

***Banco Nacional de Crédito, C.A.,  
Banco Universal***

Report of Independent Accountants and Financial  
Statements

December 31 and June 30, 2015



## ***Report of Independent Accountants***

To the Shareholders and Board of Directors of  
Banco Nacional de Crédito, C.A., Banco Universal

### **Report on the financial statements**

We have audited the accompanying financial statements of Banco Nacional de Crédito, C.A., Banco Universal (the Bank) and its Curacao Branch (the Branch), which comprise the balance sheets at December 31 and June 30, 2015, and the related statements of income, changes in equity and cash flows for the six-month periods then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of financial statements in accordance with the accounting rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN), which are of mandatory use for the Venezuelan banking system. As described in Note 2, these rules differ in certain significant respects from accounting principles generally accepted in Venezuela (VEN NIF). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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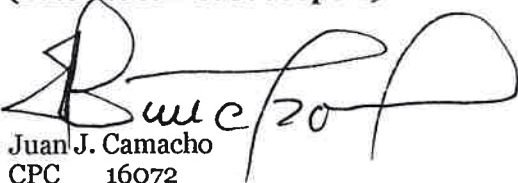
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por Venezuela

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**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Nacional de Crédito, C.A., Banco Universal and its Curacao Branch at December 31 and June 30, 2015, and the results of their operations and their cash flows for the six-month periods then ended, in conformity with the accounting rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN).

Espiñeira, Pacheco y Asociados  
*(PricewaterhouseCoopers)*

A handwritten signature in black ink, appearing to read 'Juan J. Camacho', written over a faint, larger signature that includes the letters 'B', 'u', 'c', 'o', 'p', 'e', 'r', 's'.

Juan J. Camacho  
CPC 16072  
CP 498  
CNV C-841

February 19, 2016

***Banco Nacional de Crédito, C.A., Banco Universal***  
**Balance sheet**  
**December 31 and June 30, 2015**

	December 31, 2015	June 30, 2015
	(In bolivars)	
<b>Assets</b>		
<b>Cash and due from banks</b> (Notes 3, 4 and 28)	<u>48,978,708,814</u>	<u>30,283,353,297</u>
Cash	2,852,681,773	2,455,127,647
Central Bank of Venezuela	42,216,097,174	24,297,620,424
Venezuelan banks and other financial institutions	90,167	90,250
Foreign and correspondent banks	376,136,167	427,647,631
Pending cash items	3,533,708,580	3,102,867,345
(Provision for cash and due from banks)	(5,047)	-
<b>Investment securities</b> (Note 5)	<u>19,109,773,041</u>	<u>15,137,050,232</u>
Deposits with the BCV and overnight deposits	-	200,000,000
Investments in available-for-sale securities	5,000,346,561	4,521,184,044
Investments in held-to-maturity securities	6,848,718,855	5,091,607,162
Restricted investments	82,914,981	76,218,622
Investments in other securities	7,177,892,644	5,248,140,404
(Provision for investment securities)	(100,000)	(100,000)
<b>Loan portfolio</b> (Note 6)	<u>85,608,576,524</u>	<u>56,845,590,390</u>
Current	87,280,933,007	57,871,040,773
Rescheduled	102,412,848	106,329,045
Overdue	40,824,088	32,254,380
(Allowance for losses on loan portfolio)	(1,815,593,419)	(1,164,033,808)
<b>Interest and commissions receivable</b> (Note 7)	<u>986,026,273</u>	<u>709,085,372</u>
Interest receivable on investment securities	313,066,651	219,888,300
Interest receivable on loan portfolio	677,975,370	492,016,817
Commissions receivable	3,571,562	2,768,306
Interest and commissions receivable on other accounts receivable	802,439	-
(Provision for interest receivable and other)	(9,389,749)	(5,588,051)
<b>Investment in subsidiaries, affiliates and branches</b> (Note 8)	<u>-</u>	<u>-</u>
<b>Available-for-sale assets</b> (Note 9)	<u>-</u>	<u>-</u>
<b>Property and equipment</b> (Note 10)	<u>4,780,086,287</u>	<u>2,923,514,959</u>
<b>Other assets</b> (Notes 11 and 12)	<u>5,047,200,839</u>	<u>1,661,586,625</u>
<b>Total assets</b>	<u><b>164,510,371,778</b></u>	<u><b>107,560,180,875</b></u>
<b>Memorandum accounts</b> (Note 22)		
Contingent debtor accounts	7,801,594,555	3,772,185,331
Assets received in trust	3,783,092,664	3,247,395,067
Debtor accounts from other special trust services (Housing Loan System)	1,553,879,525	1,298,157,673
Other debtor memorandum accounts	<u>191,179,255,530</u>	<u>125,663,714,896</u>
	<u><b>204,317,822,274</b></u>	<u><b>133,981,452,967</b></u>

The accompanying notes are an integral part of the financial statements

***Banco Nacional de Crédito, C.A., Banco Universal***  
**Balance sheet**  
**December 31 and June 30, 2015**

	<b>December 31, 2015</b>	<b>June 30, 2015</b>
	(In bolivars)	
<b>Liabilities and Equity</b>		
<b>Customer deposits</b> (Note 13)	<u>147,304,461,210</u>	<u>97,460,041,699</u>
Demand deposits	<u>109,039,257,908</u>	<u>74,557,613,741</u>
Non-interest-bearing checking accounts	76,151,591,481	49,589,333,963
Interest-bearing checking accounts	12,634,407,943	9,869,384,887
Checking accounts under Exchange Agreement No. 20	32,589,011	54,562,273
Demand deposits and certificates	20,220,669,473	15,044,332,618
Other demand deposits	1,155,470,012	1,162,076,837
Savings deposits	26,432,814,123	18,409,220,069
Time deposits	10,639,002,205	3,294,912,200
Restricted customer deposits	37,916,962	36,218,852
<b>Borrowings</b> (Note 14)	<u>161,610,575</u>	<u>62,564,582</u>
Venezuelan financial institutions, up to one year	160,042,026	61,619,408
Foreign financial institutions, up to one year	1,568,549	945,174
<b>Other liabilities from financial intermediation</b> (Note 15)	<u>-</u>	<u>1,858,539</u>
<b>Interest and commissions payable</b> (Note 16)	<u>228,819,648</u>	<u>88,322,572</u>
Expenses payable on customer deposits	228,484,559	88,215,575
Expenses payable on other liabilities	335,089	106,997
<b>Accruals and other liabilities</b> (Note 17)	<u>4,247,509,245</u>	<u>2,150,661,247</u>
<b>Total liabilities</b>	<u>151,942,400,678</u>	<u>99,763,448,639</u>
<b>Equity</b> (Note 24)		
Capital stock	1,321,930,372	981,930,372
Contributions pending capitalization	3,853,150,939	924,044,033
Capital reserves	914,041,278	633,815,359
Retained earnings	3,420,315,080	2,679,832,668
Exchange gain from holding foreign currency assets and liabilities	2,851,100,572	2,342,043,822
Net unrealized gain on investments in available-for-sale securities (Note 5)	<u>207,432,859</u>	<u>235,065,982</u>
<b>Total equity</b>	<u>12,567,971,100</u>	<u>7,796,732,236</u>
<b>Total liabilities and equity</b>	<u>164,510,371,778</u>	<u>107,560,180,875</u>

The accompanying notes are an integral part of the financial statements

***Banco Nacional de Crédito, C.A., Banco Universal***  
**Income statement**  
**Six-month periods ended December 31 and June 30, 2015**

	<b>December 31, 2015</b>	<b>June 30, 2015</b>
	(In bolivars)	
<b>Interest income</b>	<u>9,271,909,563</u>	<u>5,538,457,737</u>
Income from cash and due from banks	7,574	43,114
Income from investment securities	838,576,808	711,646,903
Income from loan portfolio	8,421,920,385	4,819,528,072
Income from other accounts receivable	5,800,020	7,193,794
Other interest income	5,604,776	45,854
<b>Interest expense</b>	<u>(2,739,728,047)</u>	<u>(1,696,155,784)</u>
Expenses from customer deposits	(2,710,351,751)	(1,681,897,143)
Expenses from borrowings (Note 14)	(7,074,775)	(225,493)
Expenses from other liabilities from financial intermediation	(20,319,445)	-
Other interest expense	(1,982,076)	(14,033,148)
<b>Gross financial margin</b>	<u>6,532,181,516</u>	<u>3,842,301,953</u>
Income from financial assets recovered (Notes 6 and 7)	19,904,535	18,117,787
Expenses from uncollectible loans and other accounts receivable (Notes 6 and 7)	(700,133,391)	(431,115,134)
Expenses from provision for cash and due from banks	<u>(30,977)</u>	<u>-</u>
<b>Net financial margin</b>	<u>5,851,921,683</u>	<u>3,429,304,606</u>
Other operating income (Note 19)	1,113,529,886	533,874,512
Other operating expenses (Note 20)	<u>(317,615,677)</u>	<u>(167,374,640)</u>
<b>Financial intermediation margin</b>	<u>6,647,835,892</u>	<u>3,795,804,478</u>
<b>Operating expenses</b>	<u>(4,317,454,221)</u>	<u>(2,504,851,552)</u>
Salaries and employee benefits (Note 2-j)	(1,101,563,974)	(738,901,535)
General and administrative expenses (Note 21)	(2,504,950,343)	(1,266,019,708)
Fees paid to the Social Bank Deposit Protection Fund (Note 26)	(639,266,944)	(450,896,598)
Fees paid to the Superintendency of Banking Sector Institutions (Note 27)	<u>(71,672,960)</u>	<u>(49,033,711)</u>
<b>Gross operating margin</b>	<u>2,330,381,671</u>	<u>1,290,952,926</u>
Income from available-for-sale assets (Note 9)	-	4,722,785
Sundry operating income (Note 19)	17,217,601	4,441,755
Expenses from available-for-sale assets (Note 9)	-	(168,775)
Sundry operating expenses (Note 20)	<u>(142,741,068)</u>	<u>(115,158,484)</u>
<b>Net operating margin</b>	<u>2,204,858,204</u>	<u>1,184,790,207</u>
Extraordinary expenses	<u>(10,490,263)</u>	<u>(11,985,882)</u>
<b>Gross income before tax</b>	2,194,367,941	1,172,804,325
Income tax (Note 18)	<u>(833,659,610)</u>	<u>(231,808,465)</u>
<b>Net income</b>	<u>1,360,708,331</u>	<u>940,995,860</u>
<b>Appropriation of net income</b>		
Legal reserve	272,141,666	94,099,586
Retained earnings	<u>1,088,566,665</u>	<u>846,896,274</u>
	<u>1,360,708,331</u>	<u>940,995,860</u>
Provision for the Antidrug Law (Notes 1 and 20)	<u>22,683,923</u>	<u>12,423,777</u>

The accompanying notes are an integral part of the financial statements

**Banco Nacional de Crédito, C.A., Banco Universal**  
**Statement of changes in equity**  
**Six-month periods ended December 31 and June 30, 2015**

	Paid-in capital stock	Share premium and contributions pending capitalization	Capital reserves	Retained earnings		Total	Exchange gain from holding foreign currency assets and liabilities	Unrealized gain (loss) on investment securities (Note 5)	Total equity
				Unappropriated surplus	Restricted surplus (in bolivars)				
<b>Balances at December 31, 2014</b>	881,930,372	833,851,806	534,007,772	981,105,993	814,719,670	42,818,732	1,838,644,395	175,114,467	5,370,807,441
Contributions pending capitalization (Note 24)	-	190,192,227	-	-	-	-	-	-	190,192,227
Capital increase through public offering of shares (Note 24)	100,000,000	(100,000,000)	-	-	-	-	-	-	-
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	-
Net gain on sale of foreign currency assets through the Marginal Foreign Exchange System (SIMADI) (Notes 3 and 5)	-	-	-	-	-	-	-	-	59,951,515
Net income	-	-	-	-	-	-	-	-	-
Appropriation to the legal reserve (Note 24)	-	-	-	940,995,860	-	-	1,234,785,193	-	1,234,785,193
Creation of the Social Contingency Fund (Note 24)	-	-	94,099,586	(94,099,586)	-	-	-	-	940,995,860
Reclassification of net income of the Curacao Branch (Note 24)	-	-	5,708,001	(5,708,001)	-	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 24)	-	-	-	3,955,317	(3,955,317)	-	-	-	-
				<u>(425,425,796)</u>	<u>425,425,796</u>				
<b>Balances at June 30, 2015</b>	981,930,372	924,044,033	633,815,359	1,400,823,787	1,240,145,466	38,863,415	2,679,832,668	235,065,982	7,796,732,236
Contributions pending capitalization (Note 24)	-	2,929,106,906	-	-	(340,000,000)	-	(340,000,000)	-	2,929,106,906
Capital increase through capitalization of retained earnings (Note 24)	340,000,000	-	-	-	-	-	-	-	-
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	-
Net gain on sale of foreign currency assets through the Marginal Foreign Exchange System (SIMADI) (Note 5)	-	-	-	-	-	-	-	-	(27,633,123)
Net income	-	-	-	-	-	-	-	-	-
Appropriation to the legal reserve (Note 24)	-	-	-	1,360,709,331	-	-	509,056,750	-	509,056,750
Creation of the Social Contingency Fund (Note 24)	-	-	272,141,666	(272,141,666)	-	-	(272,141,666)	-	-
Reclassification of net income of the Curacao Branch (Note 24)	-	-	8,084,253	(8,084,253)	-	-	(8,084,253)	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 24)	-	-	-	12,440,177	(12,440,177)	-	-	-	-
				<u>(650,503,419)</u>	<u>550,503,419</u>				
<b>Balances at December 31, 2015</b>	1,321,930,372	3,853,150,938	914,041,278	1,943,242,957	1,450,648,885	26,423,238	3,420,315,080	207,432,859	12,567,971,100

**Net income per share (Note 2-n)**

	December 31, 2015	June 30, 2015
Weighted average of outstanding shares	1,116,216,086	965,263,705
Income per share	1.219	0.975

The accompanying notes are an integral part of the financial statements

**Banco Nacional de Crédito, C.A., Banco Universal**  
**Cash flow statement**  
**Six-month periods ended December 31 and June 30, 2015**

	December 31, 2015	June 30, 2015
	(In bolivars)	
<b>Cash flows from operating activities</b>		
Net income	1,360,708,331	940,995,860
Adjustments to reconcile net income to net cash provided by operating activities		
Allowance for losses on loan portfolio	699,310,164	431,033,819
Provision for interest receivable	823,227	81,315
Provision for other assets	8,001,500	20,350,920
Depreciation of property and equipment and amortization of available-for-sale and other assets	237,224,858	113,869,437
Accrual for length-of-service benefits	209,939,491	143,213,060
Transfers to trust fund and payment of length-of-service benefits	(118,693,933)	(87,715,874)
Income tax provision	885,017,829	288,970,896
Deferred income tax	(51,358,219)	(57,162,431)
Net change in		
Overnight deposits	200,000,000	25,000,000
Interest and commissions receivable	(281,986,115)	(188,130,247)
Other assets	(3,409,200,479)	(726,248,713)
Accruals and other liabilities	<u>1,089,858,800</u>	<u>628,124,278</u>
Net cash provided by operating activities	<u>829,645,454</u>	<u>1,532,382,320</u>
<b>Cash flows from financing activities</b>		
Contributions pending capitalization	2,929,106,906	190,192,227
Net change in		
Customer deposits	49,844,419,511	31,781,474,415
Borrowings	99,045,993	60,205,706
Other liabilities from financial intermediation	(1,858,539)	(9,808,128)
Interest and commissions payable	<u>140,497,076</u>	<u>4,752,060</u>
Net cash provided by financing activities	<u>53,011,210,947</u>	<u>32,026,816,280</u>
<b>Cash flows from investing activities</b>		
Loans granted during the period	(68,010,483,192)	(44,132,388,435)
Loans collected during the period	38,583,134,692	22,065,293,151
Equity adjustments for participation in SIMADI transactions	509,056,750	1,234,785,193
Net change in		
Investments in available-for-sale securities	(506,795,640)	151,412,857
Investments in held-to-maturity securities	(1,757,111,693)	79,551,386
Restricted investments	(6,696,359)	(3,666,522)
Investments in other securities	(1,929,752,240)	(1,284,050,660)
Available-for-sale assets	-	208,850
Property and equipment	<u>(2,026,853,202)</u>	<u>(1,849,601,972)</u>
Net cash used in investing activities	<u>(35,145,500,884)</u>	<u>(23,738,456,152)</u>
<b>Cash and due from banks</b>		
Net change in cash and cash equivalents	18,695,355,517	9,820,742,448
At the beginning of the period	<u>30,283,353,297</u>	<u>20,462,610,849</u>
At the end of the period	<u>48,978,708,814</u>	<u>30,283,353,297</u>
<b>Supplementary information on non-cash activities</b>		
Write-off of uncollectible loans	12,802,755	57,094,243
Write-off of uncollectible loans (interest)	1,243,516	2,097,601
Reclassification of excess in (Notes 6, 7 and 17)		
Allowance for losses on loan portfolio to contingent loans	30,725,811	(661,453)
Allowance for losses on loan portfolio to provision for interest receivable	4,221,987	3,346,474
Change in net unrealized gain on investments in available-for-sale securities	(27,633,123)	59,951,515
Creation of the Social Contingency Fund	8,084,253	5,708,001
Interest earned on the Social Contingency Fund	1,474,601	798,349

The accompanying notes are an integral part of the financial statements



***Banco Nacional de Crédito, C.A., Banco Universal***  
**Notes to the financial statements**  
**December 31 and June 30, 2015**

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**1. Activities and regulatory environment**

Banco Nacional de Crédito, C.A., Banco Universal (hereinafter the Bank) was authorized to operate as a commercial bank in the Bolivarian Republic of Venezuela in February 2003 under the name Banco Tequendama, S.A. and as a universal bank on December 2, 2004. Its business objective is to provide financial intermediation consisting in the procurement of funds for the purpose of granting credits or loans and investing in securities.

The Bank is incorporated and domiciled in the Bolivarian Republic of Venezuela. Its legal address is: Avenida Vollmer, Torre Sur del Centro Empresarial Caracas, Urbanización San Bernardino, ZP 1010, Caracas.

Most of the Bank's assets are located in the Bolivarian Republic of Venezuela. At December 31 and June 30, 2015, the Bank has 170 and 166 offices and external counters, respectively, a branch in Curacao, and a main office; and 3,113 and 3,154 employees, respectively.

The Bank's shares are traded on the Caracas Stock Exchange (Note 24).

The Bank conducts transactions with a related company (Note 25).

The Bank's financial statements at December 31 and June 30, 2015 were approved for issue by the Board of Directors on January 13, 2016 and July 8, 2015, respectively.

In August 2003, the Superintendency of Banking Sector Institutions (SUDEBAN) issued Resolution No. 202.03 dated August 4, 2003, published in Official Gazette No. 37,748 on August 7, 2003, authorizing the Bank's fiduciary operations.

The new Law on Banking Sector Institutions (hereinafter the Law on Banking Sector Institutions) issued by the Venezuelan government on November 13, 2014 through Official Gazette of December 8, 2014 repealed the previous Law of December 2010.

This Law, among other things, considers banking as a public service; defines financial intermediation as fundraising for investment in loan portfolios and securities issued or guaranteed by the Venezuelan government or government agencies; extends disqualification instances to act as directors; prohibits the formation of financial groups understood as a group of banks, non-banking institutions, financial institutions and companies constituting a decision-making or management unit; establishes connecting criteria, requires boards of directors to approve lending operations exceeding 5% of equity; establishes a social contribution of 5% of pre-tax income for the fulfillment of social responsibilities to finance projects developed by communal councils, limits consumer credits to 20% of the bank's loan portfolio, transactions for a single debtor to 10% of equity, one economic group to 20% and to an additional 10% with bank or other appropriate guarantees and; defines debtor in relation to this limitation, among others.

According to the temporary provisions of the new Law, banks have a 30-day deadline to submit to SUDEBAN a plan to conform to the new legislation.

Through Circular SIB-DSB-CJ-OD-42351 of December 11, 2014, SUDEBAN informed that the 30-day deadline to submit the plan to conform to the new legislation shall be counted as from December 8, 2014. The Bank submitted the Adjustment Plan to SUDEBAN on January 7, 2015. Through Notice SIB-II-GGIBPV-GIBPV2-22366 of July 9, 2015, SUDEBAN replied and indicated that the Bank must strictly comply with the aforementioned notice. On July 23, 2015, the Bank responded to SUDEBAN that it will continue to review the content of the Law to identify issues that need to be addressed or activities that need to be performed to comply with applicable rules. On July 28, 2015, the Bank responded to SUDEBAN and presented new considerations on the progress of the Adjustment Plan. Through Notice SIB-II-GGIBPV-GIBPV2-32439 of October 9, 2015, SUDEBAN expressed its opinion about the Bank's

***Banco Nacional de Crédito, C.A., Banco Universal***  
**Notes to the financial statements**  
**December 31 and June 30, 2015**

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response. On October 27, 2015, the Bank sent new considerations and exhibits regarding compliance with the Adjustment Plan and SUDEBAN responded through Notice SIB-II-GGIBPV-GIBPV4-40170 of December 28, 2015.

The Bank's activities are ruled by the Law on Banking Sector Institutions, the Stock Market Law, the commercial law (the Venezuelan Code of Commerce), the financial law (Law of the National Financial System), any other applicable laws, regulations issued by the Venezuelan government and provisions issued by the Higher Authority of the National Financial System (OSFIN), the Central Bank of Venezuela (BCV) and the Venezuelan Securities Superintendency (SNV), as well as the prudential rules and other instructions of SUDEBAN.

OSFIN will establish rules for citizens to participate in the supervision of the financial management and social controllership of the parties to the National Financial System, will protect user rights, and will promote collaboration among the sectors of the productive economy, including the popular and communal sectors.

The Law of the National Financial System is aimed at regulating, supervising, controlling and coordinating the National Financial System in order to ensure that financial resources are used and invested for the public interest and for economic and social development with a view to creating a social and democratic State ruled by Law and Justice. The National Financial System is formed by the group of public, private and communal financial institutions and any other form of organization operating in the banking sector, the insurance sector, the stock market and any other sector or group of financial institutions that the policy-making body deems should form part of the system. Individuals and corporations that are users of the financial institutions belonging to the system are also included.

**Curacao Branch**

The banking activities of the Bank's Curacao Branch (hereinafter the Branch) are regulated by the Law of Banks of Curacao and St. Maarten. The Branch is not an economically independent entity and conducts transactions following the Bank's guidelines. The Branch operates under an off-shore license granted by the Central Bank of Curacao and St. Maarten and SUDEBAN in Venezuela. Capital assigned to the Branch has been contributed by the Bank (Note 8).

Other laws that regulate the Bank's activities are described below:

**Agricultural Loan Law**

The Agricultural Loan Law requires the People's Power Ministry for Economy and Finance and the People's Power Ministry for Agriculture and Land to jointly fix within the first month of each year the minimum percentage of the loan portfolio to be earmarked by each commercial and universal bank to finance agriculture.

On March 30, 2015, through a Joint Resolution, the People's Power Ministries for Planning and Finance and for Agriculture and Land established the minimum percentages of the loan portfolio to be earmarked by each universal bank to finance agriculture during 2015. This percentage is calculated based on the gross loan portfolio at December 31, 2014 and 2013 of each universal bank, and must be applied as follows: 21% in February, March and April; 22% in May; 23% in June; 24% in July, August and September; 25% in October, November and December (Note 6).

This Resolution also established that universal banks must grant medium and long-term loans representing at least 20% of the total agricultural loan portfolio. In addition, this Resolution requires the number of new individual and company borrowers of the agricultural loan portfolio to be increased by 10% with respect to total agricultural borrowers at prior year end. Universal banks must distinguish between agricultural loan borrowers maintained at prior year end and new borrowers for a given year subject to measurement. Moreover, the Resolution establishes how the total quarterly balance of each

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bank's agricultural loan portfolio must be distributed between strategic and non-strategic crops, agroindustrial investment and marketing (Note 6).

Also the Resolution establishes that as from April 2014 banks shall discount 0.5% of agricultural loans settled and transfer this amount to the People's Power Ministry for Agriculture and Land on a monthly basis. This balance will be attributable to the respective loans and, therefore, financed under the same terms and conditions established for each credit operation.

According to the Resolution, only 5% of loans earmarked for primary agricultural production may be granted without guarantees to borrowers meeting the following conditions:

1. Borrowers must be individuals or companies.
2. Borrowers may not have another agricultural loan with any public or private universal bank or with any bank in the process of becoming universal at the loan application date.
3. Borrowers must be registered in the Single Mandatory Permanent Registry for Agricultural Producers.
4. The primary production project must be viable and have the endorsement of the Minister for Agriculture and Land, prior presentation of the explanatory technical report before the Agricultural Loan Monitoring Committee.

To comply with the aforementioned percentages, financial institutions may alternatively place funds with public banks or contribute them to the Fund for Social Agricultural Development (FONDAS) in the form of capital contributions to Sociedad de Garantías Recíprocas para el Sector Agropecuario, Forestal, Pesquero y Afines, S.A. (S.G.R. SOGARSA, S.A.), provided that the receiving entity ultimately uses the funds to grant agricultural loans, in accordance with the terms and conditions approved by the Agricultural Loan Monitoring Committee. Any such funds that are not used directly by the receiving entity for agricultural loans may be returned at the Bank's request after it has solved the loan deficit that motivated the contribution of funds in the first place, but in no event before the financial instrument agreed between the parties matures.

**Law on Benefits and Payment Facilities for Agricultural Debts on Strategic Crops for Food Security and Sovereignty**

The Law on Benefits and Payment Facilities for Agricultural Debts on Strategic Crops for Food Security and Sovereignty was enacted on August 3, 2009. Subsequently, on September 17, 2009, April 1, 2011 and July 2, 2012, through a Joint Resolution, the People's Power Ministry for Planning and Finance and the People's Power Ministry for Agriculture and Land established the special terms and conditions for debt restructuring and the procedures and requirements for filing and issuing response notices for agricultural debt restructuring and relief requests.

**Agricultural Aid Law**

The new Agricultural Aid Law became effective on June 19, 2014. This Law establishes the rules governing benefits, payment facilities and restructuring of agricultural loans for the production of strategic crops for food security and sovereignty when repayment is partially or fully impacted by environmental, biological or physical damages that significantly affect the production and development capacity of productive units.

This Law will benefit individuals or corporations that had received agricultural loans to sow crops, purchase raw materials, machinery, equipment and livestock, build and improve infrastructure, reactivate distribution centers and finance working capital in relation to the production of strategic crops.

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The beneficiaries who received loans to finance the strategic crops defined under the Law shall be granted partial or full debt relief by public and private banks.

**Law for Creating, Supporting, Promoting and Developing the Microfinancial Business Sector**

This Law aims to create, support, promote and develop the microfinancial sector to facilitate the prompt and timely access to financial and non-financial services, to popular community and self-managed associations, family companies, self-employed and unemployed individuals and to any other type of community association that develops or has the intention of developing an economic activity, with the purpose of integrating them to the country's economic and social dynamics.

In addition, the Law on Banking Sector Institutions establishes that banks must earmark 3% of their gross loan portfolio at prior semester closing for microcredits or contributions to institutions that create, support, promote and develop the microfinancial and small business sector in Venezuela.

Through Resolution No. 109-15 of September 24, 2015, SUDEBAN established that banks shall earmark their gross microcredit loan portfolio as follows:

- a. Up to 40% to finance commercialization activities.
- b. Up to 40% to finance public transportation.
- c. No less than 20% to other activities, such as communal services and artisan activities, among others.

According to this Resolution, the Bank has 180 continuous days after its issue date to adjust.

**Special Law for Home Mortgagor Protection**

This Law requires banks and other financial institutions regulated by the Law on Banking Sector Institutions to grant mortgage loans for acquisition, construction, self-construction, expansion or remodeling of primary residences, based on a percentage of their annual loan portfolio, excluding loans granted under the Housing Loan Law. Under this Law, loans will bear a social interest rate.

