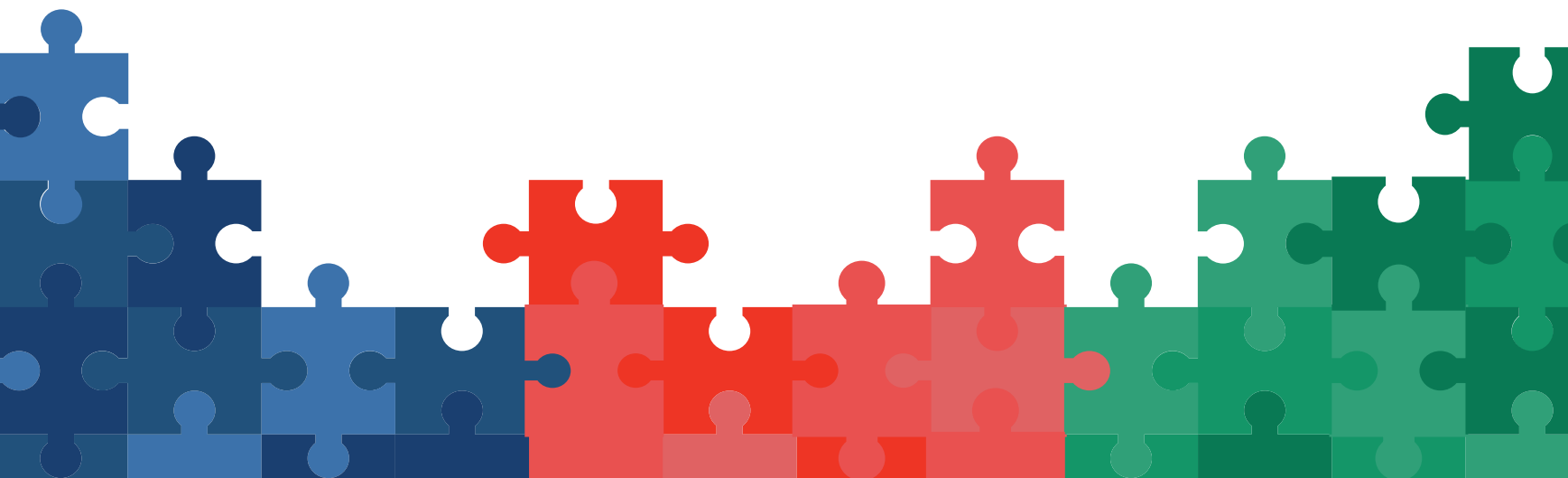


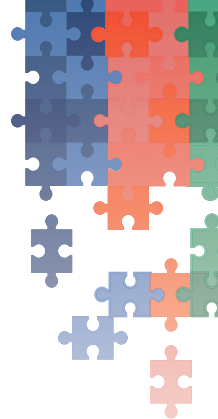
# 2018

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## Financial Report Second Half







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# FINANCIAL ECONOMIC BALANCE

## SECOND HALF 2018

We are pleased to offer in these pages a brief summary of the results achieved by the Bank in the second semester of 2018. This has been a very difficult year and it has imposed important challenges for our institution. The Bank has faced an economic environment characterized by constant changes during the analyzed period.

We have ended the second half of 2018 with excellent news; we have become the first private bank in Venezuela. Our total assets accounted for VES 222.7 billion. We have reached this goal through the commitment, talent and shared vision of our collaborators, as well as the trust of our clients and the constant support of our shareholders.

We aim at putting into practice the value of transparency, which have always distinguished the so-called Citizens Banesco. We are pleased to inform you the results of our operations in the second semester of 2018, among which we must highlight the granting of 1,281,984 credits, exceeding the amount liquidated, in previous period, in more than 96,261 loans (+8.1%). Thus, our gross portfolio registered the highest growth in absolute terms of the entire financial system: it accounted for VES 74.66 billion. This figures amounted to 17.13% of share within the total assets belonging to the financial system. These results put the Bank in the first place of the national market.

