1.972.273	-
Swift Shares: 2 shares, Nominal Value: EUR 125 per share.	410.317	11.002	370.561	682.539	-	310.538	8.326	284.553	473.324	-
	1.641.535	1.242.222	4.133.226	4.445.204	-	434.230	132.020	2.380.518	2.569.289	-
	229.074.310	228.674.997	231.566.017	231.877.979	-	173.078.445	172.776.235	175.024.733	175.213.504	-

Restricted investments are mostly on demand.

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

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.

Resolution No. 18-12-01 of the BCV includes the creation of the Guarantee Fund for Payment Systems and Non-Bank Payment Service Providers, the purpose of which is to protect users of payment systems and non-bank payment service providers against the risk of non-compliance with payment obligations by any of the participants. Corporación Suiche 7B, C.A. in its condition of Payment System Administrator required the Bank to constitute a new ATM and Mobile Payment Transaction Guarantee Fund for a total of Bs.8,365,455 payable in eight (8) installments of Bs.1,045,682 each. As of December 31, 2023, the Bank made the first contribution to a Mercantil Banco account at the BCV.

As of December 31, 2023 the bank holds in trust the amount of Bs.1,231,219 (Bs.123,692 as of June 30, 2023).

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**e) Concentration of Operations**

The Bank has run its investment activities as follows:

	Note	December 31, 2023		June 30, 2023	
		Book Value	%	Book Value	%
(In Bolivars)					
Securities issued by the U.S. government		110.625.787	9,15	83.761.512	9,61
Bonds issued by various foreign financial institutions		514.804.263	42,59	352.544.057	40,44
Foreign private non-financial companies		319.563.428	26,44	199.927.418	22,94
Term deposits in domestic financial institutions		-	0,00	36.000.000	4,13
Term deposits in foreign financial institutions		259.545.310	21,47	197.060.401	22,61
Shares and other		4.133.242	0,34	2.380.518	0,27
		1.208.672.030	100,00	871.673.906	100,00

The Bank Cayman Islands Branch holds placements and obligations issued by financial institutions and various private companies abroad, denominated in U.S. dollars. Debentures issued by financial and non-financial companies are with companies listed on the New York Stock Exchange.

As of December 31, 2023, 70.80% of the investments in securities, including the Branch, are concentrated in fifteen (15) issuers.

**5. Loan portfolio**

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

	December 31, 2023				June 30, 2023			
	Current	Overdue	In Dispute	Total	Current	Overdue	In Dispute	Total
(In Bolivars)								
<b>By type of economic activity - Operations in Venezuela</b>								
Agriculture and fishing	169.263.594	-	-	169.263.594	1	-	-	128.652.613
<b>Exploitation of mines and quarries</b>	-	-	19.641.451	19.641.451	-	-	15.226.750	15.570.730
Manufacturing industries	145.116.470	-	-	145.116.470	-	-	-	94.624.316
Wholesale and retail trade, restaurants and hotels	237.453.815	-	-	237.453.815	9.236	184.674	-	90.205.701
Community, social and personal services	97.115.936	251.331	-	97.367.267	249.534	1.348.063	-	61.521.022
Construction, engineering and related services	33.891.478	-	-	33.891.478	-	-	-	12.232.636
Financial establishments, insurance, real estate.	2.999.440	-	-	2.999.440	152	-	-	5.752.370
Transport, storage and communication services and others	21.718.937	144.363	-	21.863.300	400.508	-	-	13.827.178
	<u>707.559.670</u>	<u>395.694</u>	<u>19.641.451</u>	<u>727.596.815</u>	<u>404.967.648</u>	<u>659.431</u>	<u>16.759.487</u>	<u>422.386.566</u>

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

## Notes to the Financial Statements

### December 31 and June 30, 2023

<b>By type of economic activity - Operations in Cayman Islands Branch</b>								
Wholesale and retail trade, restaurants and hotels	452,394,857	-	-	452,394,857	209,184,764	-	-	209,184,764
Communal, social and personal services	178,342,163	-	-	178,342,163	91,905,271	-	-	91,905,271
Agriculture and fishing	141,080,644	-	-	141,080,644	66,454,414	-	-	66,454,414
Exploitation of mines and quarries	-	-	-	-	2,794,616	-	-	2,794,616
Construction	76,266,166	120,370	-	76,386,536	3,563,135	-	-	3,563,135
Manufacturing industry	33,155,284	-	-	33,155,284	31,647,279	-	-	31,647,279
Transport, storage and communication services and others	102,870,453	-	-	102,870,453	36,760,844	-	-	36,760,844
	<u>984,109,567</u>	<u>120,370</u>	<u>-</u>	<u>984,229,937</u>	<u>442,310,323</u>	<u>-</u>	<u>-</u>	<u>442,310,323</u>
	1,691,669,237	516,064	19,641,451	1,711,826,752	847,277,971	659,431	16,759,487	864,696,889
Provision for loan portfolio	-	-	-	(44,314,628)	-	-	-	(27,235,144)
	<u>1,691,669,237</u>	<u>516,064</u>	<u>19,641,451</u>	<u>1,667,512,124</u>	<u>847,277,971</u>	<u>659,431</u>	<u>16,759,487</u>	<u>837,461,745</u>
<b>By type of guarantee - Operations in Venezuela</b>								
Bails	10,883,439	-	-	10,883,439	212,819,752	612,828	15,411,425	228,844,005
Pledge	115,951,762	-	-	115,951,762	8,998,029	-	1,348,062	10,346,091
Secured pledge	12,265,878	-	-	12,265,878	49,796,294	-	-	49,796,294
Mortgage and bail	310,054,690	379,534	19,641,451	330,075,675	212	-	-	212
Mercantile	-	-	-	-	-	-	-	-
Without guarantee	258,403,901	16,160	-	258,420,061	133,353,361	46,603	-	133,399,964
Total	<u>707,559,670</u>	<u>395,694</u>	<u>19,641,451</u>	<u>727,596,815</u>	<u>404,967,648</u>	<u>659,431</u>	<u>16,759,487</u>	<u>422,386,566</u>
<b>By type of guarantee - Operations in Cayman Islands Branch</b>								
Bails	203,748,956	-	-	203,748,956	115,755,126	-	-	115,755,126
Pledge	480,598,870	-	-	480,598,870	152,773,578	-	-	152,773,578
Secured pledge	255,655,320	120,370	-	255,775,690	131,530,928	-	-	131,530,928
Without guarantee	44,106,421	-	-	44,106,421	42,250,691	-	-	42,250,691
	<u>984,109,567</u>	<u>120,370</u>	<u>-</u>	<u>984,229,937</u>	<u>442,310,323</u>	<u>-</u>	<u>-</u>	<u>442,310,323</u>
	1,691,669,237	516,064	19,641,451	1,711,826,752	847,277,971	659,431	16,759,487	864,696,889
<b>Due to expiration - Operations in Venezuela</b>								
Up to 30 days	14,870,418	16,160	-	14,886,578	19,111,786	46,603	-	19,158,389
Between 31 and 60 days	7,800,024	-	-	7,800,024	6,549,254	-	-	6,549,254
Between 61 and 90 days	44,019,527	-	19,641,451	63,660,978	89,724,412	-	15,226,750	104,951,162
Between 91 and 180 days	264,054,775	-	-	264,054,775	201,979,860	-	1,348,062	203,327,922
Between 181 and 360 days	190,790,315	379,534	-	191,169,849	60,971,479	612,828	184,675	61,768,982
More than 360 days	186,024,611	-	-	186,024,611	26,630,857	-	-	26,630,857
	<u>707,559,670</u>	<u>395,694</u>	<u>19,641,451</u>	<u>727,596,815</u>	<u>404,967,648</u>	<u>659,431</u>	<u>16,759,487</u>	<u>422,386,566</u>
<b>Due to expiration - Operations in Cayman Islands Branch</b>								
Up to 30 days	-	-	-	-	-	-	-	-
Between 31 and 60 days	-	-	-	-	-	-	-	-
Between 61 and 90 days	134,287,866	-	-	134,287,866	181,733,875	-	-	181,733,875
Between 91 and 180 days	206,330,410	-	-	206,330,410	47,757,658	-	-	47,757,658
Between 181 and 360 days	373,685,262	120,370	-	373,805,632	85,623,422	-	-	85,623,422
More than 360 days	269,806,029	-	-	269,806,029	127,195,368	-	-	127,195,368
	<u>984,109,567</u>	<u>120,370</u>	<u>-</u>	<u>984,229,937</u>	<u>442,310,323</u>	<u>-</u>	<u>-</u>	<u>442,310,323</u>
	1,691,669,237	516,064	19,641,451	1,711,826,752	847,277,971	659,431	16,759,487	864,696,889
<b>By type of credit - Operations in Venezuela</b>								
Fixed term credits	183,725,048	-	19,641,451	203,366,499	311,040,697	-	16,574,812	327,615,509
Credits for installments	327,225,214	144,363	-	327,369,577	84,882,290	612,828	184,675	85,679,793
Agricultural	151,529,543	-	-	151,529,543	-	-	-	-
Microcredits	17,240,449	235,171	-	17,475,620	-	-	-	-
Consumer credits	14,870,418	15,014	-	14,885,432	9,044,661	37,367	-	9,082,028
Mortgage	12,968,998	-	-	12,968,998	-	-	-	-
Credits in current account	-	1,146	-	1,146	-	9,236	-	9,236
	<u>707,559,670</u>	<u>395,694</u>	<u>19,641,451</u>	<u>727,596,815</u>	<u>404,967,648</u>	<u>659,431</u>	<u>16,759,487</u>	<u>422,386,566</u>
<b>By type of credit - Operations in Cayman Islands Branch</b>								
Fixed term credits	516,624,051	120,370	-	516,744,421	295,450,182	-	-	295,450,182
Credits for installments	452,666,634	-	-	452,666,634	146,860,141	-	-	146,860,141
Consumer credits	1,744,679	-	-	1,744,679	-	-	-	-
Mortgage	13,074,203	-	-	13,074,203	-	-	-	-
Credits in current account	-	-	-	-	-	-	-	-
	<u>984,109,567</u>	<u>120,370</u>	<u>-</u>	<u>984,229,937</u>	<u>442,310,323</u>	<u>-</u>	<u>-</u>	<u>442,310,323</u>
	1,691,669,237	516,064	19,641,451	1,711,826,752	847,277,971	659,431	16,759,487	864,696,889