The BCV, through an official notice, established special social interest rates applicable as from September 2011 for primary residence mortgages and construction loans, granted or to be granted from the financial institutions' own resources as follows:

- a. The maximum annual social interest rate applicable to loans granted under the Special Law for Home Mortgagor Protection is 10.66%.
- b. The maximum annual social interest rate applicable to mortgage loans for the acquisition of primary residences, granted or to be granted from the financial institutions' own resources varies between 4.66% and 8.66%, depending on the monthly family income.
- c. The maximum annual social interest rate applicable to mortgage loans for the construction of primary residences, granted or to be granted from the financial institutions' own resources is 9.66%.
- d. The maximum annual social interest rate applicable to mortgage loans for the improvement, expansion and self-construction of primary residences varies between 4.66% and 6.66%, depending on the monthly family income.

The People's Power Ministry for Housing established that maximum monthly installments for mortgage loan payments shall not exceed 35% of the monthly family income.

Mortgage loans may be granted for up to the full value of the real property pledged, based on its appraisal value and the monthly family income.

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On June 16, 2015, the People's Power Ministry for Housing fixed at 20% the minimum percentage of the annual gross loan portfolio to be earmarked by each universal bank from its own resources for mortgages for the acquisition, construction or self-construction of primary residences. At December 31, 2015, this percentage shall be distributed based on the gross loan portfolio at December 31, 2014, taking into account the financed activity and the monthly family income of the loan applicants (Note 6).

The percentage for the construction of residences shall be distributed as follows:

- a. 45% to the construction of residences that will be applied by the Higher Authority of the National Housing System through Fondo Simón Bolívar para la Reconstrucción.
- b. 15% to short-term loans for the construction of residences.
- c. 38% to the acquisition of primary residences.
- d. 2% to the self-construction, improvement and expansion of primary residences.

The measurement of long-term mortgage loans for the acquisition of primary residences is calculated based on: a) the balances of long-term mortgage loans granted at December 31 of the year preceding the year subject to measurement and b) loans actually granted during the year preceding the year subject to measurement. The measurement of short-term mortgage loans granted for construction of primary residences is calculated based on actual payments made during the year preceding the year subject to measurement.

On August 2, 2011, the People's Power Ministry for Housing established the financing conditions for each type of loan regardless of the source of funds. Some of these conditions are: maximum debt capacity of the loan applicant or co-applicant, required guarantees, and the general requirements for the loan applicant and co-applicant. On September 6, 2011, the People's Power Ministry for Planning and Finance set the annual social interest rates at between 1.4% and 4.66%.

On February 5, 2013, the People's Power Ministry for Housing issued Resolutions Nos. 10 and 11 containing the guidelines for granting loans for the self-construction, expansion or improvement of primary residences, as well as the rules for the creation and setting of payment terms for housing loans.

Compliance with and distribution of the aforementioned percentages are measured at December 31 of each year.

**Law on Tourism Investments and Loans**

The Law on Tourism Investments and Loans was issued on November 17, 2014, and published in Extraordinary Official Gazette No. 6,153 of November 18, 2014. This Law requires the People's Power Ministry for Tourism to fix within the first month of each year the percentage of the gross loan portfolio to be earmarked by banks to finance tourism, which in no event shall be less than 3%. Short, medium and long-term loans must be included in the loan portfolio percentage. The interest rate may only be modified for the benefit of the loan applicant and loans shall be repaid in equal consecutive monthly installments.

In addition, this Law establishes amortization periods between 5 and 15 years depending on the activities to be conducted by loan applicants. This Law also establishes special conditions in respect of terms, interest rates and subsidies, among others, for projects to be executed in tourist areas, potential tourist areas or endogenous tourist development areas.

Furthermore, tourism guarantees are created within the National System for Reciprocal Guarantees for loans granted.

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On March 17, 2015, the People's Power Ministry for Tourism established at 4.25% the minimum percentage of the gross loan portfolio to be earmarked by each universal bank to finance tourism at December 31, 2015. This percentage is calculated based on the gross loan portfolio balance at December 31, 2014 and 2013 and must be applied as follows: 2% at June 30, 2015 and 4.25% at December 31, 2015 (during the six-month period ended December 31, 2014, minimum percentage of 4.25% of the gross loan portfolio balance at December 31, 2013 and 2012).

Through a Resolution published in Official Gazette No. 40,274 on October 17, 2013, the People's Power Ministry for Tourism established a single voluntary contribution from banks for the purchase of Class "B" shares from Sociedad de Garantías Recíprocas para la Pequeña y Mediana Empresa del Sector Turismo, S.A. (S.G.R. SOGATUR, S.A.). The purpose of this contribution is to pledge small and medium-sized tourist entrepreneurs or service providers, as well as organized communities, to secure repayment of tourism loans granted by banks. The entire purchase of shares will be accounted for as part of the tourism loan portfolio compliance (Notes 5 and 6).

Through a Joint Resolution, published in Official Gazette No. 39,402 on April 13, 2010, the People's Power Ministries for Tourism and for Planning and Finance established the grace periods for tourism loans. These grace periods range from one to three years depending on the activity that is being financed. Loans for tourism projects to be developed in tourist areas will have the maximum grace periods considering the type of activity to be developed.

**Manufacturing loans**

The Manufacturing Loan Law published on April 17, 2012 requires the people's power ministries in charge of finance and industries to jointly fix within the first month of each year, and with the binding opinion of SUDEBAN and the BCV, the terms, conditions, periods and minimum percentages of the loan portfolio to be earmarked by each universal bank to finance manufacturing activities. In no event shall the minimum percentage fall below 10% of each bank's gross loan portfolio for the immediately prior year.

Through Resolution No. 13-07-03 of July 30, 2013, the BCV established that, as from August 2013, interest on manufacturing loans charged by banks shall not exceed 18% per annum.

Through Joint Resolution No. 053, published in Official Gazette No. 40,457 on July 18, 2014, the People's Power Ministries for Industries and for Economy, Finance and Public Banking established the strategic sectors to which 60% of the manufacturing loan portfolio resources shall be allocated, and a minimum percentage of 40% to finance small and medium-sized companies and communal companies. Measurement and compliance percentage of the manufacturing loan portfolio at December 31, 2015 is 10%.

**BCV regulations**

The BCV has established regulations on lending and deposit rates to be applied by banks and restrictions on certain service fees. It has also established maximum rates to be charged for commissions, fees or surcharges on each type of transaction. In addition, through Resolution No. 13-03-02 of March 26, 2013, the BCV established that banks may only charge their customers for commissions established by this regulatory entity.

Regarding lending rates, the BCV established that banks may not charge for lending operations, except for consumer loans, an annual interest or discount rate higher than the rate periodically set by the BCV's Board of Directors for discount, rediscount, repurchase and advance operations, reduced by 5.5%, except in the case of agricultural, tourism, manufacturing and mortgage loans for primary residences (Note 6). As from June 5, 2009, the annual interest rate to be charged by the BCV on discount, rediscount and advance operations, except as regards operations conducted under special regimes, was set at 29.5%.

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Also, through Resolution No. 13-11-02 of November 19, 2013, the BCV established that interest rates to be paid by banks on savings deposits for individuals with daily balances of up to Bs 20,000 shall not be less than 16% per annum, and no less than 12.5% per annum on savings deposits with daily balances higher than Bs 20,000. Interest on savings deposits paid by banks to companies shall not be less than 12.5% per annum, calculated on daily balances, regardless of account balance. In addition, interest rates on time and certificates of deposits, regardless of their term of maturity, shall not be less than 14.5% per annum.

In addition, the BCV established that banks may not charge commissions, fees or surcharges to their customers for transactions, operations or services directly related to savings accounts. Banks may charge a commission amounting to the existing balance of dormant savings and current accounts that have been closed if it is below Bs 1. In addition, banks may not charge commissions, fees or surcharges for operations other than those published by the BCV.

On July 11, 2013, through an official notice, the BCV reissued Resolution No. 12-09-02 of September 6, 2012, regarding commissions, fees and surcharges to be charged by banks to its clients on all transactions and activities covered by this Resolution. The official notice also establishes the fee to be charged by authorized entities to process purchases and sales of foreign currency or securities denominated in foreign currency through the Supplementary Foreign Currency Administration System (SICAD).

Through this official notice, the BCV also ratified that banks may only charge their customers up to Bs 5 for the second plus savings account books issued in the year. Likewise, the BCV sets monthly maintenance fees at Bs 3 on non-interest-bearing checking accounts (individuals), Bs 4.5 on non-interest-bearing checking accounts (companies), and Bs 5 on interest bearing checking accounts (companies). In addition, the BCV established maximum commissions, fees or surcharges on all transactions covered by the official notice.

The BCV established the maximum discount rates or commissions to be charged by banks to affiliated businesses for authorizing and processing point-of-sale operations through credit, debit and prepaid cards or any other financing or electronic payment instrument.

Through Resolution No. 10-10-02 issued on June 30, 2011, the BCV reduced by 3 percentage points the 17% minimum legal reserve that banks are required to maintain at the BCV, as per the previous Resolution of October 26, 2010, provided that they use the available resources to purchase instruments issued within the framework of Venezuela's Great Housing Mission. The terms and conditions of these investments will be as established by the BCV.

Through Resolution No. 13-04-01 of April 26, 2013, the BCV ratified that the calculation of the legal reserve to be allocated by financial institutions that purchased Dematerialized Certificates of Participation issued by the Simón Bolívar Fund 2013 will be made in conformity with terms established in Resolution No. 10-10-02.

Resolution No. 14-03-02, issued on March 13, 2014, modifies the legal reserve rules and requires a minimum reserve of 21.5% of total net liabilities, total investments assigned and marginal balance, and 31% of the amount corresponding to the increase of marginal balance.

Through Resolution No. 15-07-01 of July 2, 2015, the BCV ratified that the calculation of the legal reserve to be allocated by financial institutions that purchased Dematerialized Certificates of Participation issued by the Simón Bolívar Fund 2015 will be made in conformity with terms established in Resolution No. 14-03-02.

Through Resolution No. 13-03-01 of March 21, 2013, the BCV established that individuals residing in Venezuela will be allowed to have demand deposits in foreign currency in local banks.

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Through Resolution No. 13-07-01 of July 2013, the BCV set forth the general regulations for SICAD, which establish that foreign currency must only be traded by authorized financial institutions. The minimum and maximum amounts for the trade of foreign currency or securities in foreign currency will be determined in Notices previously published.

Through Resolution No. 14-03-01 of March 17, 2014, the BCV established brokerage rules pertaining to foreign exchange market transactions both in cash and securities denominated in foreign currency solely through the Alternative Currency Exchange System (SICAD II). Through Resolution No. 30 of March 25, 2014, the SNV established the prudential instructions for the participation of authorized securities brokers through SICAD II.

The Venezuelan government and the BCV published Exchange Agreement No. 33 in Extraordinary Official Gazette No. 6,171 on February 10, 2015. This Agreement establishes that foreign currency transactions conducted through the Marginal Foreign Exchange System (SIMADI) refer to the trading in bolivars of cash and securities in foreign currency issued by the Bolivarian Republic of Venezuela, its decentralized agencies or any other issuer, whether public or private, foreign or local, registered and quoted on the international markets. Under this Exchange Agreement, banks, exchange offices, authorized securities dealers and the Bicentennial Public Stock Exchange may participate as exchange brokers.

In addition, this Exchange Agreement establishes that the exchange rates for the trading of foreign currency will be set by the parties involved in the transaction. The BCV shall publish on a daily basis on its web page the reference exchange rate corresponding to the weighted average exchange rate of operations transacted during the day on the markets.

Through an official notice, the BCV ratified that as from February 12, 2015 purchase or sale bids for cash or securities in foreign currency will no longer be processed through SICAD II.

**Other regulations**

***Law for the Advancement of Science, Technology and Innovation***

This Law establishes that the country's major corporations will annually earmark 0.5% of gross income generated in Venezuela in the prior year. During the six-month periods ended December 31 and June 30, 2015, the Bank recorded expenses in this connection of Bs 18,779,288, included under sundry operating expenses (Note 20).

In November 2014, the Venezuelan government enacted the Reform of the Law for the Advancement of Science, Technology and Innovation. This legal instrument creates the National Fund for Science, Technology and Innovation (FONACIT), which shall be responsible for managing, collecting, controlling, verifying, and quantitatively and qualitatively determining the contributions for science, technology and innovation and their applications. Likewise, the Reform indicates that taxpayers may apply to use the contributions to science, technology and innovation, provided that they develop annual projects, plans, programs and activities for the priority areas defined by the national authority responsible for matters related to science, technology and innovation and their applications and submit them within the third quarter of each year. Subsequently, within the first quarter of each year, users of the contributions for science, technology and innovation must submit to FONACIT a technical and administrative report of the activities conducted in this connection during the prior year. In addition, these Regulations require the payment and declaration of contributions within the second quarter after the closing of the period in which gross income was generated.



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***Antidrug Law***

The Antidrug Law was published in Official Gazette No. 39,510 on September 15, 2010. This Law requires all private corporations, consortia and business-oriented public entities with 50 or more employees to contribute 1% of their annual operating income to the National Antidrug Fund (FONA) within 60 days of their respective year end. Companies belonging to economic groups will make contributions on a consolidated basis.

FONA shall use these contributions to finance plans, projects and programs for the prevention of illegal drug traffic.

The contributions to FONA shall be distributed as follows: 40% for prevention projects for the contributor's employees and their families; 25% for child welfare protection programs; 25% for antidrug traffic programs and; 10% to finance FONA's operating costs. In addition, companies are required to employ rehabilitated individuals to facilitate their social reintegration.

Resolution No. 004-2011 was published in Official Gazette No. 39,643 on March 28, 2011 to establish the regulations for payment of contributions and special contributions according to the Law.

The Decree-Law for the creation of FONA was modified through Decree No. 9,359, published in Official Gazette No. 40,095 on January 22, 2013. This modification is aimed to adapting and aligning the organizational structure of the Fund, as well as updating and adapting its attributions as a collection entity.

For the six-month periods ended December 31 and June 30, 2015, the Bank recorded expenses in this connection of Bs 22,683,923 and Bs 12,423,777, respectively, included under sundry operating expenses (Note 20).

***Law on Exchange Control Regime and related offenses***

The Reform of the Law on Exchange Control Regime and related offenses was published on December 30, 2015. This Law establishes the parameters for the purchase of foreign currency by individuals and public entities, as well as exchange offenses and applicable penalties and regulates the terms and conditions under which foreign currency administration entities apply the capacities granted thereto by the legal system, in accordance with the exchange agreements established for such purposes, and the guidelines for the execution of this policy. The Law on Exchange Control Regime applies to individuals, public and private companies participating in exchange operations as buyers, managers, intermediaries, verifiers or beneficiaries. This Law defines foreign currency as any currency other than the bolivar, which is the currency of legal tender of the Bolivarian Republic of Venezuela. This definition includes deposits with local and foreign banks and financial institutions, transfers, bank checks and notes, securities, as well as any other asset or liability denominated or that may be realized or settled in foreign currency under the terms established by the BCV and according to the Venezuelan legal system.

Under this Law, an exchange operation is the trading in bolivars of any foreign currency through companies authorized by rules specifically issued by the BCV to this effect, which have complied with the requirements established by the competent authority and operate in the exchange market. An exchange market is the place or mechanisms established by the competent authorities in which, in an orderly manner, concur bidders and buyers to trade foreign currency at the exchange rates applicable in accordance with regulations issued in this connection.

Under this Law, the National Foreign Trade Center (CENCOEX) shall assign and supervise foreign currency, including but not limited to, cover expenses from public powers and to meet society's essential requirements, such as goods and services declared of prime necessity, i.e. drugs, food, housing and education.

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Foreign currency trading shall be conducted under the terms and conditions provided in the exchange agreements governing these mechanisms, as well as other standards enacted in the development thereof, and the respective auction notices. Without prejudice to the access to mechanisms administered by the competent authorities of the exchange control regime through CENCOEX, individuals and companies may purchase foreign currency through foreign currency operations offered by: individuals and private companies, Petróleos de Venezuela, S.A. (PDVSA), the BCV and state banks.

***Law against Organized Crime and Terrorism Financing***

The Law against Organized Crime and Terrorism Financing was published in Official Gazette No. 39,912 on April 30, 2012 to prevent, investigate, prosecute, typify and punish offenses involving organized criminal groups and terrorism.

***Sports and Physical Education Law***

The Sports and Physical Education Law was passed on August 23, 2011. This Law seeks to regulate physical education and the sponsorship, organization and management of sporting activities as public services. Companies subject to this Law must contribute 1% of their net or accounting income to the activities contemplated therein. Subsequently, the first Partial Regulations to this Law were published on February 28, 2012 to establish the method for declaring and paying this contribution, the former within 190 days of period end. Through Circular SIB-II-GGR-GNP-12159 of May 4, 2012, SUDEBAN established regulations on how this contribution must be paid and recorded.

During the six-month periods ended December 31 and June 30, 2015, the Bank recorded expenses in this connection of Bs 13,518,662 and Bs 9,582,943, respectively, included within sundry operating expenses (Note 20).

***New Labor Law***

The new Labor Law (LOTTT) was published in Official Gazette No. 39,916 on May 7, 2012. This Law incorporates certain changes to the previous Labor Law (LOT) of June 19, 1997 and its Reform of May 6, 2011, particularly with respect to the calculation of certain employee benefits, such as vacation bonus, profit sharing, maternity leave, and the retrospective accrual of length-of-service benefits. In addition, the LOTTT reduces working hours and extends job security for parents. This Law became effective upon its publication in the Official Gazette.

Through Notice SIB-II-GGR-GNP-38442 of November 27, 2012, SUDEBAN clarified that, in accordance with the Accounting Manual, banks must apply International Accounting Standards as supplemental guidance for issues not treated in said Accounting Manual, prudential regulations or prevailing accounting principles generally accepted in Venezuela issued by the Venezuelan Federation of Public Accountants (FCCPV). SUDEBAN also indicated that the methodology used to determine this liability must be applied consistently, must be contemplated in the Bank's rules and policies, and must be approved by the Board of Directors. As reflected in Minutes No. 218 of the Board of Directors' Meeting on February 6, 2013, the Bank will use a simplified calculation, which has been duly approved, to determine its liability with respect to length-of-service benefits (Note 2-j).

***Other laws***

On December 30, 2015, the Venezuelan government exercising the enabling power granted by the National Assembly enacted 13 decree laws published in the Official Gazette. These decrees impact matters related to the exchange control regime, income tax, tax on large financial transactions, stock market, among others. At the date of these financial statements, management is assessing the impact that these decrees might have on the Bank's financial statements and operations as from their effective date.

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**2. Basis of preparation**

The accompanying financial statements at December 31 and June 30, 2015 have been prepared based on the accounting rules and instructions of SUDEBAN included in the Accounting Manual, which differ in certain material respects from generally accepted accounting principles (VEN NIF) published by the FCCPV, of mandatory application in Venezuela as from January 1, 2008. VEN NIF are mainly based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for certain criteria concerning adjustments for inflation and the valuation of foreign currency assets and liabilities, among others.

Through Resolution No. 648.10 of December 28, 2010, SUDEBAN deferred the presentation of consolidated or combined financial statements prepared under VEN NIF as supplementary information and established that, until otherwise stated, consolidated or combined financial statements and their notes must continue to be presented as supplementary information in accordance with generally accepted accounting principles in effect at December 31, 2007 (VEN GAAP).

At December 31 and June 30, 2015, the main differences identified by management between the accounting rules and instructions of SUDEBAN and VEN NIF that affect the Bank are the following:

- 1) VEN NIF Adoption Bulletin No. 2 (BA VEN NIF 2) establishes criteria for applying International Accounting Standard No. 29 (IAS 29) "Financial reporting in hyperinflationary economies" in Venezuela and requires that the effects of inflation on the financial statements be recognized, provided that inflation for the year exceeds one digit. SUDEBAN has stipulated that inflation-adjusted financial statements must be provided as supplementary information. Through Circular SIB-II-GGR-GNP-21014 of June 26, 2015, SUDEBAN indicated that the presentation of inflation-adjusted financial statements and supplementary financial statements prepared under generally accepted accounting principles in effect at December 31, 2007 (VEN GAAP) is deferred at June 30, 2015. Subsequently, through Circular SIB-II-GGR-GNP-00604 of January 15, 2016, SUDEBAN indicated that the presentation of supplementary financial statements prepared under generally accepted accounting principles in effect at December 31, 2007 (VEN GAAP) is deferred to the six-month period ended December 31, 2015 until requested by SUDEBAN.
- 2) Accounting practices used by banks require commissions receivable on loans to be recorded as income when collected. In addition, interest on current and rescheduled loans collectible after 6 months or more is recorded as deferred income under accruals and other liabilities when earned and as income when collected. In conformity with VEN NIF, commissions receivable on loans should be recorded as income over the term of the loan and should be initially recognized as part of the loan value. Interest is recorded as income when earned.
- 3) The Accounting Manual establishes that interest earned on overdue or in-litigation loans shall not be recognized as income but shall be recorded under memorandum accounts, as shall all subsequent interest earned. VEN NIF establish that for financial instruments carried at amortized cost, the amount of the impairment is the difference between the instrument's carrying amount and the present value of estimated future cash flows generated by the instrument, discounted at the original effective interest rate. Impairment exists when the present value of an instrument's future cash flows is lower than the carrying amount, in which case interest income shall be recognized taking into account the discount rate applied to future cash flows for determining impairment losses.
- 4) The Accounting Manual establishes that loans whose original repayment schedule, term, or other conditions have been modified at the request of the debtor must be reclassified within rescheduled loans. VEN NIF provide no specific guidance. However, they do state that impairment losses on financial assets carried at amortized cost shall be charged to the results for the period in which they are incurred.

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In addition, the Accounting Manual establishes that loans classified as overdue must be written off within 24 months after inclusion in this category. Loans in litigation must be fully provided for after 24 months in the in-litigation category. In addition, overdue monthly loan installments that have been repaid must be classified to the category to which they pertained before being classified as overdue. Likewise, when a debtor repays pending loan installments of a loan in litigation, thereby terminating the lawsuit, the loan must be reclassified to the category to which it pertained before being classified as in litigation or overdue. According to VEN NIF, accounts receivable are recorded based on their recoverable amount.

- 5) In conformity with SUDEBAN rules, the Bank sets aside the general allowance for the loan portfolio with a charge to the results for the period. VEN NIF require that these allowances be recorded as a restricted amount of retained earnings in equity, provided that they do not meet conditions established in IAS 37, "Provisions, contingent liabilities and contingent assets."
- 6) At December 31 and June 30, 2015, the Bank, in conformity with SUDEBAN rules, maintains a general 1% allowance of the loan portfolio balance, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance. It also maintains a countercyclical allowance of 0.75%. VEN NIF require that the Bank first assess whether objective evidence of impairment exists individually for loans that are individually significant, or collectively for loans that are not individually significant. Impairment losses shall be recognized in the results for the period.
- 7) In accordance with SUDEBAN prudential rules, investments in trading securities may not remain in this category for more than 90 days after they have been classified. In conformity with VEN NIF, these investments may remain in this category indefinitely.
- 8) In accordance with SUDEBAN prudential rules, investments in available-for-sale securities may not remain in this category indefinitely after they have been classified. In conformity with VEN NIF, investments in available-for-sale securities may remain in this category indefinitely.
- 9) In accordance with SUDEBAN rules, available-for-sale assets reclassified to the held-to-maturity category are recorded at their fair value at the reclassification date. Unrealized gains or losses are maintained separately in equity and are amortized over the investment's remaining life as an adjustment to yield.  
  
In conformity with VEN NIF, the fair value of the investment at the reclassification date becomes the new amortized cost basis, and any gain or loss previously recognized in equity is accounted for as follows: a) gains or losses on fixed maturity investments, as well as any difference between the new amortized cost and value at maturity, are taken to profit and loss and amortized over the investment's remaining life and; b) gains or losses on non-maturing investments will remain in equity until the asset is sold or otherwise disposed of, when it shall be recognized in profit or loss. Any subsequent impairment losses recorded in equity shall be recognized in the results for the period.
- 10) Discounts or premiums on held-to-maturity investments are amortized over the term of the security with a debit or credit to gain or loss on investment securities under other operating income or other operating expenses, respectively. In conformity with VEN NIF, discounts or premiums must be accounted for as part of the security's yield and, therefore, must be recognized under interest income.
- 11) Subsequent recoveries of permanent losses arising from impairment in the fair value of investment securities do not affect the new cost basis. VEN NIF allow recovery of impairment losses on debt securities.

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- 12) The Accounting Manual establishes timeframes to record provisions for bank reconciling items, matured securities, pending items and accounts receivable forming part of other assets, loan portfolio interest suspension, interest receivable and derecognition of certain assets, among others. VEN NIF do not establish timeframes for creating provisions for these items; provisions are recorded based on best estimates of collection or recovery.
- 13) The Accounting Manual establishes that transfers between investment categories or sales of investments for reasons other than those established in said Accounting Manual must be authorized by SUDEBAN. The sale or transfer of held-to-maturity investments shall not be considered to be inconsistent with their original classification under the following circumstances:
- a) A significant deterioration in the issuer's creditworthiness;
  - b) A change in tax law that eliminates or reduces the tax-exempt status of interest on the debt security;
  - c) A major business combination or major disposition that necessitates the sale or transfer of the security to maintain the enterprise's existing interest rate risk position or credit risk policy;
  - d) A change in statutory or regulatory requirements significantly modifying either what constitutes a permissible investment or the maximum level of investments in certain kinds of securities;
  - e) A significant increase by the regulator in the industry's capital requirements; and
  - f) A significant increase in the risk weights of debt securities used for regulatory risk-based capital purposes. Changes in circumstances and other events that are isolated, nonrecurring and unusual and that could not have been reasonably anticipated may cause an entity to sell or transfer held-to-maturity investments without calling into question the entity's intent to hold other securities to maturity.

According to VEN NIF, if an entity sells or reclassifies more than an insignificant proportion of held-to-maturity investments before maturity, the entity may not classify any financial asset as held-to-maturity for two years from the date the sale or transfer occurred. In addition, any remaining held-to-maturity securities must be reclassified as available for sale and measured at fair value.

- 14) Assets received as payment are recorded at the lower of cost and market value and amortized using the straight-line method over one to three years. Idle assets must be written out of asset accounts after 24 months. In accordance with VEN NIF, assets received as payment are stated at the lower of cost and market value, and are classified as available-for-sale assets or investment property depending on their use. Investment properties are depreciated over their expected income-generating term.
- 15) The Accounting Manual establishes that property and equipment is initially recorded at acquisition or construction cost, as applicable. However, VEN NIF allow property and equipment to be revalued, and any increase in value is credited to equity under revaluation surplus.
- 16) Significant leasehold improvements are recorded as amortizable expenses and included under other assets. According to VEN NIF, they must be shown as part of property and equipment. Gains or losses on the sale of personal and real property are shown in the income statement.
- 17) The Bank computes a deferred tax asset or liability in respect of temporary differences between the tax base and carrying amounts in the financial statements, except for provisions for losses on other than high risk or unrecoverable loans, which generate a deferred tax asset. A deferred tax asset is not recognized for any amount exceeding future taxable income. In accordance with VEN NIF, a deferred tax asset is recognized in respect of all temporary differences between the carrying amount

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of assets and liabilities and their tax bases, provided that its realization is assured beyond any reasonable doubt.