The contribution of the shareholders in the analyzed period has strengthened the Bank's patrimony, achieving an equity rate that totaled VES 18.54 billion. This figure amounts to a growth of 9,822.1% if compared with the previous semester. The Bank has reached a capital adequacy ratio of 23.20%, higher than the minimum required (12.00%).

Banesco aims at deepening its digital transformation process; we have made significant investments to strengthen our platforms, adapting them to the new and multiple needs of our clients.

Our clients had enjoyed a wide variety of electronic and digital channels, as well as an extensive network of agencies to carry out all their financial transactions: 328 points of service, 1,113 ATMs, 109,395 Points of Sale, through which over 2,836,000 transactions were processed.

After 2018, we are even more convinced that we have found our formula of success: we aim at working with high standards of performance and quality to achieve the highest profitability within the business and the well-being of our stakeholders. We want to offer the best benefits for our collaborators, as well as the people who have chosen Banesco as their provider of financial services. We want to serve the society to which we belong.

We are proud to have destined VES 141.91 billion to projects and activities with great social impact. 98.60% of these investments were directed to programs that strengthen the life quality of the Citizens Banesco and their families.

This year we will continue allocating resources for health and education programs for the Venezuelan people, through the support of a large number of projects promoted by social organizations. Eight projects, structured on the basis of participatory budget, were implemented in the states of Nueva Esparta, Zulia, Táchira, Carabobo, Lara, Anzoátegui and the Federal District of Caracas. The promoted projects were based essentially on welfare services oriented towards the most vulnerable sectors, especially children and old people.

This detailed report expresses the commitment, perseverance and determination of Banesco to participate as key factor in the growth of the country. We devote our dedication to our clients, human capital and the Venezuelan society in general. Banesco is focused on offering the most innovative financial services to its clients. The Bank develops new financial products for its clients to insert them in the current social dynamics through the use of the most recent technological innovations. Banesco wants to provide the most valuable attention to its clients in order to guarantee its well-being.

**JOSÉ GRASSO VECCHIO**

**Executive Chairman Banesco Banco Universal, C.A.**





## THE VENEZUELAN ECONOMY DURING THE SECOND SEMESTER OF 2018

According to the Monthly Report of the Organization of Petroleum Exporting Countries (OPEC) for January 2019, the Venezuelan oil production registered an average of 1,516,000 barrels per day in 2018, which represents a decrease of 519,000 barrels per day (-25.5%) if compared to 2017. However, the sanctions imposed on Iran by the United States and the sustained implementation of the production cuts policy agreed by the OPEC and other producers, including Russia, boosted the crude oil prices. For all the above causes, the average price of the Venezuelan crude basket accounted for 61.41 USD/VES, which resulted in an increase of 14.75 USD/VES if compared to 2017.

The International Reserves closed for the end of 2018 at USD 8,833 million. This figure accounts for a decrease of 8.6% (USD 832 million) regarding 2017 and an increase of 1.59% (138,000,000) if compared to the first semester of the year.

New adjustments were applied in the exchange policy during the fiscal year 2018: the preferential exchange rate DIPRO (equivalent to VEF 10.00) was eliminated and replaced by two new exchange conventions. The Convention 39, in force since January 26, 2018, regulates the auctions of the Complementary Floating Foreign Exchange Rate (DICOM, for its acronym in Spanish); the Convention No. 1, in force since September 7, 2018, regulates a new exchange scheme, which consisted of three weekly dollars' auctions who took place since August 20, 2018. The auction's initial exchange rate was fixed at 60.00 VES/USD and it was gradually depreciating until it reached 636.58 VES/USD at the end of the year. Under this mechanism, 78 auctions were done in 2018, which granted USD 189.43 million. Only in the second semester, an amount equivalent to USD 170.25 million awarded through this system.

In addition to the exchange measures, the National Executive, as enshrined in the Official Gazette No. 41464, issued on August 21, 2018, has increased the Value Added Tax (VAT) rate from 12% to 16%. It was also implemented a declaration in advance of the VAT (weekly) rate and the income taxes (biweekly) for special taxpayers. It was implemented an adjustment in the Tax on Large Financial Transactions (IGTF, for its acronym in Spanish), which was fixed at 2% since the month of November. By means of this policy, the 2018 tax collection process accounted for VES 90,164 million. It has to be pointed out that 56.10% of those fiscal resources came from VAT collection.