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

Until the six-month period ended June 30, 2023, the Bank holds a balance of Bs.7,106,485 for Credits for use of funds not available to the Bank from interbank mobile payment transactions 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 amounted to Bs.2,909,322 as of June 30, 2023. However, as of December 31, 2023, the Bank no longer maintains any balance for these concepts.

As of December 31 and June 30, 2023, the Bank has no credits with debtors that individually exceed 10% of its net worth or with economic groups for amounts exceeding 20%, and has no investments and loans that exceed the limits established in the Banking Sector Institutions Law.

**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:

Activity	Balance Held in Bolivars	Held	Required	Number of Debtors	Number of Credits	December 31, 2023
						Maximum Annual Interest Rate
Unique National Productive Portfolio (Note 1)	151.529.543	30,24%	25,00%	14	22	6%
Microcredits (Note 1)	17.475.621	4,14%	3,00%	139	141	16%

The single national productive portfolio is allocated as follows:

Activity	December 31, 2023			June 30, 2023		
	Balance Held in Bolivars	Held	Required	Balance Held in Bolivars	Held	Required
Agricultural	151.529.543	100,00%	85%	92.686.230	100,00%	100,00%
Credimujer	-		15%	-	-	-
	151.529.543			92.686.230		

The gross microloan credit portfolio is allocated as follows:

Activity	December 31, 2023			June 30, 2023		
	Balance Held in Bolivars	Held	Required	Balance Held in Bolivars	Held	Required
Marketing	7.172.959	41,05%	40%	5.543.926	44,23%	40%
Provision of services (public transportation for urban and trunk routes; communal, social and personal services;	8.058.907	46,12%	40%	5.918.236	47,22%	40%
Other activities	2.243.755	12,84%	20%	1.071.316	8,55%	20%
	17.475.621			12.533.478		

The minimum nominal percentage for granting credits to the Single National Productive Portfolio is 25% of the gross portfolio balance at the end of the immediately preceding quarter, discounting the increase due to capital restatement, resulting from the application of the Credit Value Unit (CVU), which is generated on commercial loans. As of December 31 and June 30, 2023, the calculation was made based on the gross loan portfolio as of September 30 and March 31, 2023, respectively.

The minimum nominal percentage for granting credits to the country microfinance sector is at least 3% of the loan portfolio, based on the immediately preceding six-month period. As of December 31 and June 30, 2023, the calculation was made based on the gross loan portfolio as of June 30, 2023 and December 31, 2022, respectively.



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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 fund raising in foreign currency, up to a maximum equivalent to 30% of the balance in foreign currency registered in the account "Current Accounts Under the Free Convertibility Market System" reflected as of December 31, 2022, excluding the foreign currency custody accounts. The foreign currency corresponding to such percentage must be offered in the Exchange Market System for subsequent settlement in bolivars under the different credit modalities provided for in the Law and other complementary regulations.

These credits shall be measured and expressed only by using UVC, as established in Resolution No. 22-03-01 dated March 17, 2022. Likewise, the banking institutions that intend to enter into the referred credit operations shall submit a contract proposal to SUDEBAN for its subsequent approval.

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

**Allowance for loans portfolio**

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

		December 31, 2023	June 30, 2023
		(In Bolivars)	
Balance at the beginning of the semester		27.235.144	7.300.909
<b>increase of provision</b>			
With charge to results		17.227.635	15.652.486
With charge to equity	16	4.212.536	4.281.749
<b>Decrease of provision</b>			-
Debits for uncollectable receivables			
Transfers to Provision for income receivable	16	(4.360.687)	-
Balance at the end of the semester		<u>44.314.628</u>	<u>27.235.144</u>

The allowance for loan portfolio is distributed as follows:

		December 31, 2023	June 30, 2023
		(In Bolivars)	
Generic provision, equivalent to 1% of the principal balance of the loan portfolio, except for the balance of the microcredit portfolio, which maintains a generic provision of 2%.		7.674.290	8.772.303
Counter-cyclical provision, equivalent to 0.75 of gross loan portfolio		5.662.088	6.485.227
Provision maintained by the Foreign Branch for the loan portfolio of US\$480,288.		17.224.024	-
Specific provisions		<u>13.754.226</u>	<u>11.977.614</u>
		<u>44.314.628</u>	<u>27.235.144</u>

During the semester ended December 31, 2023, reclassifications were made between the generic provision and the counter-cyclical provision to the specific provisions. As of June 30, 2023, the increases in the allowance for loan portfolio include the increase in the countercyclical allowance for Bs.3,342,691, charged to the results of the semester presented in the account "Expenses for Uncollectibility and Impairment of Financial Assets", and Bs.26,406, charged to equity, presented in the account "Adjustments to Equity", as permitted by Resolution No. 070.19 of SUDEBAN dated December 20, 2019.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

The amount of the portfolio, past due and in litigation, on which interest was not accrued, amounted to Bs.20,157,514 (Bs.17,418,917 as of June 30, 2023). Additionally, the amount of interest not recognized on this portfolio was Bs.880,371,96 (Bs.850,896 in the six-month period ended June 30, 2023). Likewise, the total immobilized portfolio represents 1.1775% and 2.0145% of the gross loan portfolio, and 3.9190% and 4.5467% of the Bank total equity, respectively.

As of December 31 and June 30, 2023, the coverage margin of the total allowance for credit portfolio in relation to the immobilized portfolio is 219.84% and 156.35%, respectively, complying with the requirements established by the Superintendency.

During the semesters ended December 31 and June 30, 2023 there was no portfolio recovery through foreclosure.

**6. Financial Statements of the Foreign Branch**

As of December 31 and June 30, 2023, the Branch has an assigned capital of US\$13,500,000, which comes from contributions made by the Bank and approved by the Board of Directors. A summary of the Cayman Islands Branch financial statements that have been integrated with the Bank financial statements, prior to the eliminations, is shown below:

	December 31, 2023		June 30, 2023	
	US\$	Equivalent in Bolivars	US\$	Equivalent in Bolivars
<b>Assets</b>				
Availabilities	18.345.886	658.055.955	15.875.097	443.647.993
Investments in securities	33.591.565	1.204.909.340	29.827.996	833.577.934
Credit portfolio	26.958.975	967.002.305	15.827.231	442.310.322
Interest and commissions receivable	548.076	19.659.158	382.078	10.677.613
Other assets	9.624.885	345.238.867	9.721.620	271.681.943
	<u>89.069.387</u>	<u>3.194.865.625</u>	<u>71.634.022</u>	<u>2.001.895.805</u>
<b>Memorandum Accounts:</b>				
Other debt memorandum accounts	<u>30.372.261</u>	<u>1.089.434.832</u>	<u>18.498.858</u>	<u>516.972.036</u>
<b>Liabilities</b>				
Public fundraising	61.415.292	2.202.929.782	47.462.579	1.326.396.803
Accruals and other liabilities	835.130	29.955.613	907.354	25.357.060
	<u>62.250.422</u>	<u>2.232.885.395</u>	<u>48.369.933</u>	<u>1.351.753.863</u>
Allocated capital and accumulated surplus	26.818.965	961.980.230	23.264.089	650.141.942
	<u>89.069.387</u>	<u>3.194.865.625</u>	<u>71.634.022</u>	<u>2.001.895.805</u>
<b>Memorandum accounts per contra</b>				
Other credit memorandum accounts	<u>30.372.261</u>	<u>1.089.434.832</u>	<u>18.498.858</u>	<u>516.972.036</u>
<b>Statements of Results:</b>				
Financial income	2.439.597	87.506.885	1.668.556	46.629.732
Financial expenses	(2.084)	(74.752)	(4.012)	(112.120)
	<u>2.437.513</u>	<u>87.432.133</u>	<u>1.664.544</u>	<u>46.517.612</u>
Other operating income	2.954.196	105.965.243	1.884.743	52.671.328
Other operating expenses	(446.308)	(16.008.801)	(429.608)	(12.005.894)
Transformation expenses	(1.132.633)	(40.626.868)	(1.546.928)	(43.230.697)
Other income or expense, net	(407.909)	(14.631.452)	(162.264)	(4.534.656)
	<u>967.346</u>	<u>34.698.122</u>	<u>(254.057)</u>	<u>(7.099.919)</u>
Net profit for the semester	<u>3.404.859</u>	<u>122.130.255</u>	<u>1.410.487</u>	<u>39.417.693</u>