- 18) Other assets include deferred expenses incurred by the Bank during the currency redenomination process, which are amortized as from April 2008 using the straight-line method (Note 12). Other assets also include deferred personnel, general, administrative and operating expenses related to the acquisition of Stanford Bank, S.A., which will be amortized over 15 years as from January 1, 2010 (Note 11). In accordance with VEN NIF, these types of costs may not be deferred and must be recorded in the income statement as incurred.
- 19) Other assets include the difference between the purchase price and the book value of Stanford Bank's assets and liabilities, which will be amortized using the straight-line method over 15 years. According to VEN NIF, goodwill should not be amortized but tested for impairment annually or whenever events or circumstances indicate that the value of the respective reporting unit may be impaired. Impairment is determined by comparing the carrying amount of the cash generating unit to its recoverable amount, and if the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the income statement.
- 20) At December 31 and June 30, 2015, other assets include deferred expenses of Bs 78,039 and Bs 283,359, respectively, related to disbursements for the new chip-based credit and debit cards. These disbursements include advisory, training and other personnel expenses, advertising, and client education on the adequate use of electronic payment services, accommodation of physical spaces, and replacement of debit and credit cards. They will be amortized beginning January 2011 using the straight-line method (Note 12). In accordance with VEN NIF, these expenses may not be deferred but must be recorded in the income statement when incurred.
- 21) SUDEBAN rules require foreign currency balances and transactions to be measured at the prevailing official exchange rate established by the BCV of Bs 6.2842/US\$1 at December 31 and June 30, 2015. In conformity with VEN NIF, foreign currency balances and transactions shall be measured and recorded taking into consideration a comprehensive assessment of the entity's financial position, its monetary position in foreign currency and the financial impact of the applicable exchange regulations. In addition, instructions issued by the FCCPV on this matter state that:
  - Foreign currency items shall be measured: a) at the official exchange rates established in the different exchange agreements issued by the BCV and the Venezuelan government, or b) on the basis of best estimates of future cash flows in bolivars expected to be required or received to settle liabilities or realize assets at the transaction or balance sheet date, using the exchange or settlement mechanisms permitted under Venezuelan law.
  - Foreign currency assets required to be sold to the BCV must be measured at the official exchange rates established by the BCV.
  - Foreign currency assets not required to be sold to the BCV must be measured: a) on the basis of the liabilities that are not reasonably expected to be settled with foreign currency purchased from the Venezuelan government at the official exchange rate, or b) on the basis of best estimates of future cash flows in bolivars expected to be received to realize these assets at the transaction or balance sheet date, using the exchange or settlement mechanisms permitted under Venezuelan law.
- 22) SUDEBAN established that gains or losses resulting from foreign exchange fluctuations must be recorded in equity. Under VEN NIF, gains and losses resulting from foreign exchange fluctuations must be recorded in the income statement for the period in which they occur.

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- 23) SUDEBAN established the rules to record net benefits obtained by financial institutions from transactions as bidders through SIMADI (SICAD II until February 10, 2015) indicating that these benefits shall be recorded in equity. Under VEN NIF, realized gains or losses resulting from the trading of financial instruments must be recorded in the income statement for the period in which they occur. During the six-month periods ended December 31 and June 30, 2015, the Bank recorded in equity a net gain on sale of foreign currency assets through SIMADI of Bs 509,056,750 and Bs 1,234,785,193, respectively.
- 24) SUDEBAN established that expenses incurred in relation to the contribution to the National Community Council Fund provided in Article No. 46 of the Law on Banking Sector Institutions shall be recorded as a prepaid expense within other assets and amortized during the six-month period in which the contribution was paid. Under VEN NIF, this contribution must be expensed as incurred.
- 25) SUDEBAN established that expenses incurred in relation to the contribution under the Sports and Physical Education Law shall be expensed when paid. Under VEN NIF, this contribution must be expensed as incurred.
- 26) For purposes of the cash flow statement, the Bank considers as cash equivalents cash and due from banks. VEN NIF consider as cash equivalents investments and deposits maturing within 90 days.
- 27) The Accounting Manual establishes that transactions with derivative instruments, whose contractual rights and obligations will be exercised in the future, shall be classified as memorandum accounts under contingent debtor accounts until they materialize. VEN NIF establish that these contractual rights and obligations shall be recognized in the balance sheet as assets and liabilities, respectively, provided that these transactions meet the conditions established in IFRS 9 "Financial instruments."

The accounting policies followed by the Bank are:

**a) Foreign currency**

Foreign currency balances and transactions are recorded at the official exchange rate in effect at the transaction date. Foreign currency balances at December 31 and June 30, 2015 are shown at the official exchange rate of Bs 6.2842/US\$1. Exchange gains and losses other than those resulting from the official currency devaluation are included in the results for the period (Note 4).

The Bank does not engage in hedging activities in connection with its foreign currency balances and transactions. The Bank is also exposed to foreign exchange risk.

**b) Consolidation and translation of financial statements in foreign currency**

The accompanying consolidated financial statements include the accounts of Banco Nacional de Crédito, C.A., Banco Universal and its Curacao Branch.

Assets, liabilities and results of the Branch are consolidated in the Bank's financial statements. The capital allocated to the Branch by the Bank is eliminated against the Branch's equity, as well as all other accounts with intra-group balances. The Branch's financial statements are in accordance with SUDEBAN's presentation rules.

Assets, liabilities and income accounts of the Branch were translated at the official exchange rate of Bs 6.2842/US\$1 at December 31 and June 30, 2015.

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**c) Investment securities**

Investment securities are classified upon acquisition, based on their intended use, as deposits with the BCV and overnight deposits, investments in trading securities, investments in available-for-sale securities, investments in held-to-maturity securities, restricted investments and investments in other securities.

All transfers between different investment categories or sales of investments under circumstances other than those established in the Accounting Manual must be authorized by SUDEBAN.

***Deposits with the BCV and overnight deposits***

Excess liquidity deposited at the BCV, overnight deposits and debt securities issued by Venezuelan financial institutions maturing within 60 days are included in this account.

***Investments in trading securities***

Investments in trading securities are recorded at fair value and comprise investments in debt and equity securities which may be converted into cash within 90 days of their acquisition. Unrealized gains or losses resulting from differences in fair values are included in the income statement. Gains and losses from fluctuations in the exchange rate are included in equity.

These securities, regardless of their maturity, must be negotiated and written out of this account within 90 days of their classification, i.e., they may not remain in this category for more than 90 days.

***Investments in available-for-sale securities***

Investments in available-for-sale debt and equity securities are recorded at fair value and unrealized gains or losses, net of income tax, resulting from differences in fair value are included in equity. If investments in available-for-sale securities correspond to instruments denominated in foreign currency, the fair value will be determined in foreign currency and then translated at the official exchange rate in effect. Gains or losses from fluctuations in the exchange rate are included in equity. Permanent losses from impairment in the fair value of these investments are recorded in the income statement under other operating expenses for the period in which they occur. Any subsequent recovery in fair value is recognized as an unrealized gain, net of income tax, in equity (Note 5-a).

These investments may not remain in this category for more than one year, except for securities issued and guaranteed by the Venezuelan government and investments in shares of mutual guarantee companies.

***Investments in held-to-maturity securities***

Investments in debt securities that the Bank has the firm intention and ability to hold until maturity are recorded at cost, which should be consistent with market value at the time of purchase, subsequently adjusted for amortization of premiums or discounts. Discounts or premiums on acquisition are amortized over the term of the securities as a credit or debit to other operating income and other operating expenses. The book value of investments denominated in foreign currency is adjusted at the exchange rate in effect at period end. Gain and losses from fluctuations in the exchange rate are included in equity.

The Bank assesses monthly, if circumstances require it, whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment in the fair value of held-to-maturity securities is charged to the results for the period when management considers that it is other than temporary. Certain factors identified as indicators of impairment are: 1) a prolonged period where fair value remains substantially below cost, 2) the financial difficulty of the issuer, 3) a fall in the issuer's credit rating, 4) the disappearance of an active market for the security, and 5) the Bank's intention and ability to hold the investment long enough to allow for recovery of fair value, among others. For the six-month periods ended December 31 and June 30, 2015, the Bank has identified no unrecorded permanent impairment in the value of its investments (Note 5-b).



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Sales or transfers of investments in held-to-maturity securities do not affect the original intention for which these securities were acquired when: a) the sale occurs so close to their maturity date that interest rate risk is extinguished (i.e., changes in market interest rates will not significantly affect the realizable value of the investment), or b) the sale occurs after the entity has collected a substantial portion (more than 85%) of the outstanding principal at the transaction date, in addition to all other conditions established in the Accounting Manual.

***Restricted investments***

Restricted investments originating from other investment categories are measured using the same criteria used to record those investments from which they are derived. Securities or loans which the Bank contractually sells and commits to repurchase at an agreed date and price, i.e., for which the Bank acts as the reporting entity, are valued using the same criteria as for investments in trading securities.

***Investments in other securities***

Investments in other securities include investment trusts, as well as investments not classified under any of the aforementioned categories.

The Bank uses the specific identification method to determine the cost of securities and this same basis to calculate realized gains or losses on the sale of trading or available-for-sale securities.

**d) Loan portfolio**

Commercial loans and term, mortgage and credit card loan installments are classified as overdue if repayment is more than 30 days past due. In conformity with SUDEBAN rules, advances on negotiated letters of credit are classified as overdue if not repaid within 270 days after they were granted by the Bank. Furthermore, when any related installment is more than 90 days past due, the entire principal balance is classified as overdue.

In addition, the entire balance of microcredits, payable in weekly or monthly installments, is considered past due if repayment of at least one weekly installment is 14 days overdue or one monthly installment is 60 days overdue. Rescheduled loans are those whose original repayment schedule, term, or other conditions have been modified based on a refinancing agreement and certain terms and conditions set out in the Accounting Manual. Loans in litigation are those in the legal collection process.

Loans classified as overdue must be written off within 24 months after inclusion in this category. Loans in litigation must be fully provided for after 24 months in the in-litigation category. In addition, overdue monthly loan installments that have been repaid must be reclassified to the category to which they pertained before being classified as overdue. Likewise, when an individual repays pending loan installments of a loan in litigation, thereby terminating the lawsuit, the Bank must reclassify the loan to the category to which it pertained before being classified as in litigation or overdue.

**e) Use of estimates in the preparation of financial statements**

The preparation of financial statements in conformity with SUDEBAN rules requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results may differ from those estimates. Below is a summary of the main estimates used in the preparation of the financial statements:

***Investment securities***

The Bank calculates the market value of securities based on prices published by the valuation systems that group the reference prices of the entire financial market. When reference prices are not available in these valuation systems or when prices are 30 continuous-days or older, the Bank applies the present value (yield curve), using the calculation methodologies approved by the Risk Committee and the Board of Directors.

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Investment securities and interest not collected 30 days after maturity date are provided for in full.

***Loan portfolio and contingent loans***

The Bank performs a quarterly review of at least 90% of its loan portfolio and contingent loans to determine the specific allowance for possible losses on each loan. This review takes into account factors such as economic conditions, client credit risk and credit history. Moreover, each quarter the Bank calculates an allowance for losses on loans not individually reviewed, equivalent to the risk percentage resulting from the specific review of loans. In accordance with SUDEBAN rules, the Bank maintains a general 1% allowance of the loan portfolio balance, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance, and an additional countercyclical allowance of the gross loan portfolio balance of 0.75%. The Bank may set aside any additional general allowances deemed necessary. Allowances may not be released without the authorization of SUDEBAN.

***Other assets***

The Bank assesses collectibility of items recorded under other assets using the same criteria, where applicable, as those applied to the loan portfolio. Furthermore, the Bank sets aside provisions for those items that require them due to their nature or aging.

***Provision for legal and tax claims***

The Bank sets aside a provision for legal and tax claims considered probable and reasonably quantifiable based on the opinion of its legal advisors. Based on this opinion, management believes that the outcome of legal and tax claims outstanding at December 31 and June 30, 2015 will be favorable to the Bank (Note 29). However, this opinion is based on events to date; the outcome of these lawsuits could differ from that expected.

**f) Available-for-sale assets**

Personal and real property received as payment is recorded at the lower of assigned value, book value, market value or appraisal value not older than one year, and is amortized using the straight-line method over one to three years, respectively. The remaining available-for-sale assets are recorded at the lower of cost and realizable value. Gains or losses from the realization of available-for-sale assets are included in the income statement.

Other available-for-sale assets and assets idle for more than 24 months are written out of asset accounts.

**g) Property and equipment**

Property and equipment is recorded at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Significant leasehold improvements are recorded as amortizable expenses and included under other assets. Gains or losses on the sale of personal and real property are shown in the income statement.

**h) Deferred expenses**

Deferred expenses mainly include start-up, leasehold improvement, and software license costs. These expenses are recorded at cost, net of accumulated amortization. Amortization is calculated using the straight-line method over four years.

Deferred expenses related to the Stanford Bank, S.A. merger shall be amortized using the straight-line method over 15 years as from January 2010 (Notes 11 and 12).

The difference between the purchase price and the book value of Stanford Bank, S.A.'s assets and liabilities is amortized using the straight-line method over 15 years as from June 2009 (Notes 11 and 12).

Deferred expenses related to the project for the new chip-based credit and debit cards will be amortized using the straight-line method over one to six years as from January 2011 (Note 12).

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**i) Income tax**

The Bank's tax year ends on December 31. The tax provision is based on management's projection of tax results. The Bank records a deferred tax asset when, in the opinion of management, there is reasonable expectation that future tax results will allow its realization. In addition, according to the Accounting Manual, the amount by which the deferred tax asset exceeds tax expense for the year is not recognized (Note 18).

**j) Employee benefits**

A new collective labor agreement was signed in December 2013, which will be in effect as from January 2014 until December 2016.

**Accrual for length-of-service benefits**

Based on the provisions of the LOTT and the prevailing collective labor agreement, employees are entitled to length-of-service benefits (Note 1). Under the LOTT, length-of-service benefits are calculated based on the last salary earned by the employee upon employment termination.

At December 31 and June 30, 2015, length-of-service benefits are calculated based on the provisions of the LOTT and paid as follows:

- a) The Bank accrues guaranteed length-of-service benefits equivalent to 15 days of salary per quarter, up to a maximum of 60 days per year of service, calculated based on the last salary earned by the employee at each quarter closing. Length-of-service benefits are mandatory after the first month of uninterrupted service. After the second year of service the Bank accrues for each employee two additional days of salary per year of service (or any portion over six months), up to a maximum of 30 days of salary (guarantee fund).
- b) In the event of termination of employment, for whichever reason, the Bank calculates length-of-service benefits based on 30 days of salary per year of service or any portion over six months, considering the average salary earned by the employee (retrospective calculation) or the last salary earned when this is higher.

Guaranteed length-of-service benefits are calculated and deposited monthly in individual trust funds on behalf of each employee.

- c) Employees receive the higher of total amounts accrued in the guarantee fund as described in a) above and the amount calculated upon termination of employment as described in b) above.

Employees' last salary, termination date and total amounts to be accrued in connection with each employee are all uncertainties at each period end. At December 31, 2015, employee salaries may differ from future salaries due to changes in salaries, bonuses and other payments.

During the six-month periods ended December 31 and June 30, 2015, the effect of the retrospective scheme was determined using a non-actuarial calculation, which consisted in determining length-of-service benefits as described in b) above. An additional expense and an additional liability were recognized for employees whose benefits in the guarantee fund are less than the amount calculated using the retrospective scheme. At December 31 and June 30, 2015, this additional liability amounted to Bs 233,229,786 and Bs 141,984,228, respectively, included under accruals and other liabilities (Note 17).

Under certain conditions, the LOTT provides for an additional indemnity for unjustified dismissals for double the amount of length-of-service benefits, which is charged to the income statement upon payment as it is considered a benefit for termination of employment, in accordance with applicable accounting regulations.

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At December 31 and June 30, 2015, the method used by the Bank to calculate length-of-service benefits comply with the provisions set out by SUDEBAN, the LOTTT and the prevailing collective labor agreement.

The Bank does not have a pension plan or other post-retirement benefit programs for its employees; it does not grant stock purchase options.

***Profit sharing***

Under the collective labor agreement, the Bank is required to pay a share of its annual profits to its employees of up to 150 days of salary. Expenses incurred in this connection during the first six-month period of each year are paid in April and July, and the remaining liability in November. For the six-month periods ended December 31 and June 30, 2015, the Bank has recorded Bs 141,821,850 and Bs 107,430,853, respectively, in this connection, shown under salaries and employee benefits. The Bank accrues amounts accordingly (Note 17).

***Vacation leave and vacation bonus***

The LOTTT and the collective labor agreement grant each employee a minimum of 15 days of vacation leave each year and a vacation bonus of 20 days of salary based on length of service. The Bank accrues amounts accordingly (Note 17).

**k) Recognition of revenue and expenses**

Interest on loans, investments and accounts receivable is recorded as income when earned by the effective interest method, except: a) interest receivable more than 30 days overdue, b) interest on loans overdue or in litigation, or loans classified as real risk, high risk or unrecoverable, and c) overdue interest, all of which are recorded as income when collected.

Interest collected in advance is included under accruals and other liabilities as deferred income and recorded as income when earned (Note 17).

Interest on current and rescheduled loan portfolios collectible after six months or more is recorded as deferred income under accruals and other liabilities when earned and as income when collected.

Commissions from loans granted are recorded as income upon collection under income from loan portfolio.

Income from financial leases and amortization costs of leased property are shown net in the income statement as interest income from the loan portfolio.

Interest on customer deposits, liabilities and borrowings is recorded as interest expense when incurred using the effective interest method.

**l) Residual value**

Residual value is the estimated value of assets upon termination of the financial lease. The Bank recognizes residual value as income when collected.

**m) Assets received in trust**

Assets received in trust are valued using the same parameters used by the Bank to value its own assets, except for investment securities, which are shown at cost and subsequently adjusted for amortization of premiums or discounts. Any permanent impairment in the value of these investments is recorded in trust fund results for the period in which it occurs. During the six-month periods ended December 31 and June 30, 2015, no permanent losses were identified.

**n) Net income per share**

Basic net income per share has been determined by dividing net income for the six-month period by the weighted average of shares outstanding during the period.

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**o) Cash flows**

For purposes of the cash flow statement, the Bank considers as cash equivalents cash and due from banks.

**p) Use of financial instruments**

The Bank is mainly exposed to credit, foreign exchange, market, interest rate, liquidity and operational risks. Below is the risk policy used by the Bank for each type of risk:

***Credit risk***

The Bank assumes exposure to credit risk when a counterparty is unable to pay off its debts at maturity.

The Bank monitors credit risk exposure by regularly analyzing payment capabilities of its borrowers. The Bank structures the level of credit risk by establishing limits for individual and group borrowers.

The Bank requests fiduciary or mortgage guarantees, collateral or certificates of deposit after assessing specific borrower characteristics.

***Foreign exchange risk***

Foreign exchange risk arises from fluctuations in the value of financial instruments due to changes in foreign currency exchange rates. The Bank's transactions are mainly in bolivars. However, when the Bank identifies short or medium-term market opportunities, investments might be deposited in foreign currency instruments, mainly in U.S. dollars.

***Market risk***

The Bank assumes exposure to market risk. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The Bank evaluates market risk on a regular basis and the Board of Directors sets limits on the level of risk concentration that may be assumed, which is regularly supervised.

***Interest rate risk***

The Bank assumes exposure from the effects of fluctuations in market interest rate levels on its financial position and cash flows.

Interest margins may increase as a result of such changes but may diminish or lead to losses in the event of unexpected movements.

The Bank analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Bank calculates the impact on profit and loss of a given interest rate shift.

Simulations are performed regularly. Based on various scenarios, the Bank manages its cash flow interest rate risk.

***Liquidity risk***

The Bank reviews on a daily basis its available cash resources, overnight deposits, current accounts, maturing deposits and loans, as well as its guarantees and margins.

The Bank's investment strategy is aimed at guaranteeing an adequate liquidity level. The investment portfolio mainly includes securities issued by the Bolivarian Republic of Venezuela and other highly liquid obligations.

***Operational risk***

The Bank considers exposure to operational risk arising from direct or indirect losses that result from inadequate or defective internal processes, human error, system failures or external events.

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The structure used by the Bank to measure operational risk is based on a qualitative and quantitative approach. The first identifies and analyzes risks before related events occur; the second mainly relies on the analysis of events and experiences gained from them.

***Fiduciary activities***

The Bank acts as custodian, administrator and manager of third-party investments. As a result, in certain cases, the Bank purchases and sells a wide range of financial instruments. These trust fund assets are not included in the Bank's assets. At December 31, 2015, trust fund assets amount to Bs 3,783,092,664 (Bs 3,247,395,067 at June 30, 2015), shown under memorandum accounts (Note 22).

**3. Cash and due from banks**

At December 31, 2015, the balance of the account with the BCV mainly includes Bs 33,019,449,967 in respect of the legal reserve deposit in local currency (Bs 20,977,534,750 at June 30, 2015) (Note 28).

In addition, at December 31, 2015, the account with the BCV includes Bs 9,163,926,228 (Bs 3,264,763,011 at June 30, 2015), in respect of demand deposits held by the Bank at the BCV and US\$5,185,865, equivalent to Bs 32,589,011, in respect of deposits received in accordance with Exchange Agreement No. 20 (US\$8,682,453, equivalent to Bs 54,562,273, at June 30, 2015) (Notes 4 and 13).

At December 31, 2015, the Bank has US\$21,000, equivalent to Bs 131,968 (US\$121,000 equivalent to Bs 760,390, at June 30, 2015), in connection with brokerage in the purchase and sale of foreign currency through SICAD. This amount is yet to be transferred to the parties awarded (Notes 4 and 17).

At December 31 and June 30, 2015, pending cash items relate to clearinghouse operations conducted by the BCV and other banks.

During the six-month period ended June 30, 2015, the Bank sold cash for US\$4,600,000, equivalent to Bs 28,907,320, through SIMADI, recording a gain of Bs 844,492,680 in equity.

**4. Foreign currency assets and liabilities**

**a) Exchange control regime**

Since February 2003, the Venezuelan government established an exchange control regime managed by CENCOEX, which replaced the Commission for the Administration of Foreign Currency (CADIVI).

Purchases in bolivars of securities in foreign currency issued by the Bolivarian Republic of Venezuela, whose trading had been suspended, were regulated in July 2003.

In March 2013, the BCV established SICAD, a foreign currency auction system through which individuals and companies may offer and purchase foreign currency when convened by the BCV, taking into consideration the Nation's objectives and economic needs.

As from December 2013, the BCV has published the official SICAD exchange rate, which serves as a reference rate to submit bids for the purchase or sale of foreign currency through this system and to establish the currency trading price for individuals not residing in Venezuela, Petróleos de Venezuela, S.A. and other oil-sector companies. At December 31 and June 30, 2015, the SICAD exchange rate was Bs 13.50/US\$1 and Bs 12.80/US\$1, respectively.

In March 2014, the Venezuelan government and the BCV created SICAD II, a system in which individuals and companies may trade foreign currency in cash, as well as securities denominated in foreign currency issued by the Bolivarian Republic of Venezuela, its decentralized agencies or any other issuer, whether public or private, foreign or local, registered and quoted on the international markets. Through an official notice, the BCV informed that as from February 12, 2015, purchase or sale bids of cash or securities in

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foreign currency will no longer be processed through SICAD II. At February 10, 2015, date of the last transaction through this system, the exchange rate was Bs 51.9710/US\$1.

In February 2015, the Venezuelan government and the BCV created SIMADI, a new system in which individuals and companies may trade foreign currency in cash, as well as securities denominated in foreign currency issued by the Bolivarian Republic of Venezuela, its decentralized agencies or any other issuer, whether public or private, foreign or local, registered and quoted on the international markets. At December 31 and June 30, 2015, the exchange rate of the last foreign currency auction held through SIMADI was Bs 198.2018/US\$1 and Bs 196.8047/US\$1.

**b) Applicable exchange rates**

As from January 2015: Bs 6.2842/US\$1 (purchase) and Bs 6.30/US\$1 (sale), for all transactions, except for purchases of currency for travelling abroad, remittances to relatives residing abroad and insurance sector operations, among others, administered by CENCOEX, that will also be calculated at the exchange rate resulting from the most recent SICAD auction.

**c) Measurement and recording of assets and liabilities in foreign currency**

SUDEBAN established that: a) gains resulting from changes in the official exchange rate must be recorded in equity and may only be used, subject to previous approval, to offset losses, create contingency provisions for assets, offset deferred expenses (including goodwill), increase capital stock (Note 24), and b) exchange gains and losses arising from exchange fluctuations of the U.S. dollar with respect to other foreign currencies (Notes 19 and 20).

**d) Net global position in foreign currency**

The Bank's balance sheet includes the following foreign currency balances denominated mainly in U.S. dollars (US\$) and stated at the aforementioned official exchange rate (purchase):

	December 31, 2015				Equivalent in bolivars
	US\$			Total	
	Bank	Curacao Branch	Eliminations		
<b>Assets</b>					
Cash and due from banks					
Cash	1,432,207	-	-	1,432,207	9,000,275
Central Bank of Venezuela	5,206,865	-	-	5,206,865	32,720,979
Foreign and correspondent banks	12,581,702	47,533,535	(260,980)	59,854,257	376,136,167
Investment securities	103,281,372	3,901,711	-	107,183,083	673,559,933
Loan portfolio					
Current	-	20,524,727	-	20,524,727	128,981,489
Outstanding letters of credit issued and negotiated	18,687,686	-	-	18,687,686	117,437,156
Overdue	-	3,370,000	-	3,370,000	21,177,754
Allowance for losses on loan portfolio	-	(4,673,618)	-	(4,673,618)	(29,369,950)
Interest and commissions receivable, net of provision	1,677,200	1,883,926	-	3,561,126	22,378,828
Investments in subsidiaries, affiliates and branches and agencies abroad	6,529,882	-	(6,529,882)	-	-
Property and equipment	-	8,670	-	8,670	54,484
Other assets, net of provision	1,281,108	49,320	-	1,330,428	8,360,676
Total assets	<u>150,678,022</u>	<u>72,598,271</u>	<u>(6,790,862)</u>	<u>216,485,431</u>	<u>1,360,437,791</u>
<b>Liabilities and Equity</b>					
<b>Liabilities</b>					
Customer deposits	5,185,866	66,773,369	(260,980)	71,698,255	450,566,173
Interest and commissions payable	-	27,086	-	27,086	170,214
Accruals and other liabilities	1,253,867	1,811,158	-	3,065,025	19,261,230
Total liabilities	<u>6,439,733</u>	<u>68,611,613</u>	<u>(260,980)</u>	<u>74,790,366</u>	<u>469,997,617</u>
<b>Equity</b>					
Assigned capital	-	1,000,000	(1,000,000)	-	-
Total liabilities and equity	<u>6,439,733</u>	<u>69,611,613</u>	<u>(1,260,980)</u>	<u>74,790,366</u>	<u>469,997,617</u>
<b>Other debtor memorandum accounts (Note 22)</b>					
Foreign currency purchases	1,374,314	-	-	1,374,314	8,636,462
Foreign currency sales	(1,374,314)	-	-	(1,374,314)	(8,636,462)

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	June 30, 2015				Equivalent in bolivars
	US\$				
	Bank	Curacao Branch	Eliminations	Total	
<b>Assets</b>					
Cash and due from banks					
Cash	1,455,621	-	-	1,455,621	9,147,412
Central Bank of Venezuela	8,803,453	-	-	8,803,453	55,322,661
Foreign and correspondent banks	12,464,658	55,847,399	(260,814)	68,051,243	427,647,631
Investment securities	35,587,413	1,000,430	-	36,587,843	229,925,327
Loan portfolio					
Current	-	20,467,835	-	20,467,835	128,623,968
Outstanding letters of credit issued and negotiated	23,152,794	-	-	23,152,794	145,496,796
Overdue	-	3,300,000	-	3,300,000	20,737,860
Allowance for losses on loan portfolio	-	(2,593,937)	-	(2,593,937)	(16,300,819)
Interest and commissions receivable, net of provision	736,362	1,564,421	-	2,300,783	14,458,577
Investments in subsidiaries, affiliates and branches and agencies abroad	8,373,962	-	(8,373,962)	-	-
Property and equipment	-	10,186	-	10,186	64,014
Other assets, net of provision	1,346,370	13,088	-	1,359,458	8,543,101
Total assets	<u>91,920,633</u>	<u>79,609,422</u>	<u>(8,634,776)</u>	<u>162,895,279</u>	<u>1,023,666,528</u>
<b>Liabilities and Equity</b>					
<b>Liabilities</b>					
Customer deposits	8,682,453	72,632,803	(260,814)	81,054,442	509,362,328
Other demand deposits	283,472	-	-	283,472	1,781,395
Other liabilities from financial intermediation	295,748	-	-	295,748	1,858,539
Interest and commissions payable	-	18,218	-	18,218	114,483
Accruals and other liabilities	1,062,214	1,472,821	-	2,535,035	15,930,661
Total liabilities	10,323,887	74,123,842	(260,814)	84,186,915	529,047,406
<b>Equity</b>					
Assigned capital	-	1,000,000	(1,000,000)	-	-
Total liabilities and equity	<u>10,323,887</u>	<u>75,123,842</u>	<u>(1,260,814)</u>	<u>84,186,915</u>	<u>529,047,406</u>
<b>Other debtor memorandum accounts (Note 22)</b>					
Foreign currency purchases	509,180	-	-	509,180	3,199,786
Foreign currency sales	(509,180)	-	-	(509,180)	(3,199,786)

At December 31, 2015, the Bank has a net monetary asset position in foreign currency of US\$44,626,084, equivalent to Bs 280,439,307 (US\$49,823,597, equivalent to Bs 313,101,465, at June 30, 2015), calculated based on the rules laid down by the BCV. This amount does not exceed the maximum limit set by the BCV, which at December 31 and June 30, 2015 is 30% of the Bank's equity, equivalent to US\$599,979,525 and US\$344,602,285, respectively.