The fiscal policy, implemented by the government, has remained expansive, driven by constant increases in the minimum wage (a total of six during 2018). The minimum wage rate has passed from VES 1.78 at the close of 2017 to VES 4,500.00 in 2018. Besides, the compensatory social bonus led to a growth in the monetary liquidity of 63,257.3% in 2018. As of December 2018, the monetary liquidity amounted to VES 804.95 billion.

Within the framework of the monetary policy, which is focused on restraining the liquidity expansion, the Central bank of Venezuela (BCV, by its acronym in Spanish), through Resolution 18-08-01 issued on August 28, has established the creation of special legal reserve, which imposed that the banking system must keep deposited 100% of its surplus reserves, as of August 31st, 2018, in the Central Bank. Subsequently, under Resolution 18-10-01, the norms for the constitution of the special legal reserves were modified: since October 22nd, 2018, the banking institutions must keep a minimum legal reserve estimated at 31% of its statutory reserve basis against net liabilities as of September 28th, 2018 and 40% over the margin balance.

On November 30th, 2018, through Resolutions 18-11-02 and 18-11-03, the margin balance legal reserve was again increased, from 40% to 50%, and the special reserve was adjusted, reducing the surplus that banks must keep deposited from 100% to 80%, and modifying the resolution issued on August 31st, 2018.

The issuing entity policy had as a result that in the month of December the surplus reserves have closed at VES 26.46 billion, accounting for 1.48% of the deposits kept by the banking system for the end of the year.

In this context, during the month of December, an amount equivalent to VES 113.06 billion was traded in the overnight market at an average rate of 9.95%, being 24.0% the highest rate observed during this month.



# THE VENEZUELAN ECONOMY DURING THE SECOND SEMESTER OF 2018

## The Venezuelan Banking System

The Venezuelan financial system have closed the fiscal exercise corresponding to 2018 with 30 banking institutions: 23 banks of private capital and 7 institutions property of the State. 76.7% of these institutions belong to the universal bank segment.

At the closure of November 2018 (last data available), the national banking system was formed by 3,408 banking offices, 55,922 workers, 6,726 ATMs and 401,708 Points of Sale.

The results of the system denote a balance with important growths, observing a balance of public deposits estimated at VES 1.49 trillion, having registered a growth estimated at VES 1,47 trillion (6,708%) in the second semester, mainly associated to the exchange convention accounts expansion, which totaled 61,384%. This growth is a consequence derived from the adjustment implemented in the DICOM exchange rate, which during the period increased from 1.15 VES/USD to 636.58 VES/USD. If the exchange convention accounts are excluded, the public deposits growth, after the closure of the first semester, amounted to VES 879.1 billion (4,182%).

The banking system's assets have registered a similar behavior, reaching as of December 31st, 2018 a sum that accounted for VES 4.63 trillion. In the last six months, there was a noticeable increase, which amounted to VES 4.6 trillion, which represented a variation of 14,778%. These results are mainly associated with investments in securities, which have had a variation of VES 2.93 trillion (44,970%), driven by securities issued in foreign currency that have experienced significant adjustments due to the variation on the exchange rate.

The liquid assets, at the close of 2018, accounted for VES 815.9 billion, registering an increase of 7,611% in the second half of the year, derived mainly from the increase in the volume of funds and deposits held in the BCV (VES 395 billion), as a result of higher reserve requirements. As well as other item lines in foreign currency assets, the account banks and correspondents abroad have also showed a growth of VES 315.20 billion in the second semester by the adjustments made in the exchange rate (66,541%).

The credits, on the other hand, have showed a biannual growth of VES 462.10 billion (3,750%) at the closure of the fiscal year. The total gross portfolio amounted to VES 474.50 billion. However, there was a significant decrease in the economic weight represented in the total assets, which went from 38.7% in June

to 9.7% in December 2018. This behavior could be explained by the aforementioned increase in investments done in securities values and liquid assets. Thus, the credit intermediation index, which measures the relation between the credit portfolio and the public deposited, was placed at 30.15%. If the public deposits of the exchange convention accounts are excluded, the credit intermediation would be placed at 50.09%, showing a decrease of 7.25 percentage points in the second semester of 2018.