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**7. Interests and Commissions Receivable**

Below is a detail of the interests and commissions receivable:

	Note	December 31, 2023	June 30, 2023
(In Bolivars)			
<b>Yields receivable from investments in securities</b>			
In securities available for sale		1.255.532	888.038
In securities held until overdue		6.515.799	4.432.038
For placements in the Banco Central de Venezuela and interbank transactions		-	42.500
		<u>7.771.331</u>	<u>5.362.576</u>
<b>Yields receivable from loan portfolio</b>			
Current credits		16.793.094	8.234.003
Overdue credits		1.722	1.530
Delinquency		6.124	3.067
Microcredits and other financing instruments		132.119	77.967
		<u>16.933.059</u>	<u>8.316.567</u>
<b>Commissions receivable</b>			
Trust		1.537.346	985.390
Other		-	-
		<u>1.537.346</u>	<u>985.390</u>
<b>Provision for yields receivable and Other</b>		-	(3)
		<u>26.241.736</u>	<u>14.664.530</u>

**8. Premises and equipments**

Premises and equipments are represented by:

	Note	Computer Equipment	Office Equipment	Vehicles	Furniture	Total
(n Bolivars)						
<b>Cost</b>						
Balance as of January 1, 2023		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>
<b>Depreciation</b>						
Balance as of January 1, 2023		(632.155)	(344.774)	(1.827)	(56)	(978.812)
Expense for the semester		(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>
<b>Cost</b>						
Balance as of June 30, 2023		7.529.782	5.256.060	2.097	212.502	13.000.441
Additions		1.997.671	6.338.969	-	490.232	8.826.872
		<u>9.527.453</u>	<u>11.595.029</u>	<u>2.097</u>	<u>702.734</u>	<u>21.827.313</u>
<b>Depreciation</b>						
Balance as of June 30, 2023		(1.154.420)	(756.853)	(2.086)	(6.965)	(1.920.324)
Expense for the semester		(1.088.190)	(853.986)	(11)	(18.133)	(1.960.320)
Other		-	-	-	-	-
		<u>(2.242.610)</u>	<u>(1.610.839)</u>	<u>(2.097)</u>	<u>(25.098)</u>	<u>(3.880.644)</u>
Balance as of December 31, 2023		<u>7.284.843</u>	<u>9.984.190</u>	<u>-</u>	<u>677.636</u>	<u>17.946.669</u>

During the semester ended December 31, 2023, the Bank has recorded depreciation expenses of Bs.1,960,320 (Bs.941,212 in the six-month period ending June 30, 2023), which are included in the "General and Administrative Expenses" account (Note 17).

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**9. Other Assets**

Other Assets include the following:

	Note	December 31, 2023	June 30, 2023
(In Bolivars)			
Prepaid Expenses:			
Prepaid maintenance contracts		10.678.793	12.331.872
Insurance premiums paid in advance		20.356.199	8.724.005
Advances to suppliers for miscellaneous services		10.262.156	6.085.217
Prepaid professional fees		3.163.778	6.222.694
Prepaid rents		1.916.664	1.660.644
Prepaid taxes	13	19.097.981	8.116.163
		65.475.571	43.140.595
Items to be applied		15.905.170	19.795.562
Cost of foreign currency acquired at point-of-sale terminals US\$658,331 (US\$657,345 in June 2023)	10	23.726.555	18.363.301
Receivables pending immediate credits received		-	14.940.816
Deferred expenses		11.461.230	9.451.238
Advances to suppliers		29.640.716	7.607.125
Bonus to employees		-	1.633.780
Recoverable expenses		807.715	1.418.237
IGTF ME cost settled at TN		786.957	1.251.160
Debit card claims		101.463	61.465
Accounts receivable from other banks for P2P operations		34.134	30.175
Other		7.126.179	4.244.292
		155.065.690	121.937.746
Provisions for other assets		(78.787)	(71.700)
		154.986.903	121.866.046

Prepaid taxes are mainly comprised of: (i) income tax advances for special taxpayers Bs.18,654,323 (Bs.7,046,122 as of June 30, 2023), (ii) VAT tax credits of Bs.443 .658 (Bs.47,620 at June 30, 2023) and (iii) taxes paid by the branch related to the annual operating license in the Cayman Islands for Bs.1,022,421 at June 30, 2023.

Prepaid technological maintenance contracts and others are mainly comprised of maintenance and support services for technological platform equipment and renewal of software and internet licenses covering a period of 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.15,905,170 as of December 31, 2023 (Bs.19,795,562 as of June 30, 2023) is composed of the following items: Bs.10,967,812 (Bs.2,851 as of June 30, 2023) for payments to suppliers pending application, Bs.475,414 (Bs.15,555,525 as of June 30, 2023) for checking and savings account transactions regularized as of the following business day and Bs.2 .979,975 (Bs.3,944,768 as of June 30, 2023) for consumer transactions with debit cards pending application to affiliated businesses, which were also regularized the following business day.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

Recoverable expenses include Bs.287,691 as of December 31 and June 30, 2023, arising from the net loss derived from the debit and credit notes unilaterally issued by the BCV. The Bank maintains a single account with the BCV, which is shown under Cash and Cash equivalents. The net loss is due to the differential between the discretionary exchange rate applied in debits and credits received. These debits and credits are made in application of the exchange intervention mechanism established in Resolutions No. 19-01-04 and No. 19-05-03 issued by the BCV. The Bank had filed a nullity action with a 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, 2019 and May 30, 2019, referring to the foreign exchange intervention mechanism. However, on June 13, 2023, the Supreme Court of Justice has dismissed the nullity claim filed by the Bank, and therefore the case was definitively concluded (Note 21).

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 December 31 and June 30, 2023, no expenses for these penalties have been recorded.

The costs of foreign currency acquired at point-of-sale terminals correspond to consumption made in commercial establishments by individuals with foreign debit and credit cards in foreign currency through point-of-sale terminals. These foreign currencies are available to be sold to the Bank customers, as permitted by the BCV in a communication dated May 14, 2019. During the semester ended December 31, 2023, the Bank has sold US\$17,354,844 (US\$13,848,857 as of June 30, 2023) and, consequently, has recognized net realized exchange gains of Bs.21,700,378 (Bs.7,088,168 as of June 30, 2023) (Note 18).

The movement of deferred expenses is shown below:

	Note	Licenses	Software for Currency Reconversion	Leasehold Improvements	Other Software	Advertising due to Currency Reconversion	Other	Total
(In Bolivars)								
<b>Cost</b>								
Balance as of January 1, 2023		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		-	-	-	-	-	-	-
		<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>
<b>Amortization</b>								
Balance as of January 1, 2023		(89.966)	(20.868)	(11.316)	(9.922)	(4.357)	(249.718)	(386.147)
Expense for the semester		(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>
<b>Cost</b>								
Balance as of June 30, 2023		3.787.409	94.900	1.300.704	133.939	11.204	5.726.360	11.054.516
Additions		209.848	-	2.408.798	1.289.299	-	282.042	4.189.987
Withdrawals		-	-	-	-	-	-	-
		<u>3.997.257</u>	<u>94.900</u>	<u>3.709.502</u>	<u>1.423.238</u>	<u>11.204</u>	<u>6.008.402</u>	<u>15.244.503</u>
<b>Amortization</b>								
Balance as of June 30, 2023		(249.213)	(30.358)	(170.614)	(24.868)	(6.224)	(1.122.000)	(1.603.277)
Expense for the semester		(485.646)	(9.490)	(262.954)	(16.742)	(1.867)	(1.403.296)	(2.179.995)
Withdrawals		-	-	-	-	-	-	-
		<u>(734.859)</u>	<u>(39.848)</u>	<u>(433.568)</u>	<u>(41.610)</u>	<u>(8.091)</u>	<u>(2.525.296)</u>	<u>(3.783.272)</u>
Balance as of December 31, 2023		<u>3.262.398</u>	<u>55.052</u>	<u>3.275.934</u>	<u>1.381.628</u>	<u>3.113</u>	<u>3.483.106</u>	<u>11.461.231</u>

During the six-month period ending December 31, 2023, the Bank has made disbursements of Bs.4,189,987 (Bs.7,858,409 in the semester ended June 30, 2023) mainly for the maintenance of licenses and improvements to some of its leased properties in the Charallave agency (maintenance of licenses for the MAIFRAME equipment and licenses for the Exchange server in June 2023).

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

The Bank has recognized amortization expenses of deferred charges totaling Bs.2,179,995 (Bs.1,217,130 as of June 30, 2023) (Note 17).