At December 31, 2015, calculation of the net foreign currency position does not include Principal and Interest Covered Bonds (TICCs) with a book value of US\$97,198,553 (US\$31,084,812 at June 30, 2015), International Sovereign Bonds 2019, 2022, 2024 and 2031 with a book value of US\$144,084 (US\$3,987 at June 30, 2015), PDVSA bonds 2016 with a book value of US\$679,700, interest receivable in connection with these securities of US\$1,589,874 (US\$685,559 at June 30, 2015) and net balances at June 30, 2015 of transactions established in Exchange Agreement No. 20 of US\$1,209, as they are not required for this calculation.

At December 31 and June 30, 2015, investment securities include TICCs issued by the Bolivarian Republic of Venezuela, payable in local currency and referenced to the U.S. dollar at the official exchange rate of Bs 6.2842/US\$1, and have foreign exchange indexing clauses at variable quarterly yields.

At June 30, 2015, other demand deposits are in respect of previous deposits guaranteeing letters of credit.

During the six-month period ended December 31, 2015, the Bank recorded exchange gains and losses of Bs 7,529,647 and Bs 17,911,060, respectively (Bs 2,998,722 and Bs 8,031,104, respectively, during the six-month period ended June 30, 2015), arising from exchange fluctuations of the U.S. dollar with respect to other foreign currencies (Notes 19 and 20).



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**5. Investment securities**

Investments in debt securities, shares and other have been classified in the financial statements based on their intended use as shown below:

	December 31, 2015	June 30, 2015
	(In bolivars)	
<b>Investments</b>		
Deposits with the BCV and overnight deposits	-	200,000,000
Available for sale	5,000,346,561	4,521,184,044
Held to maturity	6,848,718,855	5,091,607,162
Restricted	82,914,981	76,218,622
Other securities	7,177,892,644	5,248,140,404
Provision for investment securities	<u>(100,000)</u>	<u>(100,000)</u>
	<u>19,109,773,041</u>	<u>15,137,050,232</u>

**a) Investments in available-for-sale securities**

These investments are shown at fair value and comprise the following:

	December 31, 2015		
	Acquisition cost	Net unrealized gain (loss)  (In bolivars)	Book value (equivalent to fair value)
<b>Securities issued or guaranteed by the Venezuelan government</b>			
Fixed Interest Bonds (TIFs), with a par value of Bs 1,698,923,786, annual yield at between 9.88% and 18%, maturing between February 2017 and 2030	1,985,365,645	127,315,618	2,112,681,263 (1) - (a)
Veponos, with a par value of Bs 1,840,482,575, annual yield at between 11.41% and 16.65%, maturing between November 2017 and May 2029	2,215,001,463	89,316,421	2,304,317,884 (1) - (a)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US\$84,139,013, annual yield at between 5.25% and 8.63%, maturing between August 2016 and March 2019 (Note 4)	527,189,908	(5,258,304)	521,931,604 (2) - (a)
Global Bonds, with a par value of US\$4,082,800, annual yield at between 7% and 9.38%, maturing between December 2018 and January 2034 (Note 4)	10,887,954	(136,994)	10,750,960 (1) - (b), (d) and (e)
Sovereign Bonds in foreign currency, with a par value of US\$3,279,300, annual yield at between 5.25% and 12.75%, maturing between February 2016 and March 2038 (Note 4)	<u>13,680,336</u>	<u>367,632</u>	<u>14,047,968</u> (1) - (b), (e) and (f)
	<u>4,752,125,306</u>	<u>211,604,373</u>	<u>4,963,729,679</u>
<b>Bonds and debt securities issued by Venezuela non-financial public-sector companies</b>			
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US\$5,542,881, annual yield at between 5.13% and 12.75%, maturing between October 2016 and April 2037 (Note 4)	17,264,815	(2,444,486)	14,820,329 (1) - (b), (c), (e) and (f)
Global Bond issued by C.A. La Electricidad de Caracas, with a par value of US\$500,000, 8.5% annual yield, maturing in April 2018 (Note 4)	<u>2,029,701</u>	<u>(724,504)</u>	<u>1,305,197</u> (1) - (c)
	<u>19,294,516</u>	<u>(3,168,990)</u>	<u>16,125,526</u>
<b>Equity in Venezuelan non-financial private-sector companies</b>			
<b>Common shares</b>			
S.G.R. - SOGATUR, S.A., Sociedad de Garantías Recíprocas para el Sector Turismo, S.A., 10,873 shares, with a par value of Bs 1,800 each	19,571,400	-	19,571,400 (3) - (g)
Sociedad de Garantías Recíprocas (SGR) del Estado Aragua, C.A., 10,128 common shares, with a par value of Bs 10 each, 1.7% owned	101,280	(20,279)	81,001 (3) - (g)
Sociedad de Garantías Recíprocas (SGR) del Estado Falcón, C.A., 10,000 common shares, with a par value of Bs 10 each, 2.77% owned	100,000	-	100,000 (3) - (g)
S.G.R. - SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, S.A., 17,500 common shares, with a par value of Bs 10 each, 3.10% owned	175,000	462,445	637,445 (3) - (g)
S.G.R. - SOGARSA, S.A., Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines S.A., 3,000 shares, with a par value of Bs 10 each, 0.028% owned	<u>30,000</u>	<u>11,747</u>	<u>41,747</u> (3) - (g)
	<u>19,977,680</u>	<u>453,913</u>	<u>20,431,593</u>
<b>Debt securities issued by foreign financial private-sector companies</b>			
International Cooperative UA, with a par value of US\$100,000, 10.38% annual yield, maturing in September 2020	<u>188,545</u>	<u>(128,782)</u>	<u>59,763</u> (1) - (c)
	<u>4,791,586,047</u>	<u>208,760,514</u>	<u>5,000,346,561</u>
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice SIB-II-CCD-36481		<u>(1,327,655)</u>	<u>207,432,859</u>

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	<b>June 30, 2015</b>			
	<b>Acquisition cost</b>	<b>Net unrealized gain (loss)</b>	<b>Book value (equivalent to fair value)</b>	
	(In bolivars)			
<b>Securities issued or guaranteed by the Venezuelan government</b>				
Fixed Interest Bonds (TIFs), with a par value of Bs 1,740,942,509, annual yield at between 9.88% and 18%, maturing between September 2015 and February 2029	2,010,051,403	137,591,678	2,147,643,081	(1) - (a)
Vebonos, with a par value of Bs 1,669,475,150, annual yield at between 9.53% and 16.77%, maturing between September 2015 and May 2029	1,988,244,957	101,423,910	2,089,668,867	(1) - (a)
Treasury Notes, with a par value of Bs 160,000,000, maturing between July and September 2015	159,333,820	439,940	159,773,760	(1) - (a)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US\$14,614,367, annual yield at between 5.25% and 8.62%, maturing between September 2015 and 2019 (Note 4)	91,839,610	517,499	92,357,109	(2) - (a)
Global Bonds, with a par value of US\$1,512,800, annual yield at between 9.25% and 9.38%, maturing between September 2027 and January 2034 (Note 4)	5,872,625	(415,400)	5,457,225	(1) - (b), (d) and (e)
Sovereign Bonds in foreign currency, with a par value of US\$147,820, annual yield at between 6% and 12.75%, maturing between October 2019 and March 2038 (Note 4)	<u>822,541</u>	<u>(405,306)</u>	<u>417,235</u>	(1) - (b) and (e)
	<u>4,256,164,956</u>	<u>239,152,321</u>	<u>4,495,317,277</u>	
<b>Bonds and debt securities issued by Venezuela non-financial public-sector companies (Note 4)</b>				
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US\$1,453,000, annual yield at between 5.25% and 12.75%, maturing between April 2017 and 2037	5,674,923	(1,636,968)	4,037,955	(1) - (b), (c) and (e)
Global Bond issued by C.A. La Electricidad de Caracas, with a par value of US\$500,000, 8.5% annual yield, maturing in April 2018	<u>2,029,701</u>	<u>(690,631)</u>	<u>1,339,070</u>	(1) - (c)
	<u>7,704,624</u>	<u>(2,327,599)</u>	<u>5,377,025</u>	
<b>Equity in Venezuelan non-financial private-sector companies</b>				
Common shares				
S.G.R. - SOGATUR, S.A., Sociedad de Garantías Recíprocas para el Sector Turismo, S.A., 10,873 shares, with a par value of Bs 1,800 each	19,571,400	-	19,571,400	(3) - (f)
Sociedad de Garantías Recíprocas (SGR) del Estado Aragua, C.A., 10,128 common shares, with a par value of Bs 10 each, 1.7% owned	101,280	(20,279)	81,001	(3) - (f)
Sociedad de Garantías Recíprocas (SGR) del Estado Falcón, C.A., 10,000 common shares, with a par value of Bs 10 each, 2.77% owned	100,000	-	100,000	(3) - (f)
S.G.R. - SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, S.A., 17,500 common shares, with a par value of Bs 10 each, 3.10% owned	175,000	462,445	637,445	(3) - (f)
S.G.R. - SOGARSA, S.A., Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines S.A., 3,000 shares, with a par value of Bs 10 each, 0.028% owned	<u>30,000</u>	<u>11,747</u>	<u>41,747</u>	(3) - (f)
	<u>19,977,680</u>	<u>453,913</u>	<u>20,431,593</u>	
<b>Debt securities issued by foreign financial private-sector companies</b>				
International Cooperative UA, with a par value of US\$100,000, 10.38% annual yield, maturing in September 2020	<u>188,545</u>	<u>(130,396)</u>	<u>58,149</u>	(1) - (c)
	<u>4,284,035,805</u>	237,148,239	<u>4,521,184,044</u>	
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice SIB-II-CCD-36481		<u>(2,082,257)</u>		
		<u>235,065,982</u>		

- (1) Estimated fair value is determined from trading operations on the secondary market per valuation screens or yield curves.
- (2) Value is determined based on the present value of estimated future cash flows in conformity with the Accounting Manual. The fair value of TICCs is their equivalent amount in bolivars at the official exchange rate.
- (3) Equity value, considered as fair value, is based on unaudited financial statements.

**Custodians of investments**

- (a) Central Bank of Venezuela
- (b) Euroclear Bank, S.A.
- (c) Morgan Stanley Smith Barney
- (d) Caja Venezolana de Valores, S.A.
- (e) Commerzbank, A.G.
- (f) BBO Financial Services, Inc.
- (g) Shares held in custody of private-sector companies, S.G.R. del Estado Aragua, C.A., S.G.R. del Estado Falcón, C.A., S.G.R. - SOGAMIC, S.A., S.G.R. SOGARSA, S.A., S.G.R. - SOGATUR, S.A.,

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Through Notice SIB-II-GGIBPV2-40535 of December 13, 2012, SUDEBAN informed the Bank that since the Reuters and Bloomberg services which offer reference prices for all key global financial markets do not provide reference prices for the Bank's available-for-sale investments, the Bank must use similar services or, if unavailable, must apply the present value (yield curve) to measure its available-for-sale investments, as required by the Accounting Manual. The Bank followed these guidelines to measure its available-for-sale portfolio at December 31 and June 30, 2015.

Through Notice SIB-II-CCD-36481 of November 12, 2012, SUDEBAN instructed the Bank to transfer the balances of non-convertible bearer bonds (2012 issue) issued by Fondo de Desarrollo Nacional FONDEN, S.A. for Bs 209,187,351 and those issued by Petróleos de Venezuela, S.A. for Bs 91,359,660 from the available-for-sale portfolio to the held-to-maturity portfolio, in conformity with Circular SIB-II-GGR-GNP-CCD-15075 of May 30, 2012. At December 31, 2012, the Bank calculated the fair value of the available-for-sale investments at the date of transfer and recorded an unrealized loss on these investments of Bs 7,680,340 in a separate equity account, which will be amortized until these securities mature. At December 31 and June 30, 2015, the balance of this unrealized loss is Bs 1,327,655 and Bs 2,082,257, respectively.

At December 31 and June 30, 2015, the Bank has an account in the name of the BCV at the Euroclear Bank to hold in custody all securities in foreign currency held by other foreign financial institutions, as set out in Article No. 51 of the Law on Banking Sector Institutions. Commerzbank, Morgan Stanley Smith Barney and BBO Financial Services, Inc. only hold in custody securities of the Branch.

At period end, the Bank records fluctuations in the market value of these investments as an unrealized gain or loss on investment securities in equity. These unrealized gains or losses comprise the following:

	December 31, 2015	June 30, 2015
	(In bolivars)	
<b>Unrealized gain</b>		
Securities issued or guaranteed by the Venezuelan government in local currency	216,632,039	239,455,528
Securities issued or guaranteed by the Venezuelan government in foreign currency	367,632	517,499
Equity in Venezuelan non-financial private-sector companies	<u>474,192</u>	<u>474,192</u>
	<u>217,473,863</u>	<u>240,447,219</u>
<b>Unrealized loss</b>		
Bonds and debt securities issued by Venezuelan non-financial public-sector companies	(3,168,990)	(2,327,599)
Securities issued or guaranteed by the Venezuelan government in foreign currency	(5,395,298)	(820,706)
Debt securities issued by foreign financial private-sector companies	(128,782)	(130,396)
Equity in Venezuelan non-financial private-sector companies	<u>(20,279)</u>	<u>(20,279)</u>
	<u>(8,713,349)</u>	<u>(3,298,980)</u>
	208,760,514	237,148,239
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice SIB-II-CCD-36481	<u>(1,327,655)</u>	<u>(2,082,257)</u>
Net unrealized gain on available-for-sale securities	<u>207,432,859</u>	<u>235,065,982</u>

Below is the classification of investments in available-for-sale securities according to maturity:

	Fair value	
	December 31, 2015	June 30, 2015
	(In bolivars)	
Up to 6 months	9,342,406	220,130,862
6 months to 1 year	48,270,697	7,812,608
1 to 5 years	2,981,090,588	2,705,753,369
Over 5 years	1,941,211,272	1,567,055,612
Without maturity	<u>20,431,598</u>	<u>20,431,593</u>
	<u>5,000,346,561</u>	<u>4,521,184,044</u>

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During the six-month period ended December 31, 2015, the Bank sold investments in available-for-sale securities amounting to Bs 8,476,264,499 (Bs 4,120,105,773 during the six-month period ended June 30, 2015), resulting in gains and losses of Bs 51,848,882 and Bs 26,170,249, respectively (Bs 44,539,949 and Bs 29,707,297, respectively, during the six-month period ended June 30, 2015), shown under other operating income and other operating expenses, respectively (Notes 19 and 20).

During the six-month period ended December 31, 2015, the Bank sold through SIMADI investments in available-for-sale securities, including accumulated yields, amounting to US\$2,605,212, equivalent to Bs 16,371,673, recording a gain of Bs 509,056,750 in equity (US\$2,127,348, equivalent to Bs 13,368,680, recording a gain of Bs 390,292,513 in equity, during the six-month period ended June 30, 2015).

**b) Investments in held-to-maturity securities**

Investments in held-to-maturity securities are shown at amortized cost and comprise debt securities that the Bank has the firm intention and ability to hold until maturity. These securities comprise the following:

	<u>December 31, 2015</u>			
	Acquisition cost	Amortized cost	Fair value	
	(In bolivars)			
<b>Securities issued or guaranteed by the Venezuelan government</b>				
Fixed Interest Bonds (TIFs), with a par value of Bs 2,174,983,990, annual yield at between 9.87% and 18%, maturing between June 2016 and January 2026	2,641,263,342	2,454,850,508	2,602,311,146	(3) - (a)
Vebonos, with a par value of Bs 1,181,043,000, annual yield at between 10.28% and 16.28%, maturing between June 2016 and January 2026	1,533,249,863	1,463,903,447	1,510,225,960	(1) - (a)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US\$14,327,848, annual yield at between 5.25% and 6.25%, maturing between April 2017 and March 2019 (Note 4)	89,660,736	88,883,541	89,453,793	(3) - (a)
Sovereign Bonds in foreign currency, with a par value of US\$100, 8.25% annual yield, maturing in October 2024 (Note 4)	<u>482</u>	<u>505</u>	<u>242</u>	(1) - (b)
	<u>4,264,174,423</u>	<u>4,007,638,001</u>	<u>4,201,991,141</u>	
<b>Bonds and debt securities issued by Venezuelan non-financial public-sector companies</b>				
Dematerialized Certificate of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 643,606,134, 3.75% annual yield, maturing in May 2016	2,527,496,606	2,527,496,606	2,527,496,606	(2) - (a)
Agriculture Bonds issued by Fondo de Desarrollo Nacional FONDEN, S.A., with a par value of Bs 310,000,000, 9.10% annual yield, maturing between April 2016 and July 2017 (Note 6)	327,565,730	313,580,826	322,672,030	(1) - (a)
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US\$900, annual yield at between 5.38% and 8.5%, maturing in April 2037 (Note 4)	<u>2,841</u>	<u>3,422</u>	<u>2,059</u>	(1) - (b)
	<u>2,855,065,177</u>	<u>2,841,080,854</u>	<u>2,850,170,695</u>	
	<u>7,119,239,600</u>	<u>6,848,718,855</u>	<u>7,052,161,836</u>	

**Banco Nacional de Crédito, C.A., Banco Universal**  
**Notes to the financial statements**  
**December 31 and June 30, 2015**

	<u>June 30, 2015</u>			
	Acquisition cost	Amortized cost (In bolivars)	Fair value	
<b>Securities issued or guaranteed by the Venezuelan government</b>				
Fixed Interest Bonds (TIFs), with a par value of Bs 2,227,061,739, annual yield at between 9.75% and 18%, maturing between November 2015 and January 2026	2,698,233,739	2,541,982,797	2,670,836,721	(3) - (a)
Vebonos, with a par value of Bs 1,115,354,202, annual yield at between 10.23% and 17.5%, maturing between September 2015 and February 2025	1,507,302,287	1,457,393,657	1,444,389,351	(1) - (a)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US\$16,427,848, annual yield at between 5.25% and 8.63%, maturing between September 2015 and March 2019 (Note 4)	106,754,116	102,986,070	106,201,657	(3) - (a)
Sovereign Bonds in foreign currency, with a par value of US\$100, 8.25% annual yield, maturing in October 2024 (Note 4)	<u>482</u>	<u>499</u>	<u>239</u>	(1) - (b)
	<u>4,312,290,624</u>	<u>4,102,363,023</u>	<u>4,221,427,968</u>	
<b>Bonds and debt securities issued by Venezuelan non-financial public-sector companies</b>				
Dematerialized Certificate of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 643,606,134, 3.75% annual yield, maturing in May 2016	643,606,134	643,606,134	643,606,134	(2) - (a)
Agriculture Bonds issued by Fondo de Desarrollo Nacional FONDEN, S.A., with a par value of Bs 310,000,000, 9.10% annual yield, maturing between April 2016 and July 2017 (Note 6)	327,565,730	315,625,870	322,672,030	(1) - (a)
Agriculture Bonds issued by Petróleos de Venezuela, S.A., with a par value of Bs 30,000,000, 9.1% annual yield, maturing in July 2015 (Note 6)	30,528,180	30,008,776	30,528,180	(1) - (a)
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US\$900, annual yield at between 5.38% and 8.5%, maturing in April 2037 (Note 4)	<u>2,841</u>	<u>3,359</u>	<u>1,930</u>	(1) - (b)
	<u>1,001,702,885</u>	<u>989,244,139</u>	<u>996,808,274</u>	
	<u>5,313,993,509</u>	<u>5,091,607,162</u>	<u>5,218,236,242</u>	

(1) Estimated fair value is determined from trading operations on the secondary market or the present value of estimated future cash flows.

(2) Shown at par value, which is considered as fair value.

(3) Estimated market value based on the present value of estimated future cash flows or yield curves.

**Custodians of investments**

(a) Central Bank of Venezuela

(b) Euroclear Bank, S.A.

Below is the classification of held-to-maturity securities according to maturity:

	<u>December 31, 2015</u>		<u>June 30, 2015</u>	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In bolivars)			
Less than 1 year	1,300,565,812	1,332,427,335	1,077,987,719	1,092,104,330
1 to 5 years	1,361,707,356	1,542,190,592	1,647,883,706	1,837,653,176
5 to 10 years	3,422,504,467	3,434,588,100	1,593,389,509	1,542,539,305
Over 10 years	<u>763,941,220</u>	<u>742,955,809</u>	<u>772,346,228</u>	<u>745,939,431</u>
	<u>6,848,718,855</u>	<u>7,052,161,836</u>	<u>5,091,607,162</u>	<u>5,218,236,242</u>

The Accounting Manual establishes that all sales of held-to-maturity securities for reasons other than those indicated in the Accounting Manual must be authorized by SUDEBAN.

At December 31, 2015, the Bank has agriculture bonds issued by Fondo Nacional de Desarrollo Nacional FONDEN, S.A. for Bs 313,580,826 (agriculture bonds issued by Fondo Nacional de Desarrollo Nacional FONDEN, S.A. and Petróleos de Venezuela, S.A. for Bs 315,625,870 and Bs 30,008,776, respectively, at June 30, 2015). Through Notice SIB-II-CCD-06140 of March 1, 2013, SUDEBAN informed the Bank that the maximum amount of agriculture bonds that may be included in the agricultural loan portfolio is Bs 473,381,100, which may be computed as part of the agricultural loans that the Bank is required to grant (Note 6).

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At December 31 and June 30, 2015, the Bank has Dematerialized Certificates of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 2,527,496,606 and Bs 643,606,134, respectively, which may be deducted from the legal reserve amount required of financial institutions (Note 28). The Bank has the ability and intention to hold these securities to maturity.

At December 31, 2015, unrealized losses of Bs 1,625 on held-to-maturity securities issued by the Bolivarian Republic of Venezuela are considered temporary since management believes that from the standpoint of the issuer's credit risk, interest rate risk and liquidity risk, the decrease in these securities' fair value is temporary. In addition, the Bank has the intention and ability to hold these securities to maturity. Accordingly, the Bank has identified no impairment in the value of these investments.

**c) Deposits with the Central Bank of Venezuela and overnight deposits**

These investments are recorded at realizable value, representing cost or par value and comprise the following:

	December 31, 2015	June 30, 2015
	(In bolivars)	
Certificate of deposit with the Central Bank of Venezuela (BCV), with a par value of Bs 175,000,000, annual yield at between 6% and 7.25%, maturing in July 2015	-	175,000,000
Securities under repurchase agreements with the Central Bank of Venezuela, with a par value of Bs 25,000,000, 6% annual yield, maturing in July 2015	-	<u>25,000,000</u>
	-	<u>200,000,000</u>

**d) Restricted investments**

These investments are shown at par value, which is considered as fair value, and comprise the following:

	December 31, 2015		June 30, 2015	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In bolivars)			
<b>Other restricted investments</b>				
Certificates of deposit				
Trust fund with Mercantil, C.A., Banco Universal	31,918,156	31,918,156	30,094,036	30,094,036 (1)
Social Contingency Fund (Note 24)	29,240,181	29,240,181	22,855,928	22,855,928 (1)
PNC Bank, with a par value of US\$1,626,102 (US\$1,623,659 at June 30, 2015) (Note 4)	10,218,752	10,218,752	10,203,396	10,203,396 (1)
JP Morgan Chase Bank, with a par value of US\$1,594,516 (US\$1,594,112 at June 30, 2015) (Note 4)	10,020,258	10,020,258	10,017,716	10,017,716 (1)
Banco del Bajío, S.A., with a par value of US\$241,500 (Note 4)	1,517,634	1,517,634	1,517,634	1,517,634 (1)
Commerzbank, A.G. with a par value of US\$231,280 (Note 4)	-	-	1,453,410	1,453,410 (1)
Caixa d'Estalvis, with a par value of US\$12,174 (Note 4)	-	-	76,502	76,502 (1)
	<u>82,914,981</u>	<u>82,914,981</u>	<u>76,218,622</u>	<u>76,218,622</u>

(1) Par value is used as fair value. Securities denominated in foreign currency are shown at the official exchange rate.

At December 31 and June 30, 2015, the certificates of deposit with JP Morgan Chase Bank and PCN Bank are used as collateral to guarantee VISA and MasterCard credit card operations, respectively.

At December 31 and June 30, 2015, the certificate of deposit with Mercantil, C.A., Banco Universal is used as collateral to guarantee Maestro debit card operations.

At December 31 and June 30, 2015, guarantee deposits of Banco del Bajío, S.A., Commerzbank, A.G. and Caixa d'Estalvis are used to guarantee operations with letters of credit through CENCOEX.

**Banco Nacional de Crédito, C.A., Banco Universal**  
**Notes to the financial statements**  
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**e) Investments in other securities**

These investments are shown at par value and comprise the following:

	December 31, 2015	June 30, 2015	
	(In bolivars)		
<b>Other liabilities</b>			
Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 7,089,662,644 (Bs 5,152,557,904 at June 30, 2015), 4.66% annual yield, maturing between June 2020 and September 2022	7,089,662,644	5,152,557,904	(1) - (a)
Special mortgage securities issued by Banco Nacional de Vivienda y Hábitat (BANAVIH), with a par value of Bs 117,640,000, 2% annual yield, maturing in November 2021	<u>88,230,000</u>	<u>95,582,500</u>	(1) - (a)
	<u><u>7,177,892,644</u></u>	<u><u>5,248,140,404</u></u>	

(1) Par value is considered as fair value. These securities may be sold to the BCV through a resale agreement at 100% of their par value.

**Custodian of investment**

(a) Central Bank of Venezuela

At December 31 and June 30, 2015, the Bank has Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 7,089,662,644 and Bs 5,152,557,904, respectively, of which Bs 3,228,507,900 falls within the mandatory annual housing loans required for 2015 under Venezuela's Great Housing Mission. These securities aim at raising funds to finance massive construction projects (Note 6). In addition, at December 31 and June 30, 2015, the Bank has Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 251,289,000, which corresponds to the substitution of Dematerialized Certificates of Participation issued by Banco Nacional de Desarrollo Económico y Social de Venezuela (BANDES).

At December 31 and June 30, 2015, the Bank maintains special mortgage securities for Bs 88,230,000 and Bs 95,582,500, respectively, with long-term mortgage loan guarantees issued by Banco Nacional de Vivienda y Hábitat (BANAVIH), which were computed in the construction loan portfolio at December 31, 2011 (Note 6).

The Bank has the intention and ability to hold the investments in other securities to maturity.

The Bank's control environment includes policies and procedures to determine investment risks by entity and economic sector. At December 31, 2015, the Bank has investment securities issued or guaranteed by the Venezuelan government of Bs 19,006,466,698, representing 99.46% of its investment securities portfolio (Bs 15,040,441,868, representing 99.36% of its investment securities portfolio at June 30, 2015).