The bank kept supporting the development of the economic activities in the country. It must be highlighted an increase of 2,480% in the accumulated agriculture portfolio during the second half of 2018. The credit granted to this economic sector amounted to VES 39.9 billion. It was also observed an increase on the microcredits, which have had a bi-annual variation of 2,284%. This portfolio accounted for VES 11.9 billion. The loans granted to the manufacturing sector, meanwhile, have showed an increase of 2,030%, which amounted to VES 10.8 billion.

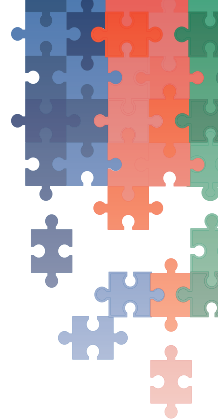
During the second half of the year, there was a significant strengthening on the net worth, which accounted for 26,739%. The total assets amounted to VES 956.7 billion for the month of December of 2018. These variations are driven by the adjustments on the equity stock as a result of the revaluation of the asset items in foreign currency and the non-capitalized contributions made by some banks that have added VES 2 billion in the second semester of 2018.

Analyzing the income results of the Venezuelan financial system, it is observed that in the second half of 2018, there was a gross financial margin equal to VES 34.1 billion, which represents an increase of 4,286% if compared to the first half of the year. This is mainly due to the expansion registered by revenues derived from credit operations.

Processing costs, on the other hand, have maintained their upward trend, with a variation of 8.335%, which accounted for VES 25.9 billion in the second half of 2018. This result is attributable essentially to the increase experienced by staff costs (8,879%), which were due to salary adjustments decreed by the government, as well as administrative expenses (7,879%).

In view of the above, the financial system has reached a result equivalent to VES 20.9 billion the second semester of 2018. The banking institutions have kept adequate management indicators. It could be highlighted the following: a default rate in credits of 1.34%, an Average Return on Assets (ROA) of 3.56% and Return on Equity (ROE) equivalent to 17.21%.





## BANESCO BANCO UNIVERSAL DURING THE SECOND SEMESTER OF 2018

BanESCO has ended this period as the first private bank of the country. Its assets totaled VES 222.17 billion, after experiencing a growth of VES 217.85 billion (4,480.2%) if compared with the previous semester. In the last twelve months, there was an increase, which accounted for VES 222.4 billion (72,237.6%).

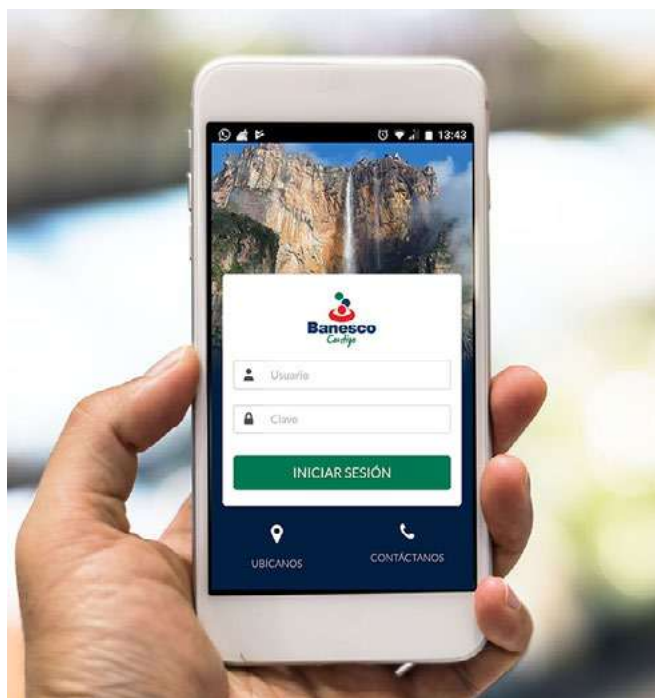
BanESCO has ended the year having the biggest portion of the gross loan portfolio of the national financial system, which accounted for VES 74.66 billion and a market participation quota of 17.13%. Consolidated as the primary Bank for the financing of productive activity during the second half of 2018, we have liquidated more than 1,280,000 loans nationwide, which allowed us to reflect an intermediation coefficient of 46.07%, with a portfolio of excellent quality (a default rate of 0.0003%) and a wide coverage for financial fixed assets (571.602%).