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	December 31, 2023	June 30, 2023
		(In Bolivars)	
Balance at the beginning of the semester		(71.700)	(70.124)
Increase in provision			
Effect of translation of the balance of the provision held at the Branch		(7.087)	-
With charge to equity		-	(1.576)
Balance at the end of the semester		<u>(78.787)</u>	<u>(71.700)</u>

**10. Customers deposits**

Customers deposits, include the following:

	Note	December 31, 2023	June 30, 2023
		(In Bolivars)	
<b>Demand Deposits</b>			
Non- interest-bearing current accounts		633.452.549	348.893.610
Interest bearing current accounts, including US\$50,980,3856 of the Branch customers (US\$41,453,168 in June 2023)		2.080.034.334	1.282.630.610
Checking accounts according to Exchange Agreement No. 20, equivalent to US\$271,107 in June 2023	3 y 22	-	7.576.390
Demand Deposits and certificates, including US\$30,000 from Branch customers (US\$45,000 as of June 2023)		54.618.630	37.849.024
Current accounts under freely Convertible Foreign Exchange System, equivalent to US\$4,248,069 (US\$4,196,541 in June 2023)	3	<u>152.375.705</u>	<u>117.277.192</u>
		<u>2.920.481.218</u>	<u>1.794.226.826</u>
<b>Other demand obligations</b>			
Sold Cashier's checks		50.706.029	987.442
Trust obligations, including US\$108,099 (US\$456,846 in June 2023) deposited in current accounts of the Branch	19	18.955.777	32.174.651
Money orders and transfers payable	9	39.098.744	30.434.612
Other		<u>1.203.591</u>	<u>881.218</u>
		<u>109.964.141</u>	<u>64.477.923</u>
Saving deposits		<u>47.170.428</u>	<u>25.387.985</u>
Restricted public fundraising, including US\$10,211,703 from the Branch customers (US\$5,429,064 as of June 2023) that guarantees lending operations.		<u>370.827.767</u>	<u>154.438.454</u>
		<u>3.448.443.554</u>	<u>2.038.531.188</u>

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



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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 corresponds to deposits received by the Bank in accordance with the aforementioned agreement and which have not been withdrawn by customers as of that date.

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 23) of which Bs.60,568,000 (Bs.37,224,288 as of June 30, 2023) are pending receipt from the BCV and the remainder is held in cash in the Bank vaults. Additionally, the Bank has charged its customers between 3% and 3.8% of the amount in cash in foreign currency withdrawn at branches and ticket offices, accruing income for this concept during the semester ended December 31, 2023 of Bs.19,285,164 (Bs.5,801,948 in the six months ended June 30, 2023), which are included in Other Operating Income (Note 18).

As of December 31 and June 30, 2023, the interest-bearing checking accounts have yielded an annual interest rate of 0.0010%, except for the interest-bearing trust account, which has earned an annual interest rate of 21%.

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 consist of two items. The first is US\$431,699 equivalent to Bs.15,484,797 (equivalent to Bs.12,064,339 at June 30, 2023). This amount corresponds to interest on Sovereign Bonds, the payment of which is suspended to the Bank customers. The second item is US\$658,331 equivalent to Bs.23,726,555 (US\$657,345 equivalent to Bs.18,363,301 as of June 30, 2023). This amount is due to foreign currency acquired by card sales points of foreign banks. These foreign currencies shall be sold to the Bank's customers, prior authorization from 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.



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**11. Other Financing Obtained**

Details for Other Financing Obtained are as follows:

	Note	December 31, 2023	June 30, 2023
(In Bolivars)			
Current account with Bancaribe, C.A. Universal Bank		-	1.000.000
		-	1.000.000
Overnight debentures with annual interest rates between 13.5% and 14% and maturity in January 2024.		67.576.000	-
Deposits from foreign financial institutions in national currency		39.026	38.897
		67.615.026	38.897
		67.615.026	1.038.897

During the second semester of 2023, the Bank has recorded interest expenses of Bs.1,131,373, while in the first semester of 2023 they were Bs.1,311,564. These expenses are included in "Financial Expenses".

**12. Accruals and Other Liabilities**

Accruals and Other Liabilities include the following:

	Note	December 31, 2023	June 30, 2023
(In Bolivars)			
Provision for contingencies, including US\$14,268,007 (US\$14,330,710 in June 2023).		512.709.644	407.224.903
Items to be applied		73.329.109	103.139.459
Profits payable to officers and employees, including US\$1,367,381 (US\$1,174,769 as of June 2023)		49.047.122	32.830.334
Provision for income tax	13	30.789.000	1.500.000
Agreement for Visa growth		21.521.641	-
Accruals for Social Benefits	14	21.086.334	10.613.326
Dividends payable	16	18.998.682	6.800.261
Contracted services payable		8.309.400	3.341.584
Taxes withheld		5.876.506	4.205.941
Other miscellaneous payable accounts		4.601.542	2.895.189
Provisions for employee welfare		3.527.949	1.265.648
Contribution payable for the Organic Law on Drugs	1	3.027.898	1.130.745
Other taxes		2.705.117	2.157.196
Contribution payable for the Sports Law	1	2.681.429	1.686.672
Other		3.981.826	1.947.288
		762.193.199	580.738.546

"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:

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

	Note	December 31, 2023	June 30, 2023
		(In Bolivars)	
Balances at the beginning of the semester		407.224.903	247.310.825
Effects of exchange fluctuation due to the valuation of balances in foreign currency, which is shown in Equity	16	106.963.771	149.242.190
Increases charged to results		6.663.637	12.178.821
Decrease due to payments and Other		(8.142.667)	(1.506.933)
Balances at the end of the semester		<u>512.709.644</u>	<u>407.224.903</u>

Items to be Applied include the following:

	Note	December 31, 2023	June 30, 2023
		(In Bolivars)	
P2P payments pending to Suiche 7B		46.908.743	43.655.305
Payment orders to be applied to the BCV		1.410.231	2.085.582
Point of sale operations payable - Compensating accounts		21.513.476	29.932.315
Funds not available for immediate credit collection		-	7.106.485
Immediate credits to Electronic Clearing House		1.481.117	19.490.564
Other		2.015.542	869.208
		<u>73.329.109</u>	<u>103.139.459</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 December 31, 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 December 31 and June 30, 2023, 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 December 31 and June 30, 2023 correspond to transfers made by the Bank customers to other financial institutions on the last days of June 2023 and December 2022, respectively, which have 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 semester ended December 31, 2023, bonuses were paid to employees and executives for Bs.64,668,401, being Bs.37,459,059 (equivalent to US\$1,044,318) paid through its Branch (US\$1,460,650 equivalent to Bs.40,819,554 in June 2023).

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

## Notes to the Financial Statements

### December 31 and June 30, 2023

In September 2023, Visa International Servicios de Pago España, S.R.L.U. (VISA) signed with Venezolano de Crédito S.A. Banco Universal, a "growth agreement" that aims to boost the use of Visa Debit through the Contactless Technology in Venezuela, offering innovative, secure and efficient payment solutions to merchants and consumers. The agreement will have a duration of 10 years from October 1, 2023; it includes a signing bonus of US\$300,000 and an incentive for the purchase of plastic cards of US\$300,000; both incentives were received by Venezolano de Crédito S.A. Banco Universal in October 2023, considering that, should the provisions established by Visa in the growth agreement are not complied with, both the signing bonus and the incentive for the purchase of plastic cards must be returned.

It is also considered a participation bonus of US\$100,000, if 50% of the proposed goal is reached within 4 years, and additionally US\$100,000, if 80% of the goal is reached within 6 years. Incentives will not be awarded if the established goals are not met.

### 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.

The Bank fiscal year ends on December 31 of each year and it files tax returns on an annual basis. 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 December 31, 2023 the Bank maintains an income tax provision of Bs.30,789,000, which is based on the results for the year ended December 31, 2023.

The reconciliation between book income and taxable income for the fiscal year ended December 31, 2023 is as follows:

	December 31, 2023
Applicable Tax Rate	40%
Book profit before income taxes	302.355.671
<b>Tax expense determined on accounting profit</b>	<b>120.942.268</b>
Effect of tax on expenses paid in advance	(21.923.366)
Effect of income tax not available at the end of the semester	(57.427.128)
Tax effect on exempt income	(236.280)
Tax effect of adjustments made to retained earnings accounts	(5.745.667)
Other net effects	(4.821.820)
	30.788.007
Estimated income tax expense	30.789.000

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 December 31, 2023 is as follows:

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

	December 31, 2023
	(In Bolivars)
<b>Concept</b>	
Estimated tax for the first half of 2023	1.500.000
Adjustment for definitive declaration of year 2022	3.423.768
Expense as of June 30, 2023	4.923.768
Tax estimate for the second half of 2023	29.289.000
Total expense for the year	34.212.768

**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 December 31 and June 30, 2023, 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.

**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 December 31, 2023 the Bank has settled income tax advances of Bs.18,654,323 (Bs.7,046,122 as of June 30, 2023) (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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**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.