**Banco Nacional de Crédito, C.A., Banco Universal**  
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**6. Loan portfolio**

The loan portfolio is classified by economic activity, guarantee, maturity and type of loan as follows:

	December 31, 2015			Total
	Current	Rescheduled	Overdue	
	(In bolivars)			
<b>Economic activity</b>				
Wholesale and retail trade, restaurants and hotels and services	35,488,094,447	-	1,379,575	35,489,474,022
Financial businesses, insurance, real estate	6,617,387,571	-	10,468,991	6,627,856,562
Agriculture, fishing and forestry	8,224,992,665	101,378,594	41,250	8,326,412,509
Construction	1,553,310,126	-	-	1,553,310,126
Manufacturing	4,106,491,994	-	-	4,106,491,994
Transportation, warehousing and communications	1,123,777,393	-	-	1,123,777,393
Utilities	402,128,534	-	-	402,128,534
Communal, social and consumer services	27,529,310,289	1,034,254	8,196,412	27,538,540,955
Mining and oil	2,234,809,667	-	20,737,860	2,255,547,527
Sundry activities	630,321	-	-	630,321
	<u>87,280,933,007</u>	<u>102,412,848</u>	<u>40,824,088</u>	87,424,169,943
Allowance for losses on loan portfolio				<u>(1,815,593,419)</u>
				<u>85,608,576,524</u>
<b>Guarantee</b>				
Endorsement	24,788,485,957	17,812,375	3,127,393	24,809,425,725
Collateral	19,046,260,840	40,745,083	4,544,052	19,091,549,975
Real property mortgage	7,665,770,940	66,056	1,745,602	7,667,582,598
Written instruments	1,535,677,107	-	-	1,535,677,107
Other guarantees	748,095,527	-	37,003	748,132,530
Pledge	720,609,859	93,750	20,737,860	741,441,469
Chattel mortgage	734,155,904	763,455	17,244	734,936,603
Non-possessory pledge	55,422,860	433,925	-	55,856,785
Unsecured	<u>31,986,454,013</u>	<u>42,498,204</u>	<u>10,614,934</u>	<u>32,039,567,151</u>
	<u>87,280,933,007</u>	<u>102,412,848</u>	<u>40,824,088</u>	<u>87,424,169,943</u>
<b>Maturity</b>				
Up to 30 days	16,971,126,123	-	36,561,967	17,007,688,090
31 to 60 days	11,176,870,089	-	26,000	11,176,896,089
61 to 90 days	13,144,234,666	27,625	-	13,144,262,291
91 to 180 days	12,162,739,604	195,500	-	12,162,935,104
181 to 360 days	13,098,603,406	416,216	151,058	13,099,170,680
Over 360 days	20,727,359,119	101,773,507	4,085,063	20,833,217,689
	<u>87,280,933,007</u>	<u>102,412,848</u>	<u>40,824,088</u>	<u>87,424,169,943</u>



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**December 31 and June 30, 2015**

	<b>June 30, 2015</b>			<b>Total</b>
	<b>Current</b>	<b>Rescheduled</b>	<b>Overdue</b>	
	(In bolivars)			
<b>Economic activity</b>				
Wholesale and retail trade, restaurants and hotels	21,556,019,174	-	4,059,555	21,560,078,729
Communal, social and consumer services	17,345,654,935	52,160	1,849,266	17,347,556,361
Agriculture, fishing and forestry	6,307,911,373	106,276,885	56,389	6,414,244,647
Financial businesses, insurance, real estate and services	4,361,314,212	-	5,516,346	4,366,830,558
Manufacturing	4,306,698,878	-	20,737,860	4,327,436,738
Construction	1,348,675,093	-	-	1,348,675,093
Mining and oil	1,338,569,593	-	26,664	1,338,596,257
Transportation, warehousing and communications	1,268,230,170	-	8,300	1,268,238,470
Utilities	37,780,490	-	-	37,780,490
Sundry activities	186,855	-	-	186,855
	<u>57,871,040,773</u>	<u>106,329,045</u>	<u>32,254,380</u>	58,009,624,198
Allowance for losses on loan portfolio				<u>(1,164,033,808)</u>
				<u>56,845,590,390</u>
<b>Guarantee</b>				
Endorsement	16,090,182,078	17,957,251	1,828,333	16,109,967,662
Collateral	10,673,366,902	41,437,292	2,054,089	10,716,858,283
Real property mortgage	6,403,922,163	196,832	1,096,269	6,405,215,264
Written instruments	1,086,333,827	-	-	1,086,333,827
Other guarantees	1,003,523,535	-	109,367	1,003,632,902
Pledge	446,398,230	93,750	20,737,860	467,229,840
Chattel mortgage	264,362,775	807,127	-	265,169,902
Non-possessory pledge	61,985,405	519,450	-	62,504,855
Unsecured	<u>21,840,965,858</u>	<u>45,317,343</u>	<u>6,428,462</u>	<u>21,892,711,663</u>
	<u>57,871,040,773</u>	<u>106,329,045</u>	<u>32,254,380</u>	<u>58,009,624,198</u>
<b>Maturity</b>				
Up to 30 days	10,082,496,820	-	27,983,812	10,110,480,632
31 to 60 days	6,653,486,728	-	599,856	6,654,086,584
61 to 90 days	8,637,000,446	-	13,880	8,637,014,326
91 to 180 days	7,758,392,035	232,160	164,598	7,758,788,793
181 to 360 days	7,093,766,551	424,850	487,633	7,094,679,034
Over 360 days	<u>17,645,898,193</u>	<u>105,672,035</u>	<u>3,004,601</u>	<u>17,754,574,829</u>
	<u>57,871,040,773</u>	<u>106,329,045</u>	<u>32,254,380</u>	<u>58,009,624,198</u>

**Banco Nacional de Crédito, C.A., Banco Universal**  
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**December 31 and June 30, 2015**

Below is a breakdown of the loan portfolio by type of loan:

	<b>December 31, 2015</b>	<b>June 30, 2014</b>
	(In bolivars)	
<b>Type of loan</b>		
Fixed term, includes US\$12,780,729 (US\$12,329,372 at June 30, 2015) (Note 4)	39,286,832,728	26,262,317,209
Installment, includes US\$520,000 at December 31 and June 30, 2015 (Note 4)	19,485,470,642	9,845,785,428
Agriculture	8,326,412,509	6,414,244,646
Mortgage	4,887,667,516	3,782,744,371
Credit cards	4,619,857,302	2,570,870,591
Manufacturing	4,106,491,994	4,306,698,878
Tourism	2,426,595,125	1,856,283,163
Microcredits	1,883,329,258	1,486,245,253
Factoring and discounts, includes US\$10,593,998 (US\$10,918,463 at June 30, 2015) (Note 4)	1,320,768,451	856,785,042
Financial leases	657,405,638	227,976,890
Vehicles	270,882,813	234,353,509
Letters of credit, equivalent to US\$17,033,748 and €1,514,873 (US\$18,361,628 and €4,298,167 at June 30, 2015) (Note 4)	117,437,172	145,496,796
Employee loans	34,772,917	19,012,718
Checking accounts	<u>245,878</u>	<u>809,704</u>
	<b><u>87,424,169,943</u></b>	<b><u>58,009,624,198</u></b>

Through Resolution No. 332.11 of December 22, 2011, SUDEBAN established the parameters to set aside provisions for loans or microcredits granted to individuals or corporations whose assets were subject to expropriation, occupation or intervention from the Venezuelan government, effective from December 1, 2011 to November 30, 2013. A modification of this Resolution was published in Official Gazette No. 40,304 of November 28, 2013, extending the effective period until November 30, 2014. In addition, through Circular SIB-II-GGR-GNP-21051 of June 30, 2015, SUDEBAN established the indefinite application of measures provided in Resolution No. 332.11. At December 31 and June 30, 2015, the Bank applied the aforementioned Resolution to loans amounting to Bs 857,494,793 and Bs 827,817,110, respectively.

In accordance with SUDEBAN rules, at December 31 and June 30, 2015, the Bank maintains a general allowance for losses on the loan portfolio of Bs 1,022,711,496 and Bs 596,196,120, respectively, and a countercyclical allowance of Bs 655,681,274 and Bs 435,072,181, respectively (Note 2-e).

Below is the movement in the allowance for losses on the loan portfolio:

	<b>December 31, 2015</b>	<b>June 30, 2015</b>
	(In bolivars)	
Balance at the beginning of the period	1,164,033,808	792,779,253
Provided in the period	699,310,164	431,033,819
Write-offs of uncollectible loans	(12,802,755)	(57,094,243)
Reclassification to provision for interest receivable (Note 7)	(4,221,987)	(3,346,474)
Reclassification from (to) provision for contingent loans (Note 17)	<u>(30,725,811)</u>	<u>661,453</u>
Balance at the end of the period	<b><u>1,815,593,419</u></b>	<b><u>1,164,033,808</u></b>

At December 31, 2015, overdue loans on which interest is no longer accrued amount to Bs 40,824,088 (Bs 32,254,380 at June 30, 2015). In addition, at December 31, 2015, memorandum accounts include Bs 294,395,838 (Bs 251,070,826 at June 30, 2015) in respect of interest not recognized as income from loans on which interest is no longer accrued (Note 22).

**Banco Nacional de Crédito, C.A., Banco Universal**  
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During the six-month periods ended December 31 and June 30, 2015, the Bank wrote off loans of Bs 12,802,755 and Bs 57,094,243, respectively, against the allowance for losses on the loan portfolio. At December 31, 2015, the Bank recovered loans written off in previous periods of Bs 18,483,560, shown in the income statement within income from financial assets recovered (Bs 17,779,714 during the six-month period ended June 30, 2015).

At December 31, 2015, universal banks should earmark a minimum nominal percentage of 62.25% to finance loans for agriculture, small businesses, mortgage, manufacturing and tourism (28% to agriculture, small businesses and tourism at June 30, 2015) as follows:

December 31, 2015						
Activity	Balance maintained in bolivars	Earmarked %	Required %	Number of debtors	Maximum annual interest rate %	Calculation basis
Agriculture (a)	8,640,035,081	31.08	25	391	13	Average gross loan portfolio balance at December 31, 2014 and 2013
Small businesses	1,883,329,258	3.25	3	3,243	24	Gross loan portfolio at June 30, 2015
Mortgages (b)	5,747,536,189	16.02	20	3,442	Between 4.66 and 10.66	Gross loan portfolio at December 31, 2014 to be applied according to the borrower's monthly household income
Tourism (c)	2,446,166,525	8.80	4.25	30	7.12 or 10.12	Average balance of the gross loan portfolio at December 31, 2014 and 2013
Manufacturing (d)	4,106,491,994	11.45	10	198	16.20 or 18.00	Gross loan portfolio at December 31, 2014
June 30, 2015						
Activity	Balance maintained in bolivars	Earmarked %	Required %	Number of debtors	Maximum annual interest rate %	Calculation basis
Agriculture (a)	6,759,921,040	24.32	23.00	413	13.00	Average gross loan portfolio balance at December 31, 2014 and 2013
Small businesses	1,486,245,253	4.14	3.00	3,357	24.00	Gross loan portfolio at December 31, 2014
Mortgages (b)	2,419,552,842	2.24	-	2,909	Between 4.66 and 10.66	Gross loan portfolio at December 31, 2014 to be applied according to the borrower's monthly household income
Tourism (c)	1,875,854,563	6.75	2.00	30	7.12 or 10.12	Average balance of the gross loan portfolio at December 31, 2014 and 2013
Manufacturing (d)	4,306,698,878	12.01	-	252	16.20 or 18.00	Gross loan portfolio at December 31, 2014

- (a) At December 31, 2015, the Bank maintains an agricultural loan portfolio for Bs 8,326,412,508, agriculture bonds issued by the Venezuelan government for Bs 313,580,826 and Bs 41,747 in Class "B" shares from Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines, S.A. (SOGARSA). These shares are imputable to the agricultural loan portfolio compliance (Bs 6,414,244,647, Bs 345,634,646 and Bs 41,747 at June 30, 2015) (Note 5-b).
- (b) At December 31, 2015, the Bank maintains Bs 7,089,662,644 in Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A., of which Bs 3,228,507,900 is imputable to the short-term mortgage portfolio for 2015, to finance Venezuela's Great Housing Mission (at June 30, 2015, Bs 5,152,557,904 of which Bs 1,291,403,160 is imputable to the short and long-term mortgage portfolio for 2015) (Note 5-e). In addition, at December 31, 2015, it includes Bs 988,508,543 that corresponds to commitments to purchase Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A. in January, February and March 2016.
- (c) At December 31 and June 30, 2015, the Bank maintains a tourism loan portfolio for Bs 2,426,595,125 and Bs 1,856,283,163, respectively, and Bs 19,571,400 in Class "B" shares from Sociedad de Garantías Recíprocas para la Pequeña y Mediana Empresa del Sector Turismo, S.A. (SOGATUR). These shares are imputable to the tourism loan portfolio compliance (Note 5-a).
- (d) In July 2014, the People's Power Ministries for Industries and for Planning and Finance established the activities to which universal banks shall allocate the funds of the manufacturing loan portfolio. Of the manufacturing loan portfolio resources, 60% shall be allocated to the strategic development sectors and a minimum 40% percentage to finance small and medium-sized companies, communal and state companies.

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**7. Interest and commissions receivable**

Interest and commissions receivable comprise the following:

	<b>December 31, 2015</b>	<b>June 30, 2015</b>
	(In bolivars)	
<b>Interest receivable on investment securities</b>		
Deposits with the BCV and overnight deposits	-	683,333
Available for sale, includes US\$1,660,530 (US\$523,475 at June 30, 2015)	93,936,234	83,915,904
Held to maturity, includes US\$208,582 (US\$259,449 at June 30, 2015)	131,779,059	83,537,823
Other securities	<u>87,351,358</u>	<u>51,751,240</u>
	<u>313,066,651</u>	<u>219,888,300</u>
<b>Interest receivable on loan portfolio</b>		
Current, includes US\$1,868,427 (US\$1,533,946 at June 30, 2015)	641,270,443	467,635,018
Rescheduled	13,989,994	10,779,457
Overdue, includes US\$11,245 (US\$43,150 at June 30, 2015)	4,906,884	2,268,026
Microcredits	17,330,099	10,836,931
Agricultural	<u>477,950</u>	<u>497,385</u>
	<u>677,975,370</u>	<u>492,016,817</u>
<b>Interest receivable on other accounts receivable</b>		
Interest receivable on resale agreements	<u>802,439</u>	-
<b>Commissions receivable</b>		
Trust fund (Note 22)	<u>3,571,562</u>	<u>2,768,306</u>
	995,416,022	714,673,423
Provision for interest receivable and other, includes US\$187,658 (US\$59,237 at June 30, 2015)	<u>(9,389,749)</u>	<u>(5,588,051)</u>
	<u>986,026,273</u>	<u>709,085,372</u>

The Bank has provisions for interest and commissions receivable that meet the minimum requirements set by SUDEBAN.

Below is the movement in the provision for interest receivable and other:

	<b>December 31, 2015</b>	<b>June 30, 2015</b>
	(In bolivars)	
Balance at the beginning of the period	5,588,051	4,257,863
Provided in the period	823,227	81,315
Write-off of interest receivable on loans	(1,243,516)	(2,097,601)
Reclassification from allowance for losses on loan portfolio (Note 6)	<u>4,221,987</u>	<u>3,346,474</u>
Balance at the end of the period	<u>9,389,749</u>	<u>5,588,051</u>

During the six-month periods ended December 31 and June 30, 2015, the Bank wrote off interest receivable of Bs 1,243,516 and Bs 2,097,601, respectively, against the provision for interest receivable and other.

At December 31, 2015, the Bank collected interest of Bs 1,420,975 written off in previous periods, shown in the income statement within income from financial assets recovered (Bs 338,073 during the six-month period ended June 30, 2015).

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**8. Investments in subsidiaries, affiliates and branches**

In October 2008, the Bank requested authorization from SUDEBAN to open a branch in Willemstad, Curacao. SUDEBAN, through Notice SBIF-DSB-II-GGTE-GEE-07154 of May 18, 2009, and the Central Bank of Curacao and St. Maarten, through Communication No. Lcm/ni/2009-001159 of November 5, 2009, authorized the opening of this branch.

At a Board of Directors' meeting on November 25, 2009, it was resolved to contribute US\$1,000,000 to the new branch's capital stock. This amount was fully paid in January 2010.

Below is a summary of the financial statements of the Branch included in the Bank's financial statements:

**Balance sheet**

	<u>December 31, 2015</u>		<u>June 30, 2015</u>	
	<u>US\$</u>	<u>Equivalent in bolivars</u>	<u>US\$</u>	<u>Equivalent in bolivars</u>
<b>Assets</b>				
Cash and due from banks	56,152,252	352,871,982	64,541,006	522,014,799
Investment securities	3,901,711	24,519,131	1,000,430	28,311,083
Loan portfolio	19,221,109	120,789,298	21,173,898	112,183,125
Interest and commissions receivable	1,883,926	11,838,969	1,564,421	7,461,945
Property and equipment	8,670	54,487	10,186	74,134
Other assets	49,320	309,939	13,088	94,192
	<u>81,216,988</u>	<u>510,383,806</u>	<u>88,303,029</u>	<u>670,139,278</u>
<b>Liabilities and Equity</b>				
<b>Liabilities</b>				
Customer deposits	72,848,862	457,796,822	78,438,028	611,641,967
Interest and commissions payable	27,086	170,212	18,218	152,928
Accruals and other liabilities	1,811,158	11,381,677	1,472,821	7,323,120
	<u>74,687,106</u>	<u>469,348,711</u>	<u>79,929,067</u>	<u>619,118,015</u>
<b>Equity</b>				
Capital assigned	1,000,000	6,284,200	1,000,000	6,284,200
Capital reserves	1,552,639	9,757,095	1,552,639	9,757,094
Retained earnings	4,100,528	25,768,547	6,080,125	42,164,041
Unrealized loss on investments in available-for-sale securities	(123,285)	(774,747)	(258,802)	(7,184,072)
	<u>6,529,882</u>	<u>41,035,095</u>	<u>8,373,962</u>	<u>51,021,263</u>
	<u>81,216,988</u>	<u>510,383,806</u>	<u>88,303,029</u>	<u>670,139,278</u>

**Income statement**

	<u>December 31, 2015</u>		<u>June 30, 2015</u>	
	<u>US\$</u>	<u>Equivalent in bolivars</u>	<u>US\$</u>	<u>Equivalent in bolivars</u>
Interest income	777,458	4,885,704	613,456	8,248,038
Interest expense	(402,643)	(2,530,286)	(360,468)	(2,338,029)
Expenses from uncollectible loans	(2,208,102)	(13,876,151)	(209,291)	(9,330,955)
Other operating income	75,822	476,480	204,746	8,257,152
Other operating expenses	(67,122)	(421,808)	(799,220)	(905,422)
Operating expenses	(156,166)	(981,379)	(108,295)	(1,000,483)
Sundry operating income	3,993	25,092	31,704	16,315
Income tax expense	(2,837)	(17,829)	(2,039)	(18,969)
Net income (loss) for the period	<u>(1,979,597)</u>	<u>(12,440,177)</u>	<u>(629,407)</u>	<u>2,927,647</u>

At December 31 and June 30, 2015, the Branch's assets, liabilities and results were consolidated in the Bank's financial statements.

The equivalent amounts in bolivars shown in the above financial statements at December 31 and June 30, 2015 have been translated at the official exchange rate of Bs 6.2842/US\$1 (Note 2-b).

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**9. Available-for-sale assets**

At December 31 and June 30, 2015, the Bank has withdrawn available-for-sale assets for Bs 17,690,536, shown in other memorandum accounts under personal and real property written off since they are overdue for more than three years (Note 22).

During the six-month period ended June 30, 2015, the Bank recorded amortization expenses of available-for-sale assets of Bs 168,775, shown in the income statement under expenses from available-for-sale assets.

At June 30, 2015, the Bank received real property as payment for Bs 197,842 and sent to SUDEBAN the related information in order to comply with Article No. 101 of the Law on Banking Sector Institutions.

During the six-month periods ended June 30, 2015, the Bank wrote off fully amortized real property received as payment for Bs 938,939, shown in other memorandum accounts under personal and real property written off (Note 22).

During the six-month period ended June 30, 2015, the Bank sold personal and real property received as payment with a book value of Bs 418,976 and personal and real property written off for Bs 2,362,289 (Note 22) resulting in a gain on sale of Bs 4,722,785, shown in the income statement under income from available-for-sale assets.

**10. Property and equipment**

Property and equipment comprises the following:

		December 31, 2015			June 30, 2015		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
(In bolivars)							
Land		109,582,657	-	109,582,657	109,582,657	-	109,582,657
Buildings and facilities	40	2,617,586,761	(73,653,512)	2,543,933,249	1,771,564,989	(51,667,489)	1,719,897,500
Computer hardware, includes US\$447 (US\$1,247 at June 30, 2015) (Note 4)	4	1,040,939,795	(217,332,030)	823,607,765	527,819,061	(118,319,395)	409,499,666
Furniture and equipment, includes US\$8,223 (US\$8,939 at June 30, 2015) (Note 4)	Between 4 and 10	1,232,878,234	(182,569,498)	1,050,308,736	650,282,799	(137,736,002)	512,546,797
Vehicles	5	16,249,580	(5,815,545)	10,434,035	7,330,906	(5,174,007)	2,156,899
Equipment for Chip project	10	8,364,969	(3,427,759)	4,937,210	8,364,969	(3,009,511)	5,355,458
Construction in progress		<u>220,800,222</u>	<u>-</u>	<u>220,800,222</u>	<u>147,993,569</u>	<u>-</u>	<u>147,993,569</u>
		5,246,402,218	(482,798,344)	4,763,603,874	3,222,938,950	(315,906,404)	2,907,032,546
Other property		<u>16,482,413</u>	<u>-</u>	<u>16,482,413</u>	<u>16,482,413</u>	<u>-</u>	<u>16,482,413</u>
		<u>5,262,884,631</u>	<u>(482,798,344)</u>	<u>4,780,086,287</u>	<u>3,239,421,363</u>	<u>(315,906,404)</u>	<u>2,923,514,959</u>

At December 31 and June 30, 2015, the balance of construction in progress is in respect of construction and remodeling work to the Bank's main office and to existing and new agencies, which is in compliance with the Accounting Manual.

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Below is the movement in property and equipment for the six-month periods ended December 31 and June 30, 2015:

	Balances at June 30, 2015	Additions	Disposal (In bolivars)	Reclassifications and other	Balances at December 31, 2015
<b>Cost</b>					
Land	109,582,657	-	-	-	109,582,657
Buildings and facilities	1,771,564,989	794,780,716	(297,732)	51,538,788	2,617,586,761
Computer hardware	527,819,061	513,370,945	(250,211)	-	1,040,939,795
Furniture and equipment	650,282,799	584,885,737	(2,290,302)	-	1,232,878,234
Vehicles	7,330,906	9,470,363	(551,689)	-	16,249,580
Equipment for Chip project	8,364,969	-	-	-	8,364,969
Construction in progress	147,993,569	124,345,441	-	(51,538,788)	220,800,222
Other property	16,482,413	-	-	-	16,482,413
	<u>3,239,421,363</u>	<u>2,026,853,202</u>	<u>(3,389,934)</u>	<u>-</u>	<u>5,262,884,631</u>
<b>Accumulated depreciation</b>					
Buildings and facilities	51,667,489	22,283,755	(297,732)	-	73,653,512
Computer hardware	118,319,395	99,262,846	(250,211)	-	217,332,030
Furniture and equipment	137,736,002	47,123,798	(2,290,302)	-	182,569,498
Vehicles	5,174,007	1,193,227	(551,689)	-	5,815,545
Equipment for Chip project	3,009,511	418,248	-	-	3,427,759
	<u>315,906,404</u>	<u>170,281,874</u>	<u>(3,389,934)</u>	<u>-</u>	<u>482,798,344</u>
	<u>2,923,514,959</u>				<u>4,780,086,287</u>
	Balances at December 31, 2014	Additions	Disposal (In bolivars)	Reclassifications and other	Balances at June 30, 2015
<b>Cost</b>					
Land	63,283,457	46,299,200	-	-	109,582,657
Buildings and facilities	471,942,950	1,187,622,039	-	112,000,000	1,771,564,989
Computer hardware	215,908,553	316,876,758	(4,966,250)	-	527,819,061
Furniture and equipment	483,920,806	172,149,859	(20,204,236)	14,416,370	650,282,799
Vehicles	7,355,906	-	(25,000)	-	7,330,906
Equipment for Chip project	8,364,969	-	-	-	8,364,969
Construction in progress	129,553,970	144,855,969	-	(126,416,370)	147,993,569
Other property	10,434,412	6,048,001	-	-	16,482,413
	<u>1,390,765,023</u>	<u>1,873,851,826</u>	<u>(25,195,486)</u>	<u>-</u>	<u>3,239,421,363</u>
<b>Accumulated depreciation</b>					
Buildings and facilities	36,950,825	14,716,664	-	-	51,667,489
Computer hardware	84,329,691	34,354,742	(365,038)	-	118,319,395
Furniture and equipment	108,477,186	29,814,410	(555,594)	-	137,736,002
Vehicles	4,709,218	489,789	(25,000)	-	5,174,007
Equipment for Chip project	2,591,262	418,249	-	-	3,009,511
	<u>237,058,182</u>	<u>79,793,854</u>	<u>(945,632)</u>	<u>-</u>	<u>315,906,404</u>
	<u>1,153,706,841</u>				<u>2,923,514,959</u>

During the six-month period ended December 31, 2015, the Bank recorded depreciation expenses of Bs 170,281,874 (Bs 79,793,854 during the six-month period ended June 30, 2015), shown in the income statement under general and administrative expenses (Note 21).

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**11. Acquisition and merger of Stanford Bank, S.A., Banco Comercial**

On February 18, 2009, SUDEBAN, with the approval of the BCV's Board of Directors and the Higher Banking Council, resolved to take control of Stanford Bank, S.A., Banco Comercial (hereinafter Stanford Bank) in Venezuela. At a Special Shareholders' Meeting of Stanford Bank held on April 29, 2009, it was resolved to issue 757,000 new common shares with a par value of Bs 100 each with a view to replenishing Stanford Bank's capital stock, which had been approved at a Special Shareholders' Meeting held on March 5, 2009. These shares were fully subscribed by Banfoandes Banco Universal, C.A.

On May 5, 2009, SUDEBAN, through Notice SBIF-DSB-06532, notified the Bank that it was qualified to participate in the auction for the acquisition of Stanford Bank to be held on May 8, 2009. Likewise, SUDEBAN, through Notice SBIF-DSB-06535 of the same date, informed the Bank that the auction winner would be awarded the following privileges:

- a) A 15-year term over which to amortize expenses incurred during the first six months of operations of Stanford Bank, such as personnel, administrative and operating expenses.
- b) Authorization to maintain the accounting classification of loans that require rescheduling due to Stanford Bank's intervention resulting in a change of the original loan terms, provided that current credit conditions were maintained.
- c) Reduction of requirements necessary for approval of the Merger Plan.
- d) Inclusion in the purchasing entity's books of Stanford Bank's assets and liabilities once SUDEBAN authorized the merger. SUDEBAN would give such authorization within 120 days after the Merger Plan was submitted.
- e) SUDEBAN would request the BCV's cooperation to increase the credit line granted to the auction winner under the Reciprocal Payment Agreement of ALADI member countries by Stanford Bank's quota (US\$3,500,000).

On May 8, 2009, the Bank won the bid to purchase Stanford Bank at an auction conducted at the headquarters of the People's Power Ministry for the Economy and Finance offering Bs 240,007,777. On that same date, the Bank and Banfoandes signed a stock sale agreement that sets forth, among other things:

- The sale price of the 757,000 common shares was set at Bs 75,700,000.
- Regarding the difference between the offering price and the share price, the Bank would: a) approve and pay Bs 121,973,325 to absorb Stanford Bank's losses and b) approve capital contributions of Bs 42,334,452 and record them under contributions pending capitalization in Stanford Bank's balance sheet.
- The Bank would conduct the merger by absorption of Stanford Bank under the terms set forth by SUDEBAN.

On May 14, 2009, Banfoandes sold and transferred 757,000 common shares of Stanford Bank to the Bank, with a par value of Bs 100 each.

In addition, Stanford Bank's Intervention Board, appointed by SUDEBAN through Resolution No. 139.09 of March 27, 2009, delivered Stanford Bank's trial balance to the Bank at May 14, 2009.