**14. Employee Benefits and Employee Benefit Plan**

**a) Accrual for Employee Benefits**

The accrual for workers' compensation includes:

	Note	December 31, 2023	June 30, 2023
		(In Bolivars)	
Guarantee for social benefits		10.469.666	6.708.389
Additional obligation for social benefits		10.616.668	3.904.937
	12	<u>21.086.334</u>	<u>10.613.326</u>

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

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

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

	December 31, 2023	June 30, 2023
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%	150%

- The turnover rate is the estimated percentage of workers who retire or are dismissed from the company each year. This rate affects the number of workers who are entitled to receive social benefits and the time they must wait to collect them.
- The mortality rate is the probability that a worker will die before receiving his or her social benefits. This rate is usually expressed by a mortality table that indicates the life expectancy of workers according to their age and sex. The GAM83 table is a mortality table used to estimate the probability of survival and death of a group of people receiving an annuity.
- The rate of salary increase is the percentage of annual increase in workers' salaries. This rate affects the amount of social benefits, since they are calculated based on the last salary earned by the worker. A high rate of wage increase implies that more workers receive higher benefits.
- The discount rate is the interest rate used to calculate the present value of future payments. This rate reflects the opportunity cost of investing the money in another asset. A high discount rate implies that future payments have a lower present value.
- The long-term geometric average inflation rate is the annual percentage increase in the general price level. This rate affects the purchasing power of workers receiving social benefits. A high inflation rate implies that workers lose purchasing power over time.

During the second and first half of 2023, the reconciliation of the change in the present value of the defined benefit obligation shown in the defined benefit plan account is as follows:

	December 31, 2023	June 30, 2023
	(In Bolivars)	
Present value of the obligation at the beginning of the semester	6.530.927	2.356.841
Interest cost (a)	261.237	1.239.570
Cost of services (a)	162.577	118.410
Benefits paid	(343.525)	(254.755)
Actuarial losses (gains) of obligations (b)	4.005.452	3.070.861
Balance at the end of the semester	<u>10.616.668</u>	<u>6.530.927</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".

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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 plan funds.

As of December 31 and June 30, 2023, the Bank has made the extraordinary and ordinary contributions established in the contractual agreement. The Bank expense in the six months ended December 31, 2023, related to this Plan, is Bs.2,893,530 (Bs.989,523 in the six months ended June 30, 2023), which are presented in "Personnel Expenses".

The funds of the Retirement 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, it 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 for this concept amounting to Bs.5,460,081 (Bs.3,037,258 for the six-month period ended June 30, 2023), which is presented as "Miscellaneous Operating Expenses" (Note 18).

### **Contribution to SUDEBAN**

For the fiscal years ended December 31 and June 30, 2023, 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 has recognized expenses of Bs. 3,232,663 (Bs. 984,700, for the six-month period ended June 30, 2023), 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 has recognized expenses for this concept for Bs.4,022,043 (Bs.2,474,817, for the six-month period ended June 30, 2023), which are presented separately under "Transformation Expenses" in the accompanying statements of income.

## **16. Equity**

### **Paid-in Capital**

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



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

At the Extraordinary General Shareholders' Meeting held on May 16, 2023, it was approved to increase the Bank subscribed and paid-in capital stock by Bs.26,193,373.13, to Bs.38,562,291.16, by means of the following transactions:

- a) The issuance of 2,381,788,554 new common shares with a par value of Bs.0.0065 each, for a total value of Bs.15,481,625.60, which would be fully subscribed and paid by the existing shareholders.
- b) The increase in the par value of existing and new shares issued from Bs.0.0065 to Bs.0.009 each, for a total amount of Bs.10,711,747.53, which would be charged to the sub-account "Restricted Surplus" as of December 31, 2022.

As of December 31 and June 30, 2023 the capital increase had not been authorized by SUDEBAN, and therefore it remains at Bs.12,368,918.

With this capital increase, the Bank has complied 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. This resolution was repealed by Resolution No. 029.23 of June 30, 2023, whereby the "Standards Related to the Minimum Capital Stock for the Incorporation, Functioning and Operation of Banking Institutions and Exchange Offices" were issued.

On January 8, 2024, the Bank received from SUDEBAN the Official Letter No. SIB-II-GGIBPV-GIBPV1-00034. SIB-II-GGIBPV-GIBPV1-00034, which authorized, on a one-time basis, the partial application of the balance of the sub-account "Restricted Surplus" as of December 31, 2022, to be used in the capital stock increase approved at the Extraordinary General Shareholders' Meeting of May 16, 2023, in accordance with Circular SIB-II-GGR-GNP-04201 of June 28, 2023, related to the "guidelines for the application of the Restricted Surplus, constituted upon the Equity Section of fifty percent (50%) of the results for each semester to be considered by the Banking Institutions". Furthermore, the Bank shall take all appropriate measures in order to comply with Resolution No. 029.23.

As of the date of the Extraordinary General Shareholders' Meeting held on May 16, 2023, the minimum capital stock required by SUDEBAN for the functioning and operation of the entity is Bs.38,171,627, equivalent to 1,200,000 times the official exchange rate of the highest currency published by the BCV, as established in Resolution No. 029.23, dated June 30, 2023, published in Official Gazette No. 42. 664, which dictates the "Standards Related to the Minimum Capital Stock for the Incorporation, Functioning and Operation of Banking Institutions and Exchange Offices", and the currency of the United Kingdom (GBP) was taken as a reference at the exchange rate of Bs.31.80968947 on May 16, 2023.

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

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

	December 31, 2023		June 30, 2023	
	Number of Shares	Participation %	Number of Shares	Participation %
Vencred, S.A.	304.336.294	15,99%	304.336.294	15,99%
Tabay Netherlands B.V.	188.009.824	9,88%	188.009.824	9,88%
Kamalei Investments, B.V.	95.229.910	5,00%	95.229.910	5,00%
Parthena Investments, B.V.	94.498.064	4,97%	94.498.064	4,97%
Barbina Investments, B.V.	79.876.029	4,20%	79.876.029	4,20%
Great White Investment Fund, Ltd	59.458.954	3,12%	59.458.954	3,12%
Green View Investment Enterprises L	59.205.048	3,11%	59.205.048	3,11%
Alivium, Inc.	58.622.554	3,08%	58.622.554	3,08%
Addendum, Inc.	57.651.735	3,03%	57.651.735	3,03%
Inversiones Bonorum, C.A.	36.039.761	1,89%	36.039.761	1,89%
Inversiones Invema 2000, C.A.	30.921.606	1,62%	30.921.606	1,62%
Valores El Torbes C A	26.719.936	1,40%	26.719.936	1,40%
Hashland Associates, Inc	20.372.270	1,07%	20.372.270	1,07%
Corporacion Jau Ca	19.595.615	1,03%	19.595.615	1,03%
Campanero C A	19.491.065	1,02%	19.491.065	1,02%
San Pedro Lp	17.459.812	0,92%	17.459.812	0,92%
Ingenieria y Construcciones Vencred S A	16.369.508	0,86%	16.369.508	0,86%
Promociones Markowitz C A	16.369.508	0,86%	16.369.508	0,86%
Promociones Vencred, S.A.	16.369.508	0,86%	16.369.508	0,86%
Inversiones Hansvo C A	16.241.502	0,85%	16.241.502	0,85%
Prieto Alvarez Ana Teresita De Jesus	15.098.464	0,79%	15.098.464	0,79%
Gonzalo Aranda Pablo Celio	13.085.319	0,69%	13.710.319	0,72%
Corporacion 18465, C.A.	12.844.687	0,68%	12.844.687	0,68%
Inversiones Kendall, S.A.	12.441.422	0,65%	12.441.422	0,65%
Inversiones 2028 S A	12.082.967	0,63%	12.082.967	0,63%
Hidalgo Seco Julio Enrique	10.962.790	0,58%	10.962.790	0,58%
Pantin De Kochen Cristina Maria	10.649.139	0,56%	10.649.139	0,56%
Blue Moon, C.V.	-	0,00%	10.216.005	0,54%
Lageter S A	10.036.777	0,53%	10.036.777	0,53%
Inversiones Vencred, S.A.	9.409.479	0,49%	9.409.479	0,49%
Mata Osorio Andres Augusto	9.382.841	0,49%	9.382.841	0,49%
Agro Industrial Guatire S.A.	8.528.273	0,45%	8.528.273	0,45%
Corporacion 4268, C.A	8.274.367	0,43%	8.274.367	0,43%
Interbasca Limited	8.139.945	0,43%	8.139.945	0,43%
Inversiones Raim 3000 C.A	7.975.653	0,42%	7.975.653	0,42%
Francisco M.Abascal Revocable Trust	7.917.884	0,42%	7.917.884	0,42%
Velutini Gonzalez Jose Manuel	7.856.168	0,41%	7.856.168	0,41%
Inversiones Marolva C.A.	7.811.360	0,41%	7.811.360	0,41%
Corporacion 2910 Ca	7.512.647	0,39%	7.512.647	0,39%
Hernandez Lovera Antonio Jose	6.930.155	0,36%	6.930.155	0,36%
Herrera Velutini Julio Jose	6.902.298	0,36%	6.902.298	0,36%
Garcia-Velutini Mendoza German Antonio	6.586.635	0,35%	6.586.635	0,35%
Zerpa Sanchez Felix Eduardo	6.452.213	0,34%	6.452.213	0,34%
Luma 418302 S A	6.310.531	0,33%	6.310.531	0,33%
Padron Reyes Pedro Manuel	6.278.788	0,33%	6.278.788	0,33%
Inmuebles y Valores Berlin, C.A.	6.183.371	0,32%	6.183.371	0,32%
Corporacion Ticket, C.A.	6.153.500	0,32%	6.153.500	0,32%
Moreno Jesus Eloy	5.914.529	0,31%	5.914.529	0,31%
Chevalier Natividad Oliva	5.910.410	0,31%	5.910.410	0,31%
Corporacion Canaan Ca	5.884.656	0,31%	5.884.656	0,31%
Sucesión Abascal Alvarez Maria Margarita	-	0,00%	5.795.043	0,30%
Garcia Velutini De Fleury Maria	5.585.945	0,29%	5.585.945	0,29%
Inversiones Ferisanyo, C.A.	5.585.945	0,29%	5.585.945	0,29%
Lara Anzola Luisa Teresa	5.571.007	0,29%	-	0,00%
Grisanti Salazar Yolanda	5.503.369	0,29%	5.503.369	0,29%
Serizier Sosa Andres Miguel	5.464.997	0,29%	5.464.997	0,29%
Benacerraf Adida Armando Mesod	5.444.667	0,29%	5.444.667	0,29%
	1.515.511.701	79,64%	1.526.576.742	80,22%
Others with lesser participation	387.398.763	20,36%	376.333.722	19,78%
	1.902.910.464	100,00%	1.902.910.464	100,00%

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**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 December 31 and June 30, 2023, the Bank has recorded in the legal reserve account Bs.12,368,918, which represents 100% of its capital stock, respectively

**b) Adjustments to Equity**

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

	December 31, 2023			June 30, 2023		
	Profit in Exchange	UVC Income	Total	Profit in Exchange	UVC Income	Total
	(In Bolivars)					
<b>Initial balance</b>	53.761.559	136.534.492	190.296.051	64.796.765	90.405.354	155.202.119
Unrealized foreign exchange gain for the semester, net	32.714.877	-	32.714.877	51.726.038	-	51.726.038
Transfer to results of net foreign exchange gains by authorization from SUDEBAN	-	-	-	(62.761.244)	-	(62.761.244)
Income accrued from UVC credits	-	139.702.340	139.702.340	-	145.894.575	145.894.575
Transfer from income collected to results	-	(186.531.725)	(186.531.725)	-	(95.483.688)	(95.483.688)
Transfer to generic and counter-cyclical provisions	-	4.360.687	4.360.687	-	(4.281.749)	(4.281.749)
<b>Final balance</b>	<u>86.476.436</u>	<u>94.065.794</u>	<u>180.542.230</u>	<u>53.761.559</u>	<u>136.534.492</u>	<u>190.296.051</u>

According to current banking prudential regulations, net profits/income included in "Adjustments to Equity" accounts are limited in 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 the amount of Bs.62,761,244 in the results for the six-month period ended June 30, 2023. No transfers were requested in the second half of 2023.

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 six-month period ending December 31, 2023, the Bank has recorded loan portfolio provisions against these gains for Bs.2,436,072 (Bs.4,281,749 in June 2023).

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**Accrued Results**

**a) Restricted Earnings**

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

	Note	December 31, 2023	June 30, 2023
		(In Bolivars)	
Restricted surplus, according to Resolution No. 329-99		117.561.787	43.201.661
Accumulated results of the foreign branch		75.873.941	75.873.941
		<u>193.435.728</u>	<u>119.075.602</u>

As of December 31, 2023, the Bank, in response to SUDEBAN observations in its Official Letter No. SIB-II-GGIBPV-GIBPV1-04285, in the second half of 2023, has proceeded to make several proposed adjustments that would affect the "Restricted Surplus" and "Undistributed Earnings" accounts for a total of Bs.15,082,952, distributed as follows:

	December 31, 2023
	(In Bolivars)
Reversals of income on loans	10.159.664
Increase in loan portfolio provision	4.212.534
Reimbursement of interest on credits from Mobile	
Payment and Immediate Credit operations	710.753
	<u>15.082.951</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 the 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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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 ending December 31, 2023, the Bank has restricted a total of Bs.81,901,602 (Bs.29,306,937, in June 2023), equivalent to 50% of its available consolidated net income for the semester, after deducting those profits that must be restricted in full.

Until the six-month period ending June 30, 2023, the Bank has restricted 100% of its Branch income. For the six months ending December 31, 2023, it has decided not to restrict the Branch earnings. As of December 31 and June 30, 2023, the amount of the restricted profits was Bs.75,873,941 and it will be available for distribution as dividends when transferred to the accumulated results of its Head Office.

**b) Cash Dividends Declared and Paid**

At the General Ordinary Stockholders' Meeting held on August 17, 2023, it was agreed to delegate to the Steering Committee the approval of cash dividends, up to a maximum equivalent to Bs.0.0051 per share, which will be charged to the "Surplus to be Applied" as of June 30, 2023.

In accordance with the authorization granted by the General Ordinary Shareholders' Meeting held on August 17, 2023, the Steering Committee has authorized the declaration of dividends 710 and 711 of zero one thousand nine hundred forty-nine million Bolivars (Bs.0.001949) and zero three thousand one hundred fifty-one million Bolivars (Bs.0.003151) per share, respectively, each for a total of Bs.9,704,844. As of December 31, 2023, this dividend has not been 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.

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. These dividends were paid in cash.

**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	
		December 31, 2023	June 30, 2023
Total equity adequacy	12	19,60%	22,75%
Solvency statement	6	19,60%	22,75%
Accounting equity adequacy	9	12,10%	13,58%

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".

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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

**17. General and Administrative Expenses**

General and Administrative Expenses include the following:

	Note	December 31, 2023	June 30, 2023
(In Bolivars)			
Transportation and communications		19.153.715	11.680.196
Professional fees		17.933.972	11.454.704
Maintenance and repairs		26.427.283	12.701.881
Rentals		6.357.193	3.434.067
Software Licensing		7.373.519	2.733.463
Other external services		14.747.761	8.874.963
Other taxes		3.749.822	2.010.044
Monitoring service		6.551.787	4.038.910
Tax on Economic Activities		8.620.466	3.999.924
Insurances		12.460.242	3.650.943
Tax on Large Financial Transactions	1	5.849.134	3.433.211
Services and supplies		11.097.958	6.320.293
Depreciations and amortizations	8	4.140.316	2.273.479
Contribution to the Organic Law of Science, Technology and Innovation	1	3.290.303	4.462.184
Tax on Great Patrimony	1	15.526	379.596
Other expenses		3.528.520	1.516.002
		<u>151.297.517</u>	<u>82.963.860</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	December 31, 2023	June 30, 2023
(In Bolivars)			
<b>Other Operating Income</b>			
Exchange gains, as of June 30, 2023 including Bs 131,971,086 from "Adjustments to Equity", authorized by Sudeban	9 y 16	45.301.771	440.256.042
Commissions for services, including US\$2,842,749 (US\$1,841,981 in June 2023) from its Branch	18	301.840.994	163.152.320
Gains on securities		3.647.777	981.303
		<u>350.790.542</u>	<u>604.389.665</u>
<b>Other Operating Expenses</b>			
Exchange Losses, as of June 30, 2023, include Bs 68,981,165 from "Adjustments to Equity", authorized by Sudeban		3.703.247	345.269.172
Commissions for services		50.508.379	32.274.522
Losses on securities	4	5.464.487	5.243.723
		<u>59.676.113</u>	<u>382.787.417</u>

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

Commissions for Services Rendered consist of the following:

	Note	December 31, 2023	June 30, 2023
		(In Bolivars)	
Wire and transfers commissions		61.442.916	25.771.854
Commissions charged for the use of points of sale		43.854.430	28.497.684
Cash withdrawal commissions		41.895.300	21.461.367
Commissions for operations in the exchange system		19.285.164	5.801.948
Commissions for the consignment of funds		17.059.253	12.848.575
Commissions for trust assignments and assigned investments		16.775.576	12.409.036
Commissions for trust		15.343.521	7.924.595
Commissions for collection		14.957.668	3.397.084
Commissions for use and maintenance of debit cards		14.539.954	8.414.708
Commissions for payments to suppliers		14.406.952	10.429.028
Commissions for P2P payments sent		8.149.877	5.016.138
Credit card issuance commissions		7.667.852	4.421.441
Mobile payment commissions		7.277.035	4.346.118
Current account maintenance commissions		6.286.634	3.934.818
Commissions for payroll services		2.522.942	1.293.888
Commissions for issuance of cashier's checks		2.202.636	1.456.024
Other commissions		8.173.284	5.728.014
		<u>301.840.994</u>	<u>163.152.320</u>

Miscellaneous Operating Income and Expenses are listed as follows:

	Note	December 31, 2023	June 30, 2023
		(In Bolivars)	
<b>Other Miscellaneous Operating Expenses</b>			
Decrease in other provisions of liabilities		16.244.300	987.603
Favorable experience in insurance policies		-	133.406
Other		853.903	128.482
		<u>17.098.203</u>	<u>1.249.491</u>
<b>Other Operating Expenses</b>			
Provision for various contingencies		15.124.436	11.675.790
Contribution to the National Anti-drug Fund	1	1.932.262	1.095.636
Contribution to community council projects	15	5.460.081	3.037.258
Contribution to the Organic Sports Law	1	1.638.650	1.042.779
Comprehensive prevention expenses against money laundering		880.986	250.430
Costs related to reserve requirements deficits	3	6.555.814	7.282.487
Other		2.913.149	6.529.240
		<u>34.505.378</u>	<u>30.913.620</u>