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Below is a summary of Stanford Bank's (unaudited) balance sheet at May 14, 2009:

	(In bolivars)
<b>Assets</b>	
Cash and due from banks	44,034,196
Investment securities	42,015,988
Loan portfolio	244,598,426
Interest and commissions receivable	10,260,148
Property and equipment	7,930,389
Other assets	<u>12,522,149</u>
Total assets	<u>361,361,296</u>
<b>Liabilities and Equity</b>	
<b>Liabilities</b>	
Customer deposits	326,110,212
Borrowings	39,837,565
Other liabilities from financial intermediation	24,177
Interest and commissions payable	413,842
Accruals and other liabilities	<u>26,876,443</u>
Total liabilities	<u>393,262,239</u>
Equity (deficit)	<u>(31,900,943)</u>
Total liabilities and equity	<u>361,361,296</u>
<b>Memorandum accounts</b>	
Contingent debtor accounts	41,537,662
Assets received in trust	370,467
Other debtor memorandum accounts	829,373,870

The merger by absorption of Stanford Bank into the Bank was approved at a Special Shareholders' Meeting of Stanford Bank held on May 14, 2009. Likewise, on May 21, 2009, SUDEBAN, through Resolution published in Official Gazette No. 39,183, resolved to cease the intervention of Stanford Bank after it was acquired by the Bank.

Subsequently, at a Special Shareholders' Meeting of the Bank on May 26, 2009, the merger by absorption of Stanford Bank, the Merger Plan and the merger balance sheet were approved. As a result of the merger:

- Stanford Bank's capital stock, assets and liabilities would be transferred to the Bank under universal title, in conformity with the Venezuelan Code of Commerce.
- The Bank's capital and number of shares would remain the same.
- Stanford Bank would cease to exist as established under Article No. 340 of the Venezuelan Code of Commerce.

At the aforementioned meeting, the Board of Directors was authorized to conduct the merger.

On May 27, 2009, the Bank sent a communication to SUDEBAN that included the minutes of the Special Shareholders' Meeting held on May 26, 2009, the Merger Plan and a request for authorization to make the merger effective at June 30, 2009. Subsequently, through Resolution No. 249.09 published in Official Gazette No. 39,193 on June 4, 2009, SUDEBAN authorized the merger by absorption of Stanford Bank into the Bank and indicated that the merger would become effective when the minutes were registered with the relevant Mercantile Registry. The merger became effective on June 8, 2009.

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A summary of the assets and liabilities absorbed by the Bank on June 8, 2009 is shown below:

	(In bolivars)
<b>Assets</b>	
Cash and due from banks	292,675,637
Investment securities	36,892,138
Loan portfolio	243,018,374
Interest and commissions receivable	14,362,791
Property and equipment	7,930,389
Other assets	<u>13,200,492</u>
Total assets	<u>608,079,821</u>
<b>Liabilities</b>	
Customer deposits	283,034,115
Other liabilities from financial intermediation	24,177
Interest and commissions payable	1,088,217
Accruals and other liabilities	<u>109,883,205</u>
Total liabilities	<u>394,029,714</u>
Total net assets	<u>214,050,107</u>

Through a communication sent to SUDEBAN on July 8, 2009, the Bank reported the balances of other assets related to goodwill arising from the difference between the purchase price and the book value of Stanford Bank's assets and liabilities at the merger date, and expenses incurred from the merger date to June 30, 2009. The Bank also reported the balances of memorandum accounts related to unincurred projected expenses from July 1 to December 8, 2009, recorded in conformity with the Merger Plan authorized by SUDEBAN.

Subsequently, through a communication sent to SUDEBAN on February 22, 2010, the Bank reported all expenses incurred from the merger date to December 8, 2009. Below is a breakdown of these balances:

	(In bolivars)
<b>Deferred expenses</b>	
Salaries and employee benefits	9,688,352
General and administrative expenses	33,466,623
Other operating expenses and sundry operating expenses	5,648,964
Expenses from uncollectible loans and interest receivable	<u>18,059,289</u>
	<u>66,863,228</u>

As a result of the purchase and subsequent merger by absorption of Stanford Bank, the Bank has recorded Bs 14,565,137 at December 31, 2015 under other assets (Bs 15,430,392 at June 30, 2015), related to goodwill arising from the difference between the purchase price and the book value of Stanford Bank's assets and liabilities at the merger date, net of accumulated amortization of Bs 11,392,533 (Bs 10,527,278 at June 30, 2015), and deferred charges of Bs 39,565,709 (Bs 41,763,803 at June 30, 2015), net of accumulated amortization of Bs 26,377,138 (Bs 24,179,043 at June 30, 2015) (Note 12).

The difference in the purchase price and deferred charges, in conformity with the Merger Plan submitted to SUDEBAN on May 11 and 13, 2009 and approved at a Special Shareholders' Meeting held on May 26, 2009, and following the instructions contained in Notice SBIF-DSB-06535 issued by SUDEBAN on May 5, 2009 detailing the privileges that would be awarded to the Stanford Bank auction winner, will be amortized over 15 years from June 8, 2009 and January 1, 2010, respectively.

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**12. Other assets**

Other assets comprise the following:

	<b>December 31, 2015</b>	<b>June 30, 2015</b>
	(In bolivars)	
<b>Deferred expenses</b>		
Leasehold improvements, net of amortization	160,034,030	120,851,277
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities, net of accumulated amortization of Bs 11,392,533 (Bs 10,527,278 at June 30, 2015) (Note 11)	14,565,137	15,430,392
Chip project expenses (Note 2)	78,039	283,359
Licenses	70,719,649	38,196,437
Operating system (software), includes US\$49,320 (US\$2,702 at June 30, 2015) (Note 4)	23,382,543	3,686,590
Other deferred expenses	<u>1,332,446</u>	<u>879,200</u>
	<u>270,111,844</u>	<u>179,327,255</u>
Deferred expenses of Stanford Bank, net of accumulated amortization of Bs 26,377,138 (Bs 24,179,043 at June 30, 2015) (Note 11)		
General and administrative expenses	19,567,879	20,654,983
Expenses from uncollectible loans	10,835,574	11,437,550
Salaries and employee benefits	5,772,876	6,093,591
Other operating expenses and sundry operating expenses	<u>3,389,380</u>	<u>3,577,679</u>
	<u>39,565,709</u>	<u>41,763,803</u>
Advances on purchase options on premises owned by the Bank	309,677,553	221,091,058
Advances to suppliers	2,908,543,744	599,733,744
Guarantee deposits, includes US\$1,266,055 (US\$1,270,729 at June 30, 2015) (Note 4)	539,775,486	502,163,407
Stationery and sundry supplies	377,185,472	17,211,145
Other prepaid expenses	235,787,463	128,759,666
Matured financial instruments receivable	172,053,686	18,432,791
Deferred income tax (Note 18)	125,336,071	-
Credit card-related accounts receivable and balance offsetting	109,135,449	57,777,230
Other sundry accounts receivable, includes US\$15,053 (US\$86,027 at June 30, 2015) (Note 4)	55,401,228	33,152,011
Contribution required under the Law for the Advancement of Science, Technology and Innovation	37,315,148	37,350,766
Bank insurance	-	18,779,288
Inventories of chip credit and debit cards	40,902,749	7,873,193
Prepaid taxes and subscriptions	6,294,390	3,957,228
Accounts receivable from employees	2,755,921	3,299,649
Accounts receivable from the Mandatory Housing Savings Fund	1,363,958	1,060,787
Debt items pending reconciliation	4,437	5,514
Resale agreements with Agroinvest Casa de Bolsa de Productos Agrícolas, C.A., with a par value of Bs 56,867,535, and 13.5% annual yield	1,500	1,250
Time deposits with Banco Real, Banco de Desarrollo, C.A., with a par value of Bs 1,800,000, 15% annual yield	-	59,854,137
Claims	-	1,845,000
Pending items	-	1,007,349
	<u>185,435,663</u>	<u>67,164,901</u>
	5,106,969,918	1,780,520,114
Provision for other assets	<u>(59,769,079)</u>	<u>(118,933,489)</u>
	<u>5,047,200,839</u>	<u>1,661,586,625</u>

At December 31, 2015, advances for purchase options on premises owned by the Bank were granted to purchase administrative offices and bank agencies for Bs 2,887,455,273 and Bs 21,088,471, respectively, (Bs 568,625,273 and Bs 31,108,471 to purchase administrative offices and bank agencies at June 30, 2015).

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At December 31, 2015, stationery and sundry supplies include stationery for Bs 111,788,571, office supplies for Bs 111,180,935, and cleaning and other supplies for Bs 12,817,956 (Bs 72,396,926, Bs 52,226,995 and Bs 4,135,746, respectively at June 30, 2015).

At December 31, 2015, other prepaid expenses include Bs 67,250,519 for the leasing of premises for bank offices, Bs 22,674,542 for advertising and marketing, Bs 28,535,159 for advances on software licenses and Bs 28,245,042 for other prepaid expenses (Bs 100,289, Bs 126,450, Bs 2,543,064 and Bs 19,009,485, respectively, at June 30, 2015). In addition, at December 31, 2015, the Bank has Bs 25,348,424 that corresponds to prepaid expenses for transportation of valuables.

At December 31, 2015, the Bank has an investment in a Fixed Interest Bond (TIF) issued or guaranteed by the Venezuelan government of Bs 115,944,000 and interest receivable on TIF and Vebonos for Bs 9,392,071, which matured on December 31, 2015. This bond and interest receivable were paid by the BCV on January 4, 2016, which was the first business day following maturity.

At June 30, 2015, the Bank had a matured time deposit of Bs 1,800,000 and interest receivable of Bs 45,000 with Banco Real, Banco de Desarrollo, C.A., which is being liquidated by the Venezuelan government. The Bank had recorded a provision for the full amount of this deposit with a charge to the equity account exchange gain from holding foreign currency assets and liabilities, in conformity with SUDEBAN instructions contained in Notice SBII-DSB-II-GGI-G18-04461 of May 26, 2010 and Notice SBII-DSB-II-GGI-BPV-GIBPV2-13090 of August 6, 2010. During the six-month period ended December 31, 2015, the Bank wrote off this time deposit against the provision for other assets.

At June 30, 2015, the Bank maintained an expired resale agreement with Agroinvest Casa de Bolsa de Productos Agrícolas, C.A. for Bs 56,867,535 and interest receivable in this connection for Bs 2,986,602, secured by pledge bonds issued by a company whose assets have been preventively seized. The Bank had recorded a provision for the full amount of this transaction, which is included in the provision for other assets. During the six-month period ended December 31, 2015, the Bank wrote off this resale agreement against the provision for other assets.

Through a joint resolution issued on July 29, 2011, the People's Power Ministry for Planning and Finance and the People's Power Ministry for Communes and Social Protection established the mechanisms to assign resources for financing projects developed by communal councils or other forms of social organization. In accordance with this resolution, banks will earmark 5% of their gross pre-tax income to the National Communal Council Fund (SAFONACC) within 30 days of period end. On August 22, 2011, SUDEBAN issued Resolution No. 233.11 to require banks to record this social contribution as a prepaid expense forming part of other assets and to amortize it at a rate of 1/6 per month in the income statement within sundry operating expenses beginning in January or July, as appropriate to each six-month period. In July and January 2015, the Bank paid Bs 58,639,576 and Bs 32,646,658, respectively, in this connection (Note 20).

At December 31 and June 30, 2015, advances to suppliers for Bs 539,775,486 and Bs 502,163,407, respectively, mainly correspond to purchases of equipment, teller machines and remodeling of the administrative headquarters and agencies.

At December 31 and June 30, 2015, other sundry accounts receivable are mainly in respect of accounts receivable from employees in connection with insurance policies and reimbursable expenses for Bs 10,618,551 and Bs 15,738,763, respectively; claims and in-transit credit and debit card operations for Bs 21,910,831 and Bs 8,085,144, respectively, and other accounts receivable for Bs 652,881 and Bs 2,184,501, respectively. In addition, at December 31 and June 30, 2015, other sundry accounts receivable also include Bs 4,132,885 and Bs 2,872,858, respectively, in connection with tax on financial transactions reimbursed to tax exempt clients, withheld by the Bank and paid to the Tax Authorities, and taxes withheld by third parties. The Bank has set aside a provision for Bs 1,834,123 in this connection, under provision for other assets.

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At June 30, 2015, other sundry accounts receivable include Bs 8,469,500 in respect of deferred exchange loss on foreign currency purchases.  
Deferred expenses comprise the following:

	December 31, 2015			June 30, 2015		
	Cost	Accumulated amortization	Book value	Cost	Accumulated amortization	Book value
	(In bolivars)					
Leasehold improvements	238,993,668	(78,959,638)	160,034,030	187,100,810	(66,249,533)	120,851,277
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	(11,392,533)	14,565,137	25,957,670	(10,527,278)	15,430,392
Chip project expenses	1,642,556	(1,564,517)	78,039	1,642,556	(1,359,197)	283,359
Licenses	108,582,225	(37,862,576)	70,719,649	52,487,915	(14,291,478)	38,196,437
Operating system (software)	36,884,575	(13,502,032)	23,382,543	11,346,649	(7,660,059)	3,686,590
Other deferred expenses	2,519,518	(1,187,072)	1,332,446	1,623,138	(743,938)	879,200
Deferred expenses of Stanford Bank						
General and administrative expenses	32,613,131	(13,045,252)	19,567,879	32,613,131	(11,958,148)	20,654,983
Expenses from uncollectible loan portfolio	18,059,289	(7,223,715)	10,835,574	18,059,289	(6,621,739)	11,437,550
Salaries and employee benefits	9,621,462	(3,848,586)	5,772,876	9,621,462	(3,527,871)	6,093,591
Other operating expenses and sundry operating expenses	<u>5,648,964</u>	<u>(2,259,584)</u>	<u>3,389,380</u>	<u>5,648,964</u>	<u>(2,071,285)</u>	<u>3,577,679</u>
	<u>480,523,058</u>	<u>(170,845,505)</u>	<u>309,677,553</u>	<u>346,101,584</u>	<u>(125,010,526)</u>	<u>221,091,058</u>

Below is the movement in deferred expenses for the six-month periods ended December 31 and June 30, 2015:

	Balances at	Additions	Disposal	Balances at
	June 30, 2015			December 31, 2015
	(In bolivars)			
<b>Cost</b>				
Leasehold improvements	187,100,810	143,473,086	(91,580,228)	238,993,668
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	-	-	25,957,670
Chip project expenses	1,642,556	-	-	1,642,556
Licenses	52,487,915	64,787,117	(8,692,807)	108,582,225
Operating system (software)	11,346,649	29,650,268	(4,112,342)	36,884,575
Other deferred expenses	1,623,138	896,380	-	2,519,518
Deferred expenses of Stanford Bank				
General and administrative expenses	32,613,131	-	-	32,613,131
Expenses from uncollectible loans	18,059,289	-	-	18,059,289
Salaries and employee benefits	9,621,462	-	-	9,621,462
Other operating expenses and sundry operating expenses	<u>5,648,964</u>	<u>-</u>	<u>-</u>	<u>5,648,964</u>
	<u>346,101,584</u>	<u>238,806,851</u>	<u>(104,385,377)</u>	<u>480,523,058</u>
<b>Accumulated amortization</b>				
Leasehold improvements	66,249,533	21,012,961	(8,302,856)	78,959,638
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	10,527,278	865,255	-	11,392,533
Chip project expenses	1,359,197	205,320	-	1,564,517
Licenses	14,291,478	32,263,905	(8,692,807)	37,862,576
Operating system (software)	7,660,059	9,954,315	(4,112,342)	13,502,032
Other deferred expenses	743,938	443,134	-	1,187,072
Deferred expenses of Stanford Bank				
General and administrative expenses	11,958,148	1,087,104	-	13,045,252
Expenses from uncollectible loans	6,621,739	601,976	-	7,223,715
Salaries and employee benefits	3,527,871	320,715	-	3,848,586
Other operating expenses and sundry operating expenses	<u>2,071,285</u>	<u>188,299</u>	<u>-</u>	<u>2,259,584</u>
	<u>125,010,526</u>	<u>66,942,984</u>	<u>(21,108,005)</u>	<u>170,845,505</u>
	<u>221,091,058</u>			<u>309,677,553</u>

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	Balances at December 31, 2014	Additions	Disposal	Balances at June 30, 2015
		(In bolivars)		
<b>Cost</b>				
Leasehold improvements	156,499,844	38,291,472	(7,690,506)	187,100,810
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	-	-	25,957,670
Chip project expenses	1,642,556	-	-	1,642,556
Licenses	22,100,813	38,866,599	(8,479,497)	52,487,915
Operating system (software)	17,507,457	1,241,698	(7,402,506)	11,346,649
Other deferred expenses	1,623,138	-	-	1,623,138
Deferred expenses of Stanford Bank				
General and administrative expenses	32,613,131	-	-	32,613,131
Expenses from uncollectible loans	18,059,289	-	-	18,059,289
Salaries and employee benefits	9,621,462	-	-	9,621,462
Other operating expenses and sundry operating expenses	<u>5,648,964</u>	<u>-</u>	<u>-</u>	<u>5,648,964</u>
	<u>291,274,324</u>	<u>78,399,769</u>	<u>(23,572,509)</u>	<u>346,101,584</u>
<b>Accumulated amortization</b>				
Leasehold improvements	49,067,884	18,598,886	(1,417,237)	66,249,533
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	9,662,022	865,256	-	10,527,278
Chip project expenses	1,153,878	205,319	-	1,359,197
Licenses	14,736,068	8,034,907	(8,479,497)	14,291,478
Operating system (software)	11,464,003	3,598,562	(7,402,506)	7,660,059
Other deferred expenses	338,154	405,784	-	743,938
Deferred expenses of Stanford Bank				
General and administrative expenses	10,871,043	1,087,105	-	11,958,148
Expenses from uncollectible loans	6,019,763	601,976	-	6,621,739
Salaries and employee benefits	3,207,155	320,716	-	3,527,871
Other operating expenses and sundry operating expenses	<u>1,882,987</u>	<u>188,298</u>	<u>-</u>	<u>2,071,285</u>
	<u>108,402,957</u>	<u>33,906,809</u>	<u>(17,299,240)</u>	<u>125,010,526</u>
	<u>182,871,367</u>			<u>221,091,058</u>

Leasehold improvements include additions in the second semester of 2015 for Bs 143,473,086 (Bs 38,291,472 during the six-month period ended June 30, 2015) mainly in respect of improvements to the Bank's agencies.

For the six-month period ended December 31, 2015, additions to licenses are mainly in respect of purchases of antivirus licenses for computer equipment (mainly acquisition of licenses for the contact center at June 30, 2015).

During the six-month period ended December 31, 2015, the Bank recorded amortization of deferred expenses of Bs 66,942,984 (Bs 33,906,809 during the six-month period ended June 30, 2015), shown in the income statement under general and administrative expenses (Note 21).

Through Resolution No. 262.10 of May 19, 2010, SUDEBAN modified the Accounting Manual to require the recording of disbursements made in connection with the project for the new chip-based credit and debit cards. These disbursements include licenses, software, training and other personnel expenses, accommodation of physical spaces, and replacement of debit and credit cards. The deadline for completing project stages is September 30, 2011. In addition, associated disbursements may be amortized beginning January 2011 using the straight-line method provided that the financial institutions have completed the project satisfactorily. The amortization terms are detailed below:

Items	Years
Advisory	1
Advertising and client education and information	2
Training and other personnel expenses	2
Accommodation of physical spaces	3
Replacement of debit and credit cards	3
Licenses	6
Software	6

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Subsequently, through Notice SIB-II-GGIR-GRF-31209 of September 29, 2011, SUDEBAN extended the deadline for project completion until December 31, 2011, maintaining the initial amortization benefit for project-related expenses. At December 31 and June 30, 2015, deferred expenses include Bs 78,039 and Bs 283,359, respectively, in this connection.

The balance of pending items comprises the following:

	December 31, 2015	June 30, 2015
	(In bolivars)	
In-transit operations (internet deposit remittances)	175,870,541	55,957,009
In-transit operations (bank tellers and remittances in foreign currency) includes US\$80,000 at June 30, 2015 (Note 4)	621,425	4,676,560
Difference in exchange for credit cards	3,224,210	3,252,053
Cash shortages	5,649,452	1,618,177
Other pending items	<u>70,035</u>	<u>1,661,102</u>
	<u>185,435,663</u>	<u>67,164,901</u>

At December 31 and June 30, 2015, in-transit operations for Bs 175,870,541 and Bs 55,957,009, respectively, relate to in-transit cash remittances from customer deposits, which clear in the first days of January 2016 and July 2015, respectively.

Below is the movement in the provision for other assets:

	December 31, 2015	June 30, 2015
	(In bolivars)	
Balance at the beginning of the period	118,933,489	105,303,711
Provided in the period (Note 20)	8,001,500	20,350,920
Write-offs of unrecoverable accounts	<u>(67,165,910)</u>	<u>(6,721,142)</u>
Balance at the end of the period	<u>59,769,079</u>	<u>118,933,489</u>

### 13. Customer deposits

Customer deposits comprise the following:

	December 31, 2015	June 30, 2015
	(In bolivars)	
<b>Checking account deposits and certificates</b>		
Non-interest-bearing checking accounts	76,151,591,481	49,589,333,963
Interest-bearing checking accounts	12,634,407,943	9,869,384,887
Checking accounts under Exchange Agreement No. 20, equivalent to US\$5,185,865 (US\$8,682,453 at June 30, 2015) (Note 4)	32,589,011	54,562,273
Demand deposits and certificates		
Public, State and Municipal Administration	131,137,057	748,824,822
Non-negotiable demand deposits, bearing annual interest at between 0% and 14.50%, maturing between July 2015 and August 2016	<u>20,089,532,416</u>	<u>14,295,507,796</u>
	<u>109,039,257,908</u>	<u>74,557,613,741</u>

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	<b>December 31, 2015</b>	<b>June 30, 2015</b>
	(In bolivars)	
<b>Other demand deposits</b>		
Cashier's checks	803,620,450	936,041,006
Advance collections from credit card holders	34,322,090	19,375,655
Advance deposits for letters of credit, includes US\$283,472 at June 30, 2015 (Note 4)	28,611,302	71,150,908
Trust fund liabilities (Note 22)	285,869,067	133,631,523
Housing Savings Fund liabilities (Note 22)	<u>3,047,103</u>	<u>1,877,745</u>
	<u>1,155,470,012</u>	<u>1,162,076,837</u>
Savings deposits, bearing 16% annual interest for savings deposits for individuals with daily balances under Bs 20,000, 12.50% for other deposits in bolivars, and 0.125% for deposits in U.S. dollars, includes US\$50,477,719 and €1,091,106 (US\$52,048,348 and €1,309,011 at June 30, 2015) (Note 4)	<u>26,432,814,123</u>	<u>18,409,220,069</u>
Time deposits, bearing 14.50% annual interest for deposits in bolivars and at between 0.02% and 3.50% for deposits in U.S. dollars, includes US\$14,843,401 (US\$18,864,488 at June 30, 2015), with the following maturities (Note 4)		
Up to 30 days	5,106,704,026	403,874,104
31 to 60 days	3,344,427,541	645,967,054
61 to 90 days	1,033,861,956	907,071,250
91 to 180 days	1,118,658,226	1,238,717,801
181 to 360 days	35,350,456	99,231,991
Over 361 days	<u>-</u>	<u>50,000</u>
	<u>10,639,002,205</u>	<u>3,294,912,200</u>
Restricted customer deposits	<u>37,916,962</u>	<u>36,218,852</u>
	<u>147,304,461,210</u>	<u>97,460,041,699</u>

At December 31 and June 30, 2015, restricted customer deposits correspond to guarantee deposits for loans granted by the Branch. At December 31 and June 30, 2015, the Bank has a guarantee document on these deposits.

Deposits from the Venezuelan government and government agencies comprise the following:

	<b>December 31, 2015</b>	<b>June 30, 2015</b>
	(In bolivars)	
Non-interest-bearing checking accounts	3,162,505,945	3,578,846,164
Interest-bearing checking accounts, at 0.25% annual interest	2,720,948,913	2,224,440,260
Savings deposits, at 12.5% annual interest	281,173,837	815,167,847
Non-negotiable demand deposits	131,137,057	748,824,822
Time deposits, at 14.5% annual interest	<u>219,949,800</u>	<u>14,392,799</u>
	<u>6,515,715,552</u>	<u>7,381,671,892</u>

At a Special Shareholders' Meeting held on March 26, 2014, the Board of Directors was authorized to issue commercial papers with a par value of Bs 200,000,000 and fixed maturities ranging from 15 to 360 days as from the date each series is issued. These commercial papers may not be paid in advance and shall mature within the deadline set in the SNV's authorization. This issue was approved by SUDEBAN on July 1, 2014 through Notice SIB-II-GGIBPV-GIBPV2-22407. On October 2, 2015, through Resolution No. 063, the SNV authorized the public offering of bearer commercial papers. All commercial papers were placed during January 2016.



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**14. Borrowings**

Borrowings comprise the following:

	December 31, 2015	June 30, 2015
	(In bolivars)	
<b>Borrowings from Venezuelan financial institutions, up to one year</b>		
Demand deposits		
Certificates of deposit with Banco de Comercio Exterior (BANCOEX), with 7% interest rate, maturing January 2016	128,627,913	-
Certificates of deposit with Banco del Alba, with annual interest at between 3.75% and 4.50%, maturing January 2016 (maturing July 2015 at June 30, 2015)	30,175,255	60,130,162
Non-interest-bearing checking account with Mi Banco, Banco Microfinanciero, C.A.	1,196,049	1,445,237
Other checking accounts	<u>42,809</u>	<u>44,009</u>
	<u>160,042,026</u>	<u>61,619,408</u>
<b>Borrowings from foreign financial institutions, up to one year</b>		
Demand deposits		
Checking account with Caracas International Banking Corporation, at 0.25% per annum (Note 25)	941,855	318,480
Checking account with Bancaribe Curacao Bank, N.V.	<u>626,694</u>	<u>626,694</u>
	<u>1,568,549</u>	<u>945,174</u>
	<u>161,610,575</u>	<u>62,564,582</u>

Through Resolution No. 113.14 of August 13, 2014, SUDEBAN set interbank deposit limits, which should be the lower amount resulting from comparing 10% of the total equity of the placing financial institution at the previous month end with 10% of the total equity of the receiving financial institution at the previous month end. At December 31 and June 30, 2015, the Bank does not have interbank deposits exceeding the limits set out in the Resolution.

**15. Other liabilities from financial intermediation**

At June 30, 2015, other liabilities from financial intermediation of US\$295,748, equivalent to Bs 1,858,539, correspond to liabilities arising from operations with letters of credit (Note 4).

**16. Interest and commissions payable**

Interest and commissions payable comprise the following:

	December 31, 2015	June 30, 2015
	(In bolivars)	
<b>Expenses payable on customer deposits</b>		
Deposits in interest-bearing checking accounts	426,434	352,362
Non-negotiable demand deposits	80,618,026	46,515,783
Time deposits, includes US\$27,086 (US\$18,218 at June 30, 2015) (Note 4)	<u>147,440,099</u>	<u>41,347,430</u>
	228,484,559	88,215,575
<b>Expenses payable on borrowings</b>		
Expenses payable on borrowings	<u>335,089</u>	<u>106,997</u>
	<u>228,819,648</u>	<u>88,322,572</u>

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**17. Accruals and other liabilities**

Accruals and other liabilities comprise the following:

	December 31, 2015	June 30, 2015
Pending items, includes US\$23,722 (US\$123,882 at June 30, 2015) (Note 4)	1,616,995,034	875,585,510
Income tax provision, includes US\$4,876 (US\$2,024 at June 30, 2015) (Notes 4 and 18)	1,177,832,641	292,814,812
Deferred interest income, includes US\$1,782,772 (US\$1,447,508 at June 30, 2015) (Notes 2-k and 4)	275,530,707	183,612,316
Tax withholdings, includes US\$1,487 (US\$1,633 at June 30, 2015) (Note 4)	236,936,516	134,834,257
Accrual for length-of-service benefits (Notes 1 and 2-j)	233,229,786	141,984,228
Suppliers and other sundry payables, includes US\$17,804 (US\$11,688 at June 30, 2015) (Note 4)	185,475,720	83,346,231
Municipal and other taxes	117,314,055	46,069,586
Vacation and vacation bonus payable, includes US\$2,991 (US\$5,865 at June 30, 2015) (Notes 2-j and 4)	70,505,562	55,848,864
Fees for credit and debit card services	56,761,237	40,748,028
Provisions for contingent loans (Note 22)	55,860,234	25,134,423
Other provisions	45,841,118	41,741,436
Cashier's checks	41,055,541	62,791,881
Contribution for the prevention of money laundering and terrorism financing	35,107,700	12,423,777
Leases	28,040,975	32,797,680
Sports and Physical Education Law (Note 1)	20,511,560	8,402,647
Professional fees payable (includes US\$2,000 at June 30, 2015) (Note 4)	18,513,817	15,267,987
Labor contributions and withholdings payable, includes US\$1,243	12,147,469	15,216,295
Accounts payable in foreign currency, equivalent to US\$1,230,130 (US\$938,332 at June 30, 2015) (Note 4)	7,730,473	5,896,669
Ezequiel Zamora Fund withholdings (Note 6)	4,850,498	1,798,661
Other personnel expenses (includes US\$2,103 at June 30, 2015) (Note 4)	323,472	12,786,627
Advertising payable	48,893	1,353,359
Profit sharing (Note 2-j)	-	58,537,320
Other	<u>6,896,237</u>	<u>1,668,653</u>
	<u>4,247,509,245</u>	<u>2,150,661,247</u>

Deferred interest income mainly relates to loan interest collected in advance, commissions and deferred gain on sale of securities.