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**19. Memorandum Accounts**

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

	Note	December 31, 2023	June 30, 2023
(In Bolivars)			
<b>Contingent Accounts Receivable:</b>			
Guarantees granted		13.292.087	11.048.779
Automatic draw line of credit		10.221.043	5.584.108
		<u>23.513.130</u>	<u>16.632.887</u>
<b>Trust Assets</b>		<u>395.744.995</u>	<u>210.178.295</u>
<b>Other Trust Assignments</b>		<u>24.695.707</u>	<u>5.392</u>
<b>Other Memorandum Accounts Receivable:</b>			
Guarantees received		1.696.054.881	853.159.291
Custody received		105.001.031	128.745.899
Other registration accounts		46.948.774	26.638.732
		<u>1.848.004.686</u>	<u>1.008.543.922</u>
		<u>2.291.958.518</u>	<u>1.235.360.496</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:

	December 31, 2023	June 30, 2023
(In Bolivars)		
<b>ASSETS</b>		
Availabilities include US\$1,084,600 (US\$984,886 as of June 2023)	53.982.355	46.931.426
Investments in securities	50.225.338	24.740.943
Credit Portfolio, net	289.075.701	137.847.660
Interest and commissions receivable	1.292.706	473.596
Other Assets	1.168.895	184.670
	<u>395.744.995</u>	<u>210.178.295</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities	1.770.067	1.351.399
Total Liabilities	<u>1.770.067</u>	<u>1.351.399</u>
Trust Equity		
Equity allocated to trusts	384.289.739	206.176.029
Adjustment to equity	387.076	219.750
Accumulated results	9.298.113	2.431.117
Total Equity	<u>393.974.928</u>	<u>208.826.896</u>
Total Liabilities and Equity	<u>395.744.995</u>	<u>210.178.295</u>

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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

	December 31, 2023	June 30, 2023
	(In Bolivars)	
Deposits in foreign institutions, US\$871,106 (US\$422,645 in June 2023)	31.246.045	11.811.292
Deposits in the institution including US\$108,099 (US\$456,846 in June 2023)	18.955.777	32.174.651
Other availabilities in cash of US\$105,395 in December and June 2023	3.780.456	2.945.386
Deposits with other institutions in local currency	77	97
	<u>53.982.355</u>	<u>46.931.426</u>

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

	December 31, 2023					June 30, 2023				
	%	Investment	Administration	Guarantee	Total	%	Investment	Administration	Guarantee	Total
Legal persons	96,81%	31	371.977.560	55.988	372.033.579	95,58%	31	197.052.857	10.379	197.063.267
Natural persons	0,00%	-	-	-	-	0,00%	-	2.095	-	2.095
Decentralized entities and other bodies with special regime	3,19%	-	12.256.160	-	12.256.160	4,42%	-	9.110.667	-	9.110.667
	<u>100,00%</u>	<u>31</u>	<u>384.233.720</u>	<u>55.988</u>	<u>384.289.739</u>	<u>100,00%</u>	<u>31</u>	<u>206.165.619</u>	<u>10.379</u>	<u>206.176.029</u>

According to Resolution No. 083.12 of the Official Gazette No. 39,941 of June 11, 2012, the trust funds committed as of December 31 and June 30, 2023 do not exceed five times the Bank equity.

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

	December 31, 2023		June 30, 2023	
	Amortized Cost / Book Value	Fair Value	Amortized Cost / Book Value	Fair Value
<b><i>Demand and term deposits in financial institutions in the country</i></b>				
Mercantil, C.A., Banco Universal, with interest rate between 25% and 35%, nominal value of Bs 11,745,755 and maturity between 28 and 29 days, for December 2023. (Annual interest rate between 20% and 40%, nominal value of Bs 8,271,951 and maturity between 27 and 29 days for June 2023).	11.745.755	11.745.755	8.271.951	8.271.951
Banco del Caribe, C.A., Banco Universal, with an annual interest rate between 35% and 55%, nominal value of Bs 17,646,356, and maturity between 27 and 29 days, for December 2023. (Annual interest rate between 20% and 45%, nominal value of Bs 7,903,030 and maturity between 27 and 29 days for June 2023).	17.646.356	17.646.356	7.903.030	7.903.030
Bancrecer S.A., Banco Microfinanciero, with an annual interest rate of 30%, nominal value of Bs 1,354,174 and maturity between 27 and 28 days, for December 2023. (Annual interest rate of 11%, nominal value of Bs 694,039 and maturity between 27 and 29 days for June 2023).	1.354.174	1.354.174	694.039	694.039
Banco Exterior, C.A., Banco Universal, with an annual interest rate between 25% to 45%, nominal value of Bs 7,408,032 and maturity between 27 and 28 days, for December 2023. (Annual interest rate between 20% to 47%, nominal value of Bs 3,087,182 and maturity between 27 and 29 days for June 2023).	7.408.032	7.408.032	3.087.182	3.087.182
Banco Provincial, S.A., Banco Universal, with an annual interest rate of 15%, nominal value of Bs 469,752 and maturity of 28 days, as of December 2023. (Annual interest rate of 15%, nominal value of Bs 2,631,181 and maturity between 26 and 29 days, as of June 2023).	469.752	469.752	2.631.181	2.631.181
	<u>38.624.069</u>	<u>38.624.069</u>	<u>22.587.383</u>	<u>22.587.383</u>

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

	June 30, 2023		December 31, 2022	
	Amortized Cost / Book Value	Fair Value	Amortized Cost / Book Value	Fair Value
<b>Corporate commercial papers issued by private companies in the country</b>				
Mercantil Servicios Financieros, C.A., with an annual interest rate between 65% and 70%, nominal value of Bs 10,800,000 and maturity between 104 and 120 days, for December 2023. (Annual interest rate of 70%, nominal value of Bs1,100,000 and maturity of 120 days for June 2023).	10.791.269	10.791.269	1.100.000	1.100.000
Calox International, C.A., with annual interest rate of 80%, nominal value of Bs 660,000, maturing in 148 to 149 days, for December 2023. (annual interest rate of 80%, nominal value of Bs 99,600 and maturity of 150 days for June 2023).	660.000	660.000	99.600	99.600
Laboratorios Vincenti, C.A., with annual interest rate of 55%, nominal value of Bs 150,000 and maturity of 149 days by December 2023. (Annual interest rate of 60%, nominal value of Bs 150,000 and maturity of 120 days in June 2023).	150.000	150.000	150.000	150.000
Industrias Iberia, C.A., annual interest rate of 70%, nominal value of Bs 500,000, maturing in 120 days by June 2023.	-	-	500.000	500.000
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
	11.601.269	11.601.269	2.153.560	2.153.560
	50.225.338	50.225.338	24.740.943	24.740.943

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

The credit portfolio of the Trust Department includes the following:

	December 31, 2023	June 30, 2023
	(In Bolivars)	
Loans to beneficiaries receivable	289.075.701	137.847.660

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.24,695,707 (Bs.5,392 as of June 30, 2023) 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 semester ended December 31, 2023, the Bank earned commission income of Bs.15,343,521 (Bs.7,924,595 as of June 30, 2023) which is included in "Other Operating Income" in the statement of income.

**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 December 31, 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.978,701 (Bs.723,809 as of June 30, 2023).

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

**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:

	December 31, 2023		June 30, 2023	
	Book Value	Fair Value	Book Value	Fair Value
	(In Bolivars)			
<b>Assets:</b>				
Availabilities	1.718.822.467	1.718.822.467	1.147.387.303	1.147.387.303
Investments in securities	1.208.672.030	1.181.513.645	871.673.906	801.042.088
Credit portfolio	1.667.512.124	1.667.512.124	837.461.745	837.461.745
Interest and commissions receivable	26.241.738	26.241.738	14.664.530	14.664.530
	<u>4.621.248.359</u>	<u>4.594.089.974</u>	<u>2.871.187.484</u>	<u>2.800.555.666</u>
<b>Liabilities:</b>				
Public fundraising	3.448.443.558	3.448.443.558	2.038.531.187	2.038.531.187
Other financing obtained	67.615.026	67.615.026	1.038.897	1.038.897
Interest and commissions payable	1.545.051	1.545.051	715.262	715.262
	<u>3.517.603.635</u>	<u>3.517.603.635</u>	<u>2.040.285.346</u>	<u>2.040.285.346</u>
<b>Memorandum Account:</b>				
Debtor contingent accounts	23.513.130	23.513.130	16.632.887	16.632.887

**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 value of available-for-sale and held-to-maturity investment securities was determined, through June 30, 2023, using market prices reported by the custodian. Beginning December 31, 2023, market transactions compiled by Bloomberg were used. Investments in other securities were measured at face value, which was assumed to be fair value. For foreign currency instruments, the official exchange rate was applied at fair value.

**Credit Portfolio**

The credit portfolio accrues interests at variable rates that are reviewed frequently. Because of the foregoing and 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.

**Deposits, Long-term Obligations, and Other Financing Obtained**

As deposits, long-term obligations, and other financing obtained accrue interest at variable rates, which are frequently reviewed, the Bank management has deemed their book value to be 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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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.

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 has 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.

**22. Balances and Transactions with Related Parties**

The Bank and its Branch have entered into transactions and maintain balances with related companies, the effect of which is included in their 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 shown as follows:

	Note	December 31, 2023	June 30, 2023
		(In Bolivars)	
<b>Transformation Expenses:</b>			
Vencred, S.A.		235.788	235.783
Inversiones 120915, C.A.		655.752	655.755
Inversiones Las Monjas, C.A.		1.113.716	674.610
Other		3	2
		<u>2.005.259</u>	<u>1.566.150</u>

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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	December 31, 2023	June 30, 2023
		(In Bolivars)	
<b>Public fundraising and other demand obligations</b>			
Venezolana de Bienes, S.A.		221.139	14.105
Vencred, S.A.		130.822	53.919
Inversiones Las Monjas, C.A.		23.873	26.199
Inversiones Modigliani, C.A.		73.577	2.125
Promociones Markowitz, C.A.		566	1.969
Inversiones Bonorum, C.A.		9.484	1.452
Inversiones Vencred, C.A.		28	1.927
Valores Vencred Casa de Bolsa, S.A.		33.978	21.120
Inversiones 120915, C.A.		19.205	14.148
Ingeniería y Construcciones Vencred, C.A.		1.192	2.017
Other		323	1.958
		<u>514.187</u>	<u>140.939</u>

### 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.
- 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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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

	December 31, 2023				June 30, 2023			
	Venezuela	Cayman Islands Branch	Total	Equivalent in Bolivars	Venezuela	Cayman Islands Branch	Total	Equivalent in Bolivars
<b>Assets:</b>								
Availabilities	10.534.090	18.345.886	28.879.976	1.035.907.462	12.054.948	15.875.097	27.930.045	780.537.495
Investments in securities	70.574	33.591.566	33.662.140	1.207.440.823	70.574	29.827.996	29.898.570	835.550.214
Credit portfolio	-	26.958.975	26.958.975	967.002.305	-	15.827.231	15.827.231	442.310.323
Interest and commissions receivable	-	548.076	548.076	19.659.158	-	382.078	382.078	10.677.599
Other assets	1.276	1.522	2.798	100.363	1.300	45.041	46.341	1.295.047
	<u>10.605.940</u>	<u>79.446.025</u>	<u>90.051.965</u>	<u>3.230.110.111</u>	<u>12.126.822</u>	<u>61.957.443</u>	<u>74.084.265</u>	<u>2.070.370.678</u>
<b>Liabilities:</b>								
Public fundraising	5.338.100	61.415.292	66.753.392	2.394.404.236	5.556.692	47.462.579	53.019.271	1.481.684.987
Other financing obtained	-	-	-	-	-	-	-	-
Interest and commissions payable	-	-	-	-	-	-	-	-
Accruals and other liabilities	16.096.118	835.130	16.931.248	607.313.737	15.046.222	907.353	15.953.575	445.841.141
	<u>21.434.218</u>	<u>62.250.422</u>	<u>83.684.640</u>	<u>3.001.717.973</u>	<u>20.602.914</u>	<u>48.369.932</u>	<u>68.972.846</u>	<u>1.927.526.128</u>
Active accounting position, net	<u>(10.828.278)</u>	<u>17.195.603</u>	<u>6.367.325</u>	<u>228.392.138</u>	<u>(8.476.092)</u>	<u>13.587.511</u>	<u>5.111.419</u>	<u>142.844.550</u>
Other debt memorandum accounts, net	<u>3.694.820</u>	<u>-</u>	<u>3.694.820</u>	<u>132.530.983</u>	<u>2.245.746</u>	<u>-</u>	<u>2.245.746</u>	<u>62.759.969</u>

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

As of December 31, 2023, the net unrealized exchange gain amounted to Bs.86,476,436 (Bs.53,761,561 as of June 30, 2023), which is included in the "Adjustments to Equity" account (Note 16).

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.

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, has authorized the Bank to transfer from the equity account "Adjustments to Equity" to results the amount of Bs. 62,761,244 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).



**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

During the semester ended December 31, 2023, the Bank has recognized realized gains, mainly from the Bank operations as an exchange operator and from its foreign Branch, for Bs.45,301,771 (Bs.308,418,583 for the six-month period ended June 30, 2023), and losses for Bs.3,703,247 (Bs.276,288,005 for the semester ended June 30, 2023), which are shown under "Other Operating Income" and "Other Operating Expenses" accounts, respectively, in the accompanying statements of income (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 3).

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 BCV 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 December 31, 2023 the net foreign currency position held by the Bank, calculated based on its individual financial statements, amounts to US\$6,381,028 (US\$5,111,419 as of June 30, 2023).

**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:
  - 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.

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

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 dated 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 November 15, 2023, the Bank has received the Official Letter No. SIB-II-GGIBPV-GIBPV1-07427 from SUDEBAN, stating that, after analyzing the information provided, related to the distribution of dividends approved at the Ordinary General Shareholders' Meeting of August 17, 2023 on the financial statements as of June 30, 2023, the decree of dividends for Bs.9,704,843.37 is not authorized until the Bank demonstrates that it has sold and/or realized the assets originating the exchange rate gain. In addition, it is indicated that the Bank must complete the documentation review on the current and future adjustments as a result of the inspection visit with a cut-off date as of September 30, 2022 and updated as of May 31, 2023, according to Official Letter No. SIB-II-GGIBPV-GIBPV1-04285.
- b) On August 31, 2023, SUDEBAN has issued official letter SIB-II-GCR-GA-05633 to the Bank, authorizing the launching of the "Pago Móvil Interbancario/B2B" (Interbank Mobile Payment) financial service. This service is addressed to legal entities wishing to optimize their payment and collection processes, as well as to individuals who need to make payments to suppliers or customers.
- c) On August 30, 2023, SUDEBAN issued Resolution No. 037.23, which provides that the administrative measures imposed on the Bank, related to the prohibition to offer the financial product "Ubii Prepaid MasterCard" and the reimbursement of the commissions charged to customers for such product, shall remain in force for ninety (90) banking days as from August 31, 2023, expiring on January 8, 2024 (Note 21).

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

- d) On August 17, 2023, the Bank has received SUDEBAN Official Letter No. SIB-II-GGIBPV-GIBPV1-05317, containing some observations on certain notes to the financial statements as of June 30, 2023 of the audit report. Among them, it is indicated that the responses to the observations in the Official Letter No. SIB-II-GGIBPV-GIBPV1-04285 dated July 7, 2023, received on August 2, 2023, are being evaluated
- e) On August 16, 2023, SUDEBAN has issued the Bank Official Letter No. SIB-II-GGIBPV-GIBPV1-05305, referring to the request for authorization to apply Bs.10,711,747.53 of the restricted surplus to the capital increase agreed at the Extraordinary Shareholders' Meeting of May 16, 2023. In the Official Notice, SUDEBAN states that the correct amount to be applied should have been Bs.10,477,349.25 and that it has no objection for the Bank to use this amount of the Restricted Surplus. It also indicates that the Bank must wait for SUDEBAN pronouncement before registering the Minutes of the Extraordinary Shareholders' Meeting, in which the capital stock increase of Bs.26,193,373.13 was approved.
- f) On July 7, 2023, the Bank has received SUDEBAN 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 as of 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.
  - 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.
- On July 31, 2023, the Bank has proceeded to answer each of the points mentioned in the above-mentioned Official Letter, and on August 17, 2023, it has received the Official Letter No. SIB-II-GGIBPV-GIBPV1-05317 from SUDEBAN, which indicates that the answers sent are in the process of being evaluated.
- g) On May 15, 2023, Official Letter No. SIB-II-GGIBPV-GIBPV1-02993 was received, whereby SUDEBAN states that:

**Venezolano de Crédito, S.A. Banco Universal and its Cayman Islands Branch**  
**Notes to the Financial Statements**  
**December 31 and June 30, 2023**

- The amount for the capital increase, included in the draft Minutes, must be updated according to the official exchange rate for the highest value currency existing on the date of the Meeting.
  - Under no circumstances may dividends be distributed on the resources released under account 352.00 "Gain or Loss on Foreign Exchange Fluctuations from Holding Assets and Liabilities in Foreign Currency" until they are considered liquid and collected.
- h) On February 15, 2023, Official Letter No. SIB-II-GGIBPV-GIBPV1-02994 was received, whereby SUDEBAN indicates that the Bank should reconsider and/or reformulate the dividend amount to be distributed and approved at the Ordinary General Shareholders' Meeting of February 16, 2023 for Bs.12,311,830.70, considering that only Bs.7,905,444.68 were available to be distributed.
- i) On February 15, 2023, Official Letter No. SIB-II-GGIBPV-GIBPV1-00875 was received from SUDEBAN stating, among other matters, that:
- The accounting for the Social Contingency Fund shall be subsequent to the Equity items described in Resolution No. 329.99.
  - 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, therefore, it urges the submission of evidence supporting these custodianships.
- j) On January 19, 2023, the Bank received the Official Letter No. SIB-II-GGR-GA-00326 whereby SUDEBAN authorized the implementation of the financial service "V.Pagos BVC", a service offered by the Bank to facilitate the payment of purchases, consumptions and services of any commercial establishment registered in the portal. Different kinds of payments can be made on this platform, including Mobile Payment, debit to BVC accounts, national and international credit cards, Visa Superefactiva, and Visa CheckCard.