At December 31 and June 30, 2015, other provisions include Bs 9,426,300 in connection with accounts payable to CADIVI on credit card transactions abroad from 2006 to 2009 and the first ten days of January 2010, recorded in conformity with CADIVI Notice PREVECPGSCO-00001 of January 2, 2012. On September 30, 2013, the Bank informed CADIVI about the reconciliation of these transactions conducted by users of the foreign currency administration system. At December 31, 2015, the Bank is awaiting for the respective authorizations from the BCV to sell the foreign currency.

At December 31 and June 30, 2015, other provisions include provision for municipal taxes, fines and interest of Bs 7,967,625 and Bs 7,974,375, respectively, and other provisions of Bs 3,324,186 and Bs 2,854,187, respectively; provision for projects for the prevention of money laundering of Bs 2,701,278 and Bs 469,061, respectively, and provision for contingent losses of Bs 22,421,729 and Bs 14,417,513, respectively. At June 30, 2015, other provisions also include provisions for employee events of Bs 6,600,000.

At December 31 and June 30, 2015, fees for credit and debit card services of Bs 56,761,237 and Bs 40,748,028, respectively, mainly correspond to fees for the use of the VISA, Maestro, MasterCard and Suiche 7B trademarks and to point-of-sale and teller machine transactions. At December 31 and June 30, 2015, the Bank recorded expenses in this connection of Bs 192,765,706 and Bs 68,571,169, respectively, included within service fees under other operating expenses (Note 20).

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At December 31 and June 30, 2015, accounts payable in foreign currency are mainly in respect of interest payable to clients for intermediation of securities in foreign currency. The Bank pays interest to customers on a monthly basis. In case customer information available is not sufficient to complete the transfers, the Bank issues an annual press release informing such customers of the situation.

At December 31 and June 30, 2015, suppliers and other sundry payables are mainly in respect of accounts payable for services of Bs 133,821,647 and Bs 59,072,100, respectively, pending claims, returns and credit cards of Bs 35,089,672 and Bs 19,798,903, respectively, and other accounts payable of Bs 16,564,401 and Bs 4,475,228, respectively.

Below is the movement in the provisions for contingent loans:

	December 31, 2015	June 30, 2015
	(In bolivars)	
Balances at the beginning of the period	25,134,423	25,795,876
Reclassification from allowance for losses on loan portfolio (Note 6)	<u>30,725,811</u>	<u>(661,453)</u>
Balances at the end of the period	<u>55,860,234</u>	<u>25,134,423</u>

The balance of pending items comprises the following:

	December 31, 2015	June 30, 2015
	(In bolivars)	
Point-of-sale transactions payable	812,696,422	246,120,430
Other credit items pending reconciliation	591,123,481	472,907,189
Suiche 7B transactions payable	121,409,769	45,726,587
Collection of government and municipal taxes	76,462,464	103,316,750
Cash surplus	11,360,975	3,243,340
Other pending items, includes US\$2,722 (US\$1,673 at June 30, 2015)	3,808,425	3,375,487
In-transit operations through SICAD, equivalent to US\$21,000 (US\$121,000 at June 30, 2015)	131,968	760,390
In-transit operations	30	126,491
Exchange agreement No. 20 equivalent to US\$1,209 at June 30, 2015	-	7,596
Other credit items pending reconciliation	<u>1,500</u>	<u>1,250</u>
	<u>1,616,995,034</u>	<u>875,585,510</u>

Point-of-sale transactions payable correspond to the use of points of sale of other financial institutions by Bank customers. Most of these transactions clear in the month following period closing.

At December 31 and June 30, 2015, credit items pending reconciliation mainly include clearinghouse balances of Bs 590,762,264 and Bs 472,802,816, respectively, which clear the next working day after their recording.

Suiche 7B transactions payable correspond to cash withdrawals from teller machines of other financial institutions by Bank customers. Most of these transactions clear in the month following period closing.

At December 31 and June 30, 2015, collection of government and municipal taxes includes national and municipal taxes paid by individuals and corporations to the Tax Authorities between January 4 and 5, 2016, and July 1 and 2, 2015, respectively.

At December 31 and June 30, 2015, in-transit operations through SICAD for Bs 131,968 and Bs 760,390, respectively, relate to foreign currency trading pending liquidation to individuals awarded in BCV's auctions.

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**18. Taxes**

**a) Income tax**

The Bank's tax year ends on December 31. The main differences between income/loss recognized for accounting and tax purposes arise from provisions and accruals that are normally tax deductible in subsequent periods, tax-exempt income from National Public Debt Bonds and other securities issued by the Venezuelan government.

Venezuelan Income Tax Law of February 16, 2007 allowed tax losses to be carried forward for three years to offset taxable income, except those arising from the annual inflation adjustment, which could be carried forward for only one year. The Reform of the Income Tax Law was published in the Extraordinary Official Gazette on November 18, 2014. The Law establishes, among other things, that net operating losses may be carried forward for three years provided that they do not exceed 25% of annual income in each period, whereas uncompensated losses arising from the annual inflation adjustment may not be carried forward to future years. In addition, the Law excludes banking institutions from the tax inflation adjustment provided in it. This Reform is effective as from its publication in the Official Gazette and applies to tax years beginning after its effective date. At December 31, 2015, the Bank has tax loss carryforwards from the annual inflation adjustment of Bs 925,830,663.

The Reform of the Income Tax Law was published in Official Gazette No. 6,210 of December 30, 2015. The main changes of the new Law are: it modifies the availability of income, indicating when income becomes taxable, limiting the requirement of being solely paid to salaries and fortuitous gains; investment tax credits are eliminated; income tax must be withheld when the amount is paid or credited to the account, which is understood as the simple recording of said amount in the payer's accounting records; a tax rate of 40% is established for income derived from banking, financial, insurance or reinsurance activities. This Reform applies to tax years beginning January 1, 2016.

For the year ended December 31, 2015, the Bank estimated a territorial tax expense of Bs 1,173,958,083.

During the six-month period ended December 31, 2015, the Branch recorded estimated income tax expense of US\$2,837 (US\$2,039 during the six-month period ended June 30, 2015). On June 27, 2013, the Curacao Tax Authorities approved the extension of Tax Ruling No. UR 11-1611 until December 31, 2015; according to this ruling, the Branch must calculate tax payable on the basis of 7% of the costs of its activities since the commencement of Branch operations, except for disbursement costs and interest on debt with a tax rate of 27.5%. Disbursements include costs of services provided by third parties which are not considered part of the Branch's activities, except for service fees, office and equipment leasing and telecommunication expenses, among others (Note 8).

The tax expense comprises the following:

	December 31, 2015	June 30, 2015
	(In bolivars)	
Income tax	885,017,829	288,970,896
Deferred income tax	<u>(51,358,219)</u>	<u>(57,162,431)</u>
	<u>833,659,610</u>	<u>231,808,465</u>

**b) Deferred income tax**

Bank management recognizes a deferred tax asset in its financial statements when there is reasonable expectation that future tax results will allow its realization. Furthermore, the Accounting Manual establishes, among other things, that the Bank may not recognize a deferred tax asset for any amount exceeding taxable income (Note 2-i).

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Bank management determined and evaluated the deferred tax asset recorded. The main differences between the tax base and the carrying amount at December 31 and June 30, 2015 relate to the provision for high-risk and uncollectible loans and interest receivable, property and equipment, deferred expenses and sundry provisions. At December 31, 2015, the Bank maintains a deferred tax asset of Bs 109,135,449 (Bs 57,777,230 at June 30, 2015) (Note 12).

The components of the deferred tax asset are as follows:

	December 31, 2015	June 30, 2015
	(In bolivars)	
Provision for other assets	20,306,212	28,461,263
Other provisions and accruals	69,898,853	18,459,214
Provision for other contingencies	14,365,161	8,413,776
Allowance for losses on loan portfolio and provision for interest receivable and other	<u>4,565,223</u>	<u>2,442,977</u>
	<u>109,135,449</u>	<u>57,777,230</u>

The movements in the accounts of deferred tax asset income are summarized below:

	Provision for other assets	Provision for for other contingencies	Other provisions and accruals	Allowance for losses on loan portfolio and provision for interest receivable and other	Total deferred
	(In bolivars)				
At December 31, 2014	306,474	88,073	194,680	25,572	614,799
Credited to the income statement	<u>28,154,789</u>	<u>8,325,703</u>	<u>18,264,534</u>	<u>2,417,405</u>	<u>57,162,431</u>
At June 30, 2015	28,461,263	8,413,776	18,459,214	2,442,977	57,777,230
Credited to the income statement	<u>(8,155,051)</u>	<u>5,951,385</u>	<u>51,439,639</u>	<u>2,122,246</u>	<u>51,358,219</u>
At December 31, 2015	<u>20,306,212</u>	<u>14,365,161</u>	<u>69,898,853</u>	<u>4,565,223</u>	<u>109,135,449</u>

**c) Transfer pricing**

According to transfer-pricing regulations, taxpayers that conduct transactions with related parties abroad are required to calculate income, costs and deductions applying the methodology set out in the Law. The Bank conducts transactions with related parties abroad. At December 31, 2015, the Bank made transfer-pricing study with no findings.

**d) Law on Tax on Large Financial Transactions**

On December 30, 2015, the Venezuelan government enacted the Law on Tax on Large Financial Transactions, whose tax rate is 0.75% applicable to operations made by incorporated and unincorporated entities that have been qualified by Seniat's System for Liquidation and Self-liquidation of Customs Duties as special taxpayers and by incorporated and unincorporated entities legally bound to them or that make payments on their behalf. Similarly, Venezuelan banks and financial institutions also pay this tax based on the transactions laid down in the aforementioned Law that give rise to such payment. This tax will effective as from February 1, 2016.

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**19. Other operating income**

Other operating income comprises the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2015</u>	<u>2015</u>
	(In bolivars)	
Service fees	1,032,546,608	468,157,258
Gain on sale of investments in available-for-sale securities (Note 5-a)	51,848,882	44,539,949
Commissions on trust funds (Note 22)	20,850,341	17,291,746
Exchange gain (Notes 4)	7,529,647	2,998,722
Income from amortization of discount on held-to-maturity investments	<u>754,408</u>	<u>886,837</u>
	<u>1,113,529,886</u>	<u>533,874,512</u>

Sundry operating income comprises the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2015</u>	<u>2015</u>
	(In bolivars)	
Income from expenses recovered	9,314,273	2,195,220
Other	<u>7,903,328</u>	<u>2,246,535</u>
	<u>17,217,601</u>	<u>4,441,755</u>

**20. Other operating expenses**

Other operating expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2015</u>	<u>2015</u>
	(In bolivars)	
Service fees (Note 17)	202,906,020	74,826,172
Amortization of premiums on held-to-maturity investments	70,628,348	54,810,067
Loss on sale of investments in available-for-sale securities (Note 5-a)	26,170,249	29,707,297
Exchange loss (Note 4)	<u>17,911,060</u>	<u>8,031,104</u>
	<u>317,615,677</u>	<u>167,374,640</u>

Sundry operating expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2015</u>	<u>2015</u>
	(In bolivars)	
Contribution to the National Fund for Communal Councils (Note 12)	58,639,576	32,646,658
Contribution for the Antidrug Law (Note 1)	22,683,923	12,423,777
Contribution for the Law for the Advancement of Science, Technology and Innovation (Note 1)	18,779,288	18,779,288
Contribution for the Sports and Physical Education Law (Note 1)	13,518,662	9,582,943
Teller machine shortages	8,397,325	-
Provision for other contingencies (Note 29)	8,004,215	14,198,350
Provision for other assets (Note 12)	8,001,500	20,350,920
Provision for pending vacation	3,173,615	7,017,244
Other	<u>1,542,964</u>	<u>159,304</u>
	<u>142,741,068</u>	<u>115,158,484</u>

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**21. General and administrative expenses**

General and administrative expenses comprise the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2015</u>	<u>2015</u>
	(In bolivars)	
Transportation of valuables and surveillance	466,346,642	230,703,407
Maintenance and repairs	333,099,435	143,691,991
Stationery and office supplies	279,913,876	129,011,301
Leases	231,862,807	101,181,237
Outsourced services	231,385,444	113,079,023
Taxes and contributions	186,446,505	110,850,616
Depreciation and impairment of property and equipment (Note 10)	170,281,874	79,793,854
Consulting and external audit	165,968,752	96,566,955
Transportation and communications	123,314,019	56,564,432
Advertising	70,446,925	50,104,823
Infrastructure expenses	68,463,648	40,123,475
Amortization of deferred expenses (Note 12)	66,942,984	33,906,809
Sundry general expenses	62,043,567	45,524,364
Legal advice	17,189,493	6,168,954
Insurance	16,033,946	8,650,644
Public relations	8,321,316	10,469,245
Utilities	4,567,737	3,489,008
Other	2,321,373	6,139,570
	<u>2,504,950,343</u>	<u>1,266,019,708</u>

**22. Memorandum accounts**

Memorandum accounts comprise the following:

	<u>Six-month periods ended</u>	
	<u>December 31,</u>	<u>June 30,</u>
	<u>2015</u>	<u>2015</u>
	(In bolivars)	
<b>Contingent debtor accounts</b>		
Credit card lines (Note 23)	7,195,394,444	3,238,742,785
Guarantees granted (Note 23)	580,060,140	239,551,861
Purchases of financial futures (Note 5-c)	-	200,000,000
Letters of credit issued but not negotiated, includes US\$823,497 (US\$10,827,412 and €9,450 at June 30, 2015) (Note 23)	5,795,413	70,293,212
Lines of credit for discounts and factoring (Note 23)	<u>20,344,558</u>	<u>23,597,473</u>
	<u>7,801,594,555</u>	<u>3,772,185,331</u>
<b>Assets received in trust</b>	<u>3,783,092,664</u>	<u>3,247,395,067</u>
<b>Debtor accounts from other special trust services (Housing Loan System)</b>	<u>1,553,879,525</u>	<u>1,298,157,673</u>

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	<u>Six-month periods ended</u>	
	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
	(In bolivars)	
<b>Other debtor memorandum accounts</b>		
Guarantees received, includes US\$12,144,000 (US\$29,560,139 at June 30, 2015)	156,524,784,338	96,157,415,264
Lines of credit available, includes US\$8,722,514 at June 30, 2015	26,990,845,949	23,229,906,379
Assets held in custody, includes US\$311,561,717 (US\$268,109,181 at June 30, 2015)	5,600,560,371	4,286,286,599
Projection of possible losses from loans granted to individuals or corporations whose assets were subject to expropriation, occupation, intervention or preventively seized by the Venezuelan government	716,782,016	820,398,898
Uncollectible accounts written off	344,791,467	349,496,365
Deferred interest receivable on loans overdue and in litigation, includes US\$30,806 at June 30, 2015 (Note 6)	294,395,838	251,070,826
Collections in foreign currency, equivalent to US\$25,359,270 (US\$26,039,689 at June 30, 2015) (Note 4)	159,362,723	163,638,611
Guarantees on collateral granted	136,155,696	130,734,456
Guarantees in foreign currency, equivalent to US\$24,719,452 (US\$19,604,895 at June 30, 2015)	155,341,978	123,201,079
Performance bonds from suppliers	50,934,690	-
Securities held by other financial institutions, includes US\$15,988,300 at June 30, 2015	87,820,438	100,473,675
Debt reconciling and written off items, includes US\$368,631 and €9,047 (US\$382,706 and €9,048 at June 30, 2015)	95,558,041	28,600,328
Personal and real property written off (Note 9)	17,690,536	17,690,536
Foreign currency purchases, equivalent to US\$1,374,314 (US\$508,065 and €1,000 at June 30, 2015) (Note 4)	8,636,462	3,199,786
Tax receivable	1,616,964	1,616,964
Currency awarded through SICAD, includes US\$37,594 (US\$121,000 at June 30, 2015)	236,250	760,390
Mortgage guarantees pending release	86,605	86,605
Foreign currency sales, equivalent to US\$1,374,313 (US\$508,065 and €1,000 at June 30, 2015) (Note 4)	(8,636,462)	(3,199,786)
Other	<u>2,291,630</u>	<u>2,337,921</u>
	<u>191,179,255,530</u>	<u>125,663,714,896</u>
	<u>204,317,822,274</u>	<u>133,981,452,967</u>

At December 31 and June 30, 2015, securities in custody of other financial institutions of Bs 87,820,438 and Bs 100,473,675, respectively, are held in Commerzbank, A.G.

At December 31, 2015, in accordance with the Accounting Manual, the Bank has set aside a general and specific provision for contingent debtor accounts of Bs 55,860,234 (Bs 25,134,423 at June 30, 2015), shown under accruals and other liabilities (Note 17).

Below is a breakdown of assets received in trust:

	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
		(In bolivars)
<b>Type of trust fund</b>		
Length-of-service benefits	3,220,027,299	2,396,375,210
Administration	335,127,314	455,000,440
Investment	<u>227,938,051</u>	<u>396,019,417</u>
	<u>3,783,092,664</u>	<u>3,247,395,067</u>

At December 31, 2015, combined trust fund assets include Bs 1,602,662,334 in respect of trust funds opened by government agencies, representing 42.36% of total assets received in trust (Bs 1,421,200,987, representing 43.76% at June 30, 2015).



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Combined trust fund accounts include the following balances, according to the financial statements of the trust:

	December 31, 2015	June 30, 2015
	(In bolivars)	
<b>Assets</b>		
Cash and due from banks (Note 13)	<u>285,869,067</u>	<u>133,631,523</u>
Investment securities	<u>1,924,823,580</u>	<u>1,906,877,729</u>
Loan portfolio	<u>1,508,161,034</u>	<u>1,176,033,397</u>
Loans and advances to beneficiaries of length-of-service benefits	1,458,646,357	1,148,064,665
Advances to beneficiaries of infrastructure works	59,508,560	27,968,732
Loans receivable	6,117	-
<b>Interest and commissions receivable</b>		
Interest receivable on investment securities	<u>32,395,430</u>	<u>30,852,412</u>
Other assets	<u>31,843,553</u>	<u>6</u>
<b>Total assets</b>	<b><u>3,783,092,664</u></b>	<b><u>3,247,395,067</u></b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Other liabilities	<u>7,327,659</u>	<u>6,295,507</u>
<b>Total liabilities</b>	<u>7,327,659</u>	<u>6,295,507</u>
<b>Equity</b>		
Capital assigned to trusts	3,584,328,348	3,109,099,781
Retained earnings	<u>191,436,657</u>	<u>131,999,779</u>
<b>Total equity</b>	<u>3,775,765,005</u>	<u>3,241,099,560</u>
<b>Total liabilities and equity</b>	<b><u>3,783,092,664</u></b>	<b><u>3,247,395,067</u></b>

At December 31 and June 30, 2015, cash and due from banks includes Bs 285,869,067 and Bs 133,631,523, respectively, related to funds received from trust fund operations that are managed through checking accounts with the Bank and are used to receive or pay all funds; they earn 6% annual interest (Note 13). During the six-month period ended December 31, 2015, the Bank's trust fund earned income of Bs 3,912,729 from cash and due from banks.

Investment securities included in trust fund accounts, recorded at amortized cost, comprise the following:

	December 31, 2015		
	Acquisition cost	Amortized cost	Fair value
	(In bolivars)		
<b>Securities issued or guaranteed by the Venezuelan government</b>			
Vebonos, with a par value of Bs 830,473,000, annual yield at between 10.28% and 16.65%, maturing between May 2016 and 2029	867,103,614	846,908,116	927,697,145 (1) (a)
Fixed Interest Bond (TIFs), with a par value of Bs 671,643,000, annual yield at between 9.88% and 18%, maturing between June 2016 and February 2030	<u>769,773,105</u>	<u>756,993,647</u>	<u>838,872,215</u> (1) (a)
	<u>1,636,876,719</u>	<u>1,603,901,763</u>	<u>1,766,569,360</u>
<b>Debt securities issued by Venezuelan non-financial private-sector companies</b>			
<b>Debenture bonds</b>			
Corporación Digitel, C.A., with a par value of Bs 90,284,000, annual yield at between 12.50% and 13.50%, maturing between November 2017 and 2018	90,436,840	90,359,320	90,284,000 (2) (b)
FVI Fondo de Valores Inmobiliarios, with a par value of Bs 20,000,000, 9.52% annual yield, maturing in September 2017	20,000,000	20,000,000	20,000,000 (2) (b)
Netuno, C.A., with a par value of Bs 5,000,000, 14% annual yield, maturing in January 2018	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u> (2) (b)
	<u>115,436,840</u>	<u>115,359,320</u>	<u>115,284,000</u>

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	<b>December 31, 2015</b>		
	<b>Acquisition cost</b>	<b>Amortized cost</b>	<b>Fair value</b>
<b>Debt securities issued by Venezuelan financial private-sector companies</b>			
Banco Occidental de Descuento, Banco Universal, with a par value of Bs 63,808,284, 14.5% annual yield, maturing in February 2016	63,808,284	63,808,285	63,808,284 (2) (c)
Banco Sofitasa Banco Universal, C.A., with a par value of Bs 41,754,212, 14.5% annual yield, maturing in January 2016	41,754,212	41,754,212	41,754,212 (2) (d)
Banco Venezolano de Crédito, C.A., Banco Universal, with a par value of Bs 50,000,000, 17% annual yield, maturing in January 2016	50,000,000	50,000,000	50,000,000 (2) (e)
Bancrecer S.A., Banco Microfinanciero, with a par value of Bs 50,000,000, 15.50% annual yield, maturing in February 2016	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u> (2) (f)
	<u>205,562,496</u>	<u>205,562,497</u>	<u>205,562,496</u>
	<u>1,957,876,055</u>	<u>1,924,823,580</u>	<u>2,087,415,856</u>
	<b>June 30, 2015</b>		
	<b>Acquisition cost</b>	<b>Amortized cost</b>	<b>Fair value</b>
		(In bolivars)	
<b>Securities issued or guaranteed by the Venezuelan government</b>			
Vebonos, with a par value of Bs 759,704,890, annual yield at between 9.53% and 16.96%, maturing between September 2015 and May 2029	880,145,698	864,425,829	928,473,234 (1) - (a)
Fixed Interest Bond (TIFs), with a par value of Bs 681,511,552, annual yield at between 9.88% and 18%, maturing between November 2015 and February 2030	<u>772,442,990</u>	<u>763,072,787</u>	<u>795,051,458</u> (1) - (a)
	<u>1,652,588,688</u>	<u>1,627,498,616</u>	<u>1,723,524,692</u>
<b>Debt securities issued by Venezuelan non-financial private-sector companies</b>			
<b>Debenture bonds</b>			
Corporación Digital, C.A., with a par value of Bs 90,284,000, annual yield at between 12.50% and 13%, maturing between November 2017 and 2018	90,436,840	90,379,113	90,284,000 (2) - (b)
FVI Fondo de Valores Inmobiliarios, with a par value of Bs 20,000,000, 9.81% annual yield, maturing in September 2017	20,000,000	20,000,000	20,000,000 (2) - (b)
Netuno, C.A., with a par value of Bs 5,000,000, 14% annual yield, maturing in January 2018	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u> (2) - (b)
	<u>115,436,840</u>	<u>115,379,113</u>	<u>115,284,000</u>
<b>Debt securities issued by Venezuelan financial private-sector companies</b>			
Banplus, C.A. Banco Universal, with a par value of Bs 50,000,000, 9% annual yield, maturing in July 2015	50,000,000	50,000,000	50,000,000 (2) - (c)
Bancrecer S.A., Banco Microfinanciero, with a par value of Bs 50,000,000, 14.50% annual yield, maturing in August 2015	50,000,000	50,000,000	50,000,000 (2) - (d)
Banco Activo, C.A., Banco Universal, with a par value of Bs 50,000,000, 14.50% annual yield, maturing in July 2015	50,000,000	50,000,000	50,000,000 (2) - (e)
Banco Sofitasa Banco Universal, C.A., with a par value of Bs 14,000,000, 8% annual yield, maturing in July 2015	<u>14,000,000</u>	<u>14,000,000</u>	<u>14,000,000</u> (2) - (f)
	<u>164,000,000</u>	<u>164,000,000</u>	<u>164,000,000</u>
	<u>1,932,025,528</u>	<u>1,906,877,729</u>	<u>2,002,808,692</u>

(1) Fair value determined from trading operations on the secondary market or from the present value of estimated future cash flows.

(2) Corresponds to par value, which is considered as fair market value.

**Custodians of investments**

- (a) Banco Central de Venezuela
- (b) Caja Venezolana de Valores
- (c) Banco Occidental de Descuento, Banco Universal
- (d) Banco Sofitasa, Banco Universal, C.A.
- (e) Venezolano de Crédito Banco Universal
- (f) Bancrecer, S.A. Banco Microfinanciero
- (g) Banplus, C.A. Banco Universal
- (h) Banco Activo, C.A. Banco Universal

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Below is the classification of investment securities according to maturity:

	<u>December 31, 2015</u>		<u>June 30, 2015</u>	
	<u>Amortized cost</u>	<u>Fair value</u>	<u>Amortized cost</u>	<u>Fair value</u>
	(In bolivars)			
Up to 6 months	235,190,920	237,589,996	167,696,947	167,827,020
6 months to 1 year	71,797,023	80,783,060	60,746,075	68,822,833
1 to 5 years	748,529,765	825,092,509	349,670,689	377,690,199
Over 5 years	<u>869,305,872</u>	<u>943,950,291</u>	<u>1,328,764,018</u>	<u>1,388,468,640</u>
	<u>1,924,823,580</u>	<u>2,087,415,856</u>	<u>1,906,877,729</u>	<u>2,002,808,692</u>

At December 31, 2015, interest receivable on investment securities amounts to Bs 32,395,430 (Bs 30,852,412 at June 30, 2015).

At December 31 and June 30, 2015, loans and advances to beneficiaries of the length-of-service benefit trust fund are in respect of loans and advances granted to employees guaranteed by their length-of-service benefits deposited in the trust fund. These interest-free and short-term loans are in respect of length-of-service benefit trust fund plans of public and private-sector companies.

At December 31, 2015, loans and advances to beneficiaries of the length-of-service benefit trust fund include Bs 129,149,077 (Bs 99,600,444 at June 30, 2015) from Bank employees; Bs 699,982,844 from private length-of-service benefit trust funds, and Bs 629,522,436 from government agencies (Bs 528,016,012 and Bs 520,448,209, respectively, at June 30, 2015).

At December 31 and June 30, 2015, fiduciary remuneration payable of Bs 3,571,562 and Bs 2,768,306, respectively, is included under other liabilities and relates to commissions payable to the Bank under the trust fund agreements signed between trustors and the Bank as trustee (Note 7). In addition, the commission paid by the trust fund and the trustors to the Bank during the six-month period ended December 31, 2015 amounted to Bs 20,850,341 (Bs 17,291,746 during the six-month period ended June 30, 2015) (Note 19).

At December 31, 2015, length-of-service benefit trust funds in favor of Bank employees amount to Bs 301,135,943 (Bs 233,481,122 at June 30, 2015).

The National Treasury Office published in Official Gazette No. 40,172 of May 22, 2013, Resolution No. 0010 "Administrative Ruling regulating the refund to the Treasury of amounts credited to trust funds set up by the Venezuelan government and its decentralized agencies that have been inactive for over four months." This Resolution establishes that bodies and agencies of the Venezuelan government that have set up trust funds with budgetary resources at public or private banks without having made the corresponding disbursements or payments for periods equal or over four months, with the exception of labor trust funds, shall refund to the National Treasury account both the trust fund capital and the dividends generated. At December 31 and June 30, 2015, the Venezuelan government or its decentralized agencies have not set up trust funds at the Bank.

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**Debtor accounts from other special trust services (Housing Loan System) and Housing Savings Fund**

Debtor accounts from other special trust services (Housing Loan System) and Housing Savings Fund comprise the following:

	December 31, 2015	June 30, 2015
	(In bolivars)	
<b>Assets</b>		
Cash and due from banks (Note 13)	3,047,103	1,877,745
Investment securities	1,376,407,819	1,113,702,397
Loan portfolio	174,026,502	182,093,161
Interest receivable	398,099	436,986
Other assets	<u>2</u>	<u>47,384</u>
Total assets	<u>1,553,879,525</u>	<u>1,298,157,673</u>
<b>Liabilities</b>		
Contributions to the Housing Savings Fund	1,268,676,999	1,017,111,768
Liabilities to BANAVIH	<u>238,521,124</u>	<u>238,525,716</u>
Total liabilities	<u>1,507,198,123</u>	<u>1,255,637,484</u>
Income	<u>46,681,402</u>	<u>42,520,189</u>
Total liabilities and income	<u>1,553,879,525</u>	<u>1,298,157,673</u>

Housing programs, direct subsidies, eligibility schemes, the Guarantee Fund and the Rescue Fund are subject to the Housing Loan Law. They are aimed mostly at families applying for housing loans through the Housing Mutual Fund. Financial institutions authorized by BANAHIV to act as financial operators receive monthly contributions from employers, employees and workers in the private and public sectors to be deposited in a Housing Mutual Fund account on behalf of each employee. These funds will be used to grant short and long-term mortgages for acquisition, construction or improvement of primary residences.

At December 31, 2015, the Bank has an investment trust in BANAVIH for Bs 1,376,407,819 (Bs 1,113,702,397 at June 30, 2015) in respect of funds from deposits under the Housing Loan Law collected and transferred by the Bank, shown as investment securities in conformity with the Accounting Manual.

According to the Housing Loan Law, monthly mortgage loan repayments will represent between 5% and 20% of the monthly family income. In addition, these loans will bear interest at the social interest rate set by the People's Power Ministry for Housing.

At December 31, 2015, the Bank has granted loans out of BANAVIH resources of Bs 174,026,502 (Bs 182,093,161 at June 30, 2015). These loans bear annual interest at between 4.66% and 8.55%.

At December 31, 2015, the Housing Savings Fund has 1,725 debtors (1,795 debtors at June 30, 2015).

During the six-month period ended December 31, 2015, the Bank recorded income of Bs 564,700 (Bs 545,896 during the six-month period ended June 30, 2015) from commissions charged to BANAVIH for the administration of resources related to the Mandatory Housing Savings Fund, shown under interest income.

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**23. Financial instruments with off-balance sheet risk**

**Credit-related financial instruments**

The Bank has outstanding commitments related to letters of credit, guarantees granted and lines of credit to meet the needs of its customers. Since many of its credit commitments may expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements. Commitments to extend credit, letters of credit and guarantees granted by the Bank are recorded under memorandum accounts.

**a) Guarantees granted**

After conducting a credit risk analysis, the Bank provides guarantees to certain customers within their line of credit; they are issued to a beneficiary who may execute the guarantee if the customer fails to comply with the terms of the agreement. At December 31 and June 30, 2015, these guarantees earned annual commissions of 1%. These commissions are recorded monthly while the guarantees are in force.

At December 31, 2015, Bank guarantees amount to Bs 580,060,140 (Bs 239,551,861 at June 30, 2015) (Note 22).

**b) Credit limits**

Credit limit contractual agreements are granted to customers subject to prior credit risk assessments and, if needed, obtention of any guarantee required by the Bank to cover risk for each customer. These agreements are for specific periods, provided that customers do not default on the terms set forth therein (Note 22). The Bank may exercise its option to cancel a credit commitment with a particular customer.

**c) Letters of credit**

Letters of credit usually mature within 90 days, and are renewable. They are generally issued to finance a trade agreement for the shipment of goods from a seller to a buyer. At December 31 and June 30, 2015, the Bank charged a commission of between 0.5% and 2% on the amount of letters of credit. Unused letters of credit at December 31, 2015 amount to Bs 5,795,413 (Bs 70,293,212 at June 30, 2015) (Note 22).

The Bank's exposure to credit loss in the event of noncompliance by customers with terms for extended credit, letters of credit and written guarantees is represented by the notional contractual amounts of these credit-related instruments. The credit policies applied by the Bank for these commitments are the same as those for granting loans.

In general, the Bank evaluates customer eligibility before granting credit. The amount of collateral provided, if required by the Bank, is based on customer credit assessment. The type of collateral varies, but may include accounts receivable, property and equipment and investment securities.

**24. Equity**

**a) Capital stock and authorized capital**

At December 31 and June 30, 2015, the Bank's paid-in capital amounts to Bs 1,321,930,372 and Bs 981,930,372, respectively, represented by 1,321,930,372 and 981,930,372 non-convertible common shares of the same class with a par value of Bs 1 each, fully subscribed and paid-in. The Bank complies with the minimum capital required under the current legislation.

At a Special Shareholders' Meeting on held March 26, 2014, the Board of Directors was authorized to increase capital by Bs 100,000,000 through the public offering of non-convertible common shares with a par value of Bs 1 at a premium. On July 8, 2014, upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-23218 authorizing the aforementioned capital increase. Through Resolution No. 096 of December 3, 2014, the SNV authorized the public offering and listing of shares in the National Securities Registry. In February 2015 all shares for a total of Bs 100,000,000 were

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placed and capital was increased. During the six-month periods ended June 30, 2015, the Bank received contributions in this connection from its shareholders for Bs 190,192,227, shown under contributions pending capitalization. Through Notice SIB-II-GGR-GA-11285 of April 8, 2015, SUDEBAN authorized the Bank to register the meeting minute with the Mercantile Registry.

At a Regular Shareholders' Meeting held on March 26, 2014, it was resolved to declare and pay dividends, and to increase capital to up to Bs 150,000,000 as stock dividends with a charge to restricted surplus. On October 30, 2014, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-37384 authorizing the aforementioned capital increase. On July 8, 2015, the Bank received from the SNV Resolution No. 038 of June 4, 2015 authorizing the public offering and listing of shares in the National Securities Registry.

At a Regular Shareholders' Meeting held on September 24, 2014, it was resolved to declare and pay dividends, and to increase capital to up to Bs 190,000,000 as stock dividends with a charge to restricted surplus. On June 16, 2015, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-19530 authorizing the aforementioned capital increase. Through Resolution No. 056 of September 8, 2015, the SNV authorized the public offering and listing of shares in the National Securities Registry.

At a Regular Shareholders' Meeting held on March 25, 2015, it was resolved to declare and pay dividends, and to increase capital to up to Bs 300,000,000 as stock dividends with a charge to restricted surplus. On October 20, 2015, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-33311 authorizing the aforementioned capital increase. Through Resolution No. 010/2016 of February 15, 2016, the SNV authorized the public offering and listing of shares in the National Securities Registry.

At a Special Shareholders' Meeting on March 25, 2015, it was resolved to increase capital to up to Bs 400,000,000, through the public offering of non-convertible common shares with a par value of Bs 1 at a premium. On October 5, 2015, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-32006 authorizing the capital increase. To date, the Bank is awaiting approval from the SNV. On November 18, 2015, through Notice DSNV-CJU-3250, the SNV issued a statement and clarification in response to the Bank's request and allowed the reception of the voluntary contributions made by the shareholders before receiving its authorization. At December 31, 2015, the Bank received contributions in this connection from its shareholders for Bs 2,929,106,906, shown under contributions pending capitalization.

At a Regular Shareholders' Meeting held on September 28, 2015, it was resolved to declare and pay dividends, and to increase capital to up to Bs 450,000,000 as stock dividends with a charge to restricted surplus. To date, the Bank is awaiting approval from SUDEBAN and the SNV.

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Shares subscribed by shareholders for the six-month periods ended December 31 and June 30, 2015 are identified as non-convertible common shares as follows:

	<u>December 31, 2015</u>		<u>June 30, 2015</u>	
	<u>Number of shares</u>	<u>Equity %</u>	<u>Number of shares</u>	<u>Equity %</u>
<b>Shareholders</b>				
Nogueroles García, Jorge Luis	127,816,761	9.6689	94,942,340	9.6689
Nogueroles López, José María	84,976,847	6.4282	63,120,835	6.4282
Halabi Harb, Anuar	77,135,436	5.8351	57,296,232	5.8351
Valores Torre Casa, C.A.	71,085,355	5.3774	43,899,480	4.4707
Alintio Internacional, S.L.	65,390,720	4.9466	48,572,252	4.9466
Curbelo Pérez, Juan Ramón	52,140,097	3.9442	38,729,684	3.9442
Zasuma Inversiones, C.A.	50,717,265	3.8366	37,672,804	3.8366
De Guruceaga López, Gonzalo Francisco	50,085,993	3.7889	39,246,596	3.9969
Inversiones Clatal, C.A.	42,010,685	3.1780	31,205,553	3.1780
Tamayo Degwitz, Carlos Enrique	26,700,915	2.0198	19,833,450	2.0198
García Arroyo, Sagrario	26,301,138	1.9896	19,536,496	1.9896
Puig Miret, Jaime	24,831,526	1.8784	20,922,462	2.1307
Inversiones Tosuman, C.A.	24,593,827	1.8604	18,268,304	1.8604
Teleacción A.C., C.A.	24,593,816	1.8604	18,268,297	1.8604
Sucesión Talayero Tamayo, Alvaro José	24,357,839	1.8426	36,186,026	3.6852
Kozma Ingenuo, Alejandro Nicolás	20,770,332	1.5712	15,428,211	1.5712
Kozma Ingenuo, Carolina María	20,770,332	1.5712	15,428,211	1.5712
Kozma Solymosy, Nicolás A.	20,005,232	1.5133	14,859,894	1.5133
Consorcio Toyomarca, S.A. (Toyomarca, S.A.)	18,391,783	1.3913	13,661,424	1.3913
Osio Montiel, Carmen Inés	16,440,278	1.2437	655,476	0.0668
Herrera de la Sota, Mercedes de la Concepción	15,073,173	1.1402	11,196,359	1.1402
Mouada, Chaar Chaar	15,016,337	1.1359	11,154,142	1.1359
Inversiones Fernandez, S.A.	14,535,743	1.0996	10,459,834	1.0652
Nogueroles García, María Montserrat	14,514,188	1.0980	10,781,145	1.0980
Benacerraf Herrera, Andrés Gonzalo	13,792,323	1.0433	10,244,944	1.0433
Benacerraf Herrera, Mercedes Cecilia	13,792,323	1.0433	10,244,944	1.0433
Benacerraf Herrera, Jorge Fortunato	13,776,168	1.0421	10,232,944	1.0421
Inversora Diariveca, C.A.	13,634,293	1.0314	10,127,558	1.0314
Somoza Mosquera, David	13,110,218	0.9917	9,738,275	0.9917
Eurobuilding Internacional, C.A.	12,477,799	0.9439	9,268,514	0.9439
D'Alessandro Bello, Nicolas Gerardo	12,235,803	0.9256	9,088,761	0.9256
Cedeño, Eligio	11,614,913	0.8786	8,627,562	0.8786
Inversiones Grial, C.A.	11,397,448	0.8622	1,702,626	0.1734
Industria Venezolana Maicera Pronutricos, C.A.	9,537,426	0.7215	7,084,405	0.7215
Ponte Sucre, Gonzalo Luis	9,495,805	0.7183	7,053,488	0.7183
Others	<u>258,810,235</u>	<u>19.5786</u>	<u>197,190,844</u>	<u>20.0825</u>
	<u>1,321,930,372</u>	<u>100.0000</u>	<u>981,930,372</u>	<u>100.0000</u>

**b) Capital reserves and retained earnings**

Based on the provisions set out in its bylaws and the Law on Banking Sector Institutions, the Bank makes an appropriation to the legal reserve every six months equivalent to 20% of its biannual net income until the reserve reaches 50% of its capital stock. Once the legal reserve reaches this amount, the Bank's appropriation to the legal reserve will be 10% of its biannual net income until the reserve covers 100% of its capital stock.

At December 31 and June 30, 2015, capital reserves include Bs 996,124 in respect of voluntary reserves.

Through Notice SIB-II-GGIBPV-GIBPV2-07778 issued on March 30, 2011, SUDEBAN informed the Bank that results generated by Branch operations should be considered restricted surplus. During the six-month period ended December 31, 2015, the Bank reclassified Branch loss of Bs 12,440,177, corresponding to Branch results for the six-month period then ended (loss of Bs 3,955,317 corresponding to Branch results for the six-month period ended on June 30, 2015).

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Resolution No. 305.11 issued by SUDEBAN on December 14, 2011 was published in Official Gazette No. 39,820 on December 14, 2011. This Resolution relates to the "Regulations Governing the Social Contingency Fund" and establishes the guidelines to account for the social fund, in conformity with Article No. 45 of the Law on Banking Sector Institutions.

On March 23, 2012, the Bank created the social fund through an investment trust fund with Banco Exterior, C.A. Banco Universal, in conformity with Resolution No. 305.11. The Bank made the respective accounting entries with a charge to restricted investments (Note 5-d) and a credit to cash maintained with the BCV.

At December 31, 2015, the Bank recorded the social contingency fund of Bs 8,084,253, which includes capital and interest (Bs 5,708,001 at June 30, 2015) with a charge to unappropriated surplus and a credit to capital reserves. On January 13, 2016, the Bank transferred Bs 6,609,652 (Bs 4,409,652 on July 10, 2015 during the six-month period ended June 30, 2015) to the investment trust fund with Banco Exterior and made the accounting record with a debit to restricted investments and a credit to cash maintained at the BCV.

In compliance with SUDEBAN Resolution No. 329.99, during the six-month period ended December 31, 2015, the Bank reclassified Bs 550,503,419 (Bs 425,425,796 at June 30, 2015) to restricted surplus, equivalent to 50% of income for the six-month period, net of appropriations to reserves and Branch income. At December 31 and June 30, 2015, restricted surplus amounts to Bs 1,450,648,885 and Bs 1,240,145,466, respectively. These amounts may be used for capital stock increase, but not for cash dividend distribution.

Below is the movement in restricted surplus balances:

	<b>Resolution No. 329.99</b>
	(In bolivars)
Balance at December 31, 2014	814,719,670
Appropriation of 50% of income for the period	<u>425,425,796</u>
Balance at June 30, 2015	1,240,145,466
Capital increase through decree of dividends	(340,000,000)
Appropriation of 50% of income for the period	<u>550,503,419</u>
Balance at June 30, 2015	<u>1,450,648,885</u>

**c) Exchange gain from holding foreign currency assets and liabilities**

Exchange gain from holding foreign currency assets and liabilities at December 31 and June 30, 2015 comprises the following:

	(In bolivars)
Balance at December 31, 2014	1,107,258,629
Net gain on sale of foreign currency assets through SIMADI (Notes 3 and 5)	<u>1,234,785,193</u>
Balance at June 30, 2015	2,342,043,822
Net gain on sale of foreign currency assets through SIMADI (Notes 3 and 5)	<u>509,056,750</u>
Balance at December 31, 2015	<u>2,851,100,572</u>

Through Resolution No. 048.14 of April 1, 2014, SUDEBAN established the rules to record net benefits obtained by financial institutions from transactions as bidders in SIMADI (SICAD II until February 10, 2015). These benefits shall be recorded in equity under exchange gain from holding foreign currency assets and liabilities.



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**d) Risk-based capital ratio**

Through Resolution No. 305.09 of July 2009, SUDEBAN establishes the following in connection with total risk-based capital ratio: a) contributions pending capitalization and Treasury stock are considered as primary equity (Tier 1); b) goodwill and investments in Venezuelan financial subsidiaries or affiliates must be deducted from the primary equity (Tier 1); and c) 50% of pending cash items, overnight deposits and deposits and credits related to microcredits, agriculture, manufacturing and tourism activities must be included into the risk category. Furthermore, this Resolution establishes a new 75% risk weighting applicable to overnight deposits in local currency.

Through Circular SIB-II-GGR-GNP-25578 of July 31, 2013, SUDEBAN established that transactions conducted through SICAD should be recorded in the Accounting Manual for Banks, Other Financial Institutions and Savings and Loan Institutions (hereinafter Accounting Manual) and informed that SICAD balances will not be considered to calculate the accounting capital adequacy ratio.

Through Resolution No. 117.14 of August 9, 2014, SUDEBAN established that banking institutions should maintain the capital to risk asset ratio provided in Article No. 6 of Resolution No. 305.09 dated July 9, 2009 in no less than 9%.

Through Circular SIB-II-GGR-GNP-11290 of April 9, 2015, SUDEBAN establishes in connection with guidelines for determining equity to total assets and contingent operations ratio that private banks are allowed to exclude from total assets 50% of the legal reserve balances maintained at each month closing. Through Circular SIB-II-GGR-GNP-33498 of October 22, 2015, SUDEBAN allowed the exclusion from total assets of legal reserve balances maintained.

At December 31 and June 30, 2015, the minimum total risk-based capital and equity-to-total assets will be 12% and 9%, respectively.

At December 31 and June 30, 2015, the Bank calculates the total risk-based capital ratio and capital to risk asset ratio in conformity with current regulations.

Ratios required and maintained by the Bank, in accordance with SUDEBAN rules, have been calculated based on its published financial statements, as indicated below:

	<u>December 31, 2015</u>		<u>June 30, 2015</u>	
	<u>Required</u>	<u>Required</u>	<u>Required</u>	<u>Maintained</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Total risk-based capital	12	13.85	12	13.51
Equity-to-total assets	9	11.11	9	9.40

**25. Balances and transactions with related companies**

In the ordinary course of business, the Bank conducts commercial transactions with related companies. Because of those relationships, certain transactions may have taken place on terms other than those that would characterize transactions between unrelated companies.

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A breakdown of the Bank's balances and transactions with its related company Caracas International Banking Corporation is provided below:

	December 31, 2015	June 30, 2015
	(In bolivars)	
<b>Assets</b>		
Cash and due from banks		
Foreign and correspondent banks, equivalent to US\$34,102 (US\$43,047 at June 30, 2015)	<u>214,306</u>	<u>270,513</u>
<b>Liabilities</b>		
Borrowings (Note 14)		
Interest-bearing checking accounts, with 0.25% annual interest	<u>941,855</u>	<u>318,480</u>
<b>Expenses for the period</b>		
Interest expense		
Expenses from borrowings	<u>2,357</u>	<u>1,163</u>

**26. Social Bank Deposit Protection Fund**

The Social Bank Deposit Protection Fund (FOGADE), among other things, aims to guarantee customer deposits with Venezuelan financial institutions up to a given amount per depositor.

The Law on Banking Sector Institutions requires private banks regulated by this Law to pay a special fee to support SUDEBAN operations.

The biannual fee is equivalent to 0.75% of the total amount of customer deposits at the end of each semester prior to the payment date, calculated in accordance with instructions issued by FOGADE and paid to FOGADE through monthly premiums equivalent to one-sixth of 0.75%. This fee is shown under operating expenses.

**27. Special fee paid to the Superintendency of Banking Sector Institutions**

The Law on Banking Sector Institutions requires Venezuelan banks and financial institutions regulated by this Law to pay a special fee to support SUDEBAN operations.

At December 31 and June 30, 2015, the biannual fee is 0.08% of the average of the Bank's assets; it is payable monthly. This fee is shown under operating expenses.

**28. Legal reserve**

The Law on Banking Sector Institutions requires financial institutions to maintain a minimum legal reserve deposit and the BCV is in charge of monitoring compliance, setting the legal reserve rate and the rules for its constitution, as well as imposing sanctions for noncompliance.

Accordingly, through Resolution No. 14-03-02 of March 13, 2014, the BCV requires financial institutions to maintain a minimum legal reserve deposit at the BCV equal to a percentage of their placements, deposits, liabilities and investments assigned, excluding liabilities with the BCV, FOGADE and other financial institutions; liabilities arising from funds received from the Venezuelan government, local or foreign entities to finance special programs in the country (once these funds have been allocated); liabilities arising from funds received from financial institutions to finance and promote exports as required by Law (once these funds have been allocated); and liabilities in foreign currency resulting from its offices abroad and those resulting from transactions with other banks and financial institutions for which the latter have, in turn, created a reserve pursuant to the legal reserve regulations. Liabilities arising from resources provided by Mandatory Housing Savings Funds required under the Venezuelan Housing Loan Law and managed by financial institutions in trust funds will not be computed. In addition,

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through Resolutions No. 12-05-02 and No. 13-04-01 published in Official Gazettes No. 39,933 and No. 40,155 on May 29, 2012 and on April 26, 2013, respectively, the BCV reduced the legal reserve amount to be allocated by financial institutions that purchased dematerialized certificates of participation issued by the Simón Bolívar Fund by the balance of such certificates. For the six-month periods ended December 31 and June 30, 2015, the Bank maintains Bs 2,527,496,606 and Bs 643,606,134, respectively, in this connection (Note 5-b).

The legal reserve must be maintained in legal tender, regardless of the currency of the transactions from which it originated (Note 3).

**29. Contingencies**

At December 31, 2015, the Bank is defendant in the following legal proceedings:

**Labor**

The Bank has received legal claims from individuals in respect of length-of-service and other labor-related benefits amounting to Bs 58,700,846 and Bs 59,603,892 at December 31 and June 30, 2015, respectively. In the opinion of Bank management and its external legal advisors, these claims are not well grounded in law and, therefore, should not have a material adverse effect on the Bank's financial position and results of operations.

Bank management and its legal advisors believe that most of these assessments are not well grounded in law and, consequently, that the outcome of these claims will be favorable to the Bank. At December 31 and June 30, 2015, the Bank has set aside no provision in this connection.

Except for the aforementioned assessments, management is not aware of any other pending tax, labor or other claim that may have a significant effect on the Bank's financial position or result of operations.

**30. Maturity of financial assets and liabilities**

Below is a breakdown of the estimated maturity of financial assets and liabilities:

	December 31, 2015							Total
	Maturity							
	June 30, 2016	December 31, 2016	June 30, 2017	December 31, 2017	June 30, 2018	December 31, 2018	Beyond December 2018	
	(In bolivars)							
<b>Assets</b>								
Cash and due from banks	48,978,708,814	-	-	-	-	-	-	48,978,708,814
Investment securities	976,799,229	464,294,667	1,269,627,043	164,358,830	1,103,528,885	225,728,093	14,905,536,294	19,109,873,041
Loan portfolio	53,308,514,425	13,424,393,503	3,028,102,383	5,538,437,253	3,343,983,247	2,644,369,007	6,136,370,125	87,424,169,943
Interest and commissions receivable	995,416,022	-	-	-	-	-	-	995,416,022
	<u>104,259,438,490</u>	<u>13,888,688,170</u>	<u>4,297,729,426</u>	<u>5,702,796,083</u>	<u>4,447,512,132</u>	<u>2,870,097,100</u>	<u>21,041,906,419</u>	<u>156,508,167,820</u>
<b>Liabilities</b>								
Customer deposits	147,269,560,754	34,900,456	-	-	-	-	-	147,304,461,210
Borrowings	161,610,575	-	-	-	-	-	-	161,610,575
Interest and commissions payable	228,819,648	-	-	-	-	-	-	228,819,648
	<u>147,659,990,977</u>	<u>34,900,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,694,891,433</u>

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	June 30, 2015							Total
	Maturity							
	December 31, 2015	June 30, 2016	December 31, 2016	June 30, 2017	December 31, 2017	June 30, 2018	Beyond June 2018	
	(In bolivars)							
<b>Assets</b>								
Cash and due from banks	30,283,353,297	-	-	-	-	-	-	30,283,353,297
Investment securities	694,140,591	888,009,220	455,343,400	648,589,363	186,687,051	1,286,018,419	10,978,362,188	15,137,150,232
Loan portfolio	33,403,747,560	7,670,059,765	2,775,006,593	2,218,367,347	1,939,349,730	3,414,369,446	6,588,723,757	58,009,624,198
Interest and commissions receivable	714,673,423	-	-	-	-	-	-	714,673,423
	<u>65,095,914,871</u>	<u>8,558,068,985</u>	<u>3,230,349,993</u>	<u>2,866,956,710</u>	<u>2,126,036,781</u>	<u>4,700,387,865</u>	<u>17,567,085,945</u>	<u>104,144,801,150</u>
<b>Liabilities</b>								
Customer deposits	97,360,759,707	99,281,992	-	-	-	-	-	97,460,041,699
Borrowings	62,564,582	-	-	-	-	-	-	62,564,582
Liabilities from financial intermediation	1,858,539	-	-	-	-	-	-	1,858,539
Interest and commissions payable	88,322,572	-	-	-	-	-	-	88,322,572
	<u>97,513,505,400</u>	<u>99,281,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,612,787,392</u>

**31. Fair value of financial instruments**

The estimated fair value of the Bank's financial instruments, their book value, and the main assumptions and methodology used to estimate their fair values are shown below:

	December 31, 2015		June 30, 2015	
	Book value	Estimated fair value	Book value	Estimated fair value
	(In bolivars)			
<b>Assets</b>				
Cash and due from banks	48,978,708,814	48,978,708,814	30,283,353,297	30,283,353,297
Investment securities, net	19,109,773,041	19,313,216,022	15,137,050,232	15,263,779,312
Loan portfolio, net	85,608,576,524	85,608,576,524	56,845,590,390	56,845,590,390
Interest and commissions receivable, net	986,026,273	986,026,273	709,085,372	709,085,372
	<u>154,683,084,652</u>	<u>154,886,527,633</u>	<u>102,975,079,291</u>	<u>103,101,808,371</u>
<b>Liabilities</b>				
Customer deposits	147,304,461,210	147,304,461,210	97,460,041,699	97,460,041,699
Borrowings	228,819,648	228,819,648	62,564,582	62,564,582
Other liabilities from financial intermediation	-	-	1,858,539	1,858,539
Interest and commissions payable	161,610,575	161,610,575	88,322,572	88,322,572
	<u>147,694,891,433</u>	<u>147,694,891,433</u>	<u>97,612,787,392</u>	<u>97,612,787,392</u>

**Short-term financial instruments**

Short-term financial instruments, both assets and liabilities, are shown in the balance sheet at book value, which does not significantly differ from fair value due to their short-term maturity. These instruments include cash and due from banks, customer deposits with no fixed maturity and short-term maturity, short-term borrowings, other liabilities from financial intermediation with short-term maturity, and interest receivable and payable.

**Investment securities**

The fair value of investments in available-for-sale and held-to-maturity securities was determined using quoted market prices, reference prices determined from trading operations on the secondary market, the present value of estimated future cash flows and quoted market prices of financial instruments with similar characteristics (Note 5)-a and b. Investments in other securities are shown at par value, which is considered as fair value (Note 5-e). The equivalent fair value in bolivars of securities in foreign currency is calculated using the official exchange rate.

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**Loan portfolio**

The Bank's loan portfolio earns interest at variable rates that are reviewed regularly. In addition, allowances are made for loans with some risk of recovery. Therefore, in management's opinion, the book value of the loan portfolio approximates its fair value.

**Customer deposits and long-term liabilities**

Customer deposits and long-term liabilities bear interest at variable rates, which are reviewed regularly. Therefore, management considers fair value to be equivalent to book value.

**32. Legally established limits for loans and investments**

At December 31 and June 30, 2015, the Bank does not have loans with debtors that individually exceed 10% of its equity or with economic groups exceeding 20% of the Bank's equity, and does not maintain investments or loans exceeding the limits established in the Law on Banking Sector Institutions.