The above results are the product of the constant effort driven by BanESCO with the purpose of supporting the productive sectors of the country. It has to be highlighted the resources destined to the agricultural activity, whose portfolio increased in VES 9.62 billion, which reflects a variation of 2,780%. At the closure of 2018, this portfolio accounted for VES 9.97 billion.

We have liquidated more than 32,000 credit operations in the second semester to encourage the activity of micro entrepreneurs. This lapse has ended with a portfolio equivalent to VES 4.48 billion. On the subject of credits for the manufacturing sector, we have maintained a significant presence, providing more than VES 2.20 billion. We have granted 225 loans in the second half of 2018.

During this period, regarding liabilities, there was an increase in the deposits equivalent to 3,645.5%. The balance has raised VES 159.07 billion, which places BanESCO as the first private bank of the country –if the deposits belonging to the Exchange Convention are excluded– with a share of 17.51%.

During the year 2018, the Bank's shareholders have made capital contributions, which totaled VES 799.6 million. Additionally, it was implemented a policy on profits retention, which has collected more than VES 3.71 billion. It was also produced the revaluation of assets in foreign currency. All these measures have produced an increase on the equity rate equal to 215,051% for the whole year and 9,822% if compared with



**We have liquidated more than 32,000 credit operations in the second semester to encourage the activity of micro entrepreneurs. This lapse has ended with a portfolio equivalent to VES 4.48 billion.**

the previous semester. The fiscal year has totaled VES 18.54 billion, with an accounting capital adjustment ratio of 15.80% and a total capital adjustment ratio of 23.20%, both in compliance with the current regulations.

Regarding the statement of incomes for the semester ending on December 31st, 2018, it is observed a higher rate on the incomes derived from credit operations. This result was the consequence of a favorable intermediation management, which has led to a net financial margin equal to VES 4.23 billion. This result has compensated the processing costs, achieving a net result of VES 3.62 billion for the closure of this fiscal period.

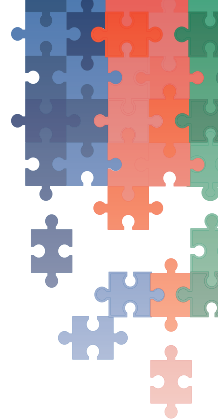
# FINANCIAL HIGHLIGHTS

					GROWTH			
	First Half 2017	Second Half 2017	First Half 2018	Second Half 2018	Second Half 2018 Second Half 2017		Second Half 2018 First Half 2018	
					Absolute	%	Absolute	%
(Stated in Billion VES)								
<b>Total Assets</b>	<b>48.6</b>	<b>307.9</b>	<b>4,862.5</b>	<b>222,712.9</b>	<b>222,405</b>	<b>72,237.6</b>	<b>217,850</b>	<b>4,480.2</b>
Cash and Due from Banks	23.1	211.5	2,307.2	103,098.6	102,887	48,639.4	100,791	4,368.5
Security Investments	1.8	7.5	60.6	29,176.5	29,169	390,482.6	29,116	48,014.3
Gross Portfolio	21.1	74.2	2,242.3	73,279.1	73,205	98,605.7	71,037	3,168.0
<b>Deposits from Clients</b>	<b>43.3</b>	<b>280.9</b>	<b>4,247.1</b>	<b>159,074.6</b>	<b>158,794</b>	<b>56,522.3</b>	<b>154,827</b>	<b>3,645.5</b>
Deposits in Current Accounts	39.5	262.2	4,082.1	150,653.9	150,392	57,366.4	146,572	3,590.6
Savings Deposits	3.4	17.4	136.4	7,446.2	7,429	42,768.4	7,310	5,358.7
Time Deposits	0.0	0.0	15.9	15.9	16	52,866.7	0	-0.1
Other Deposits	0.4	1.4	12.7	958.5	957	69,359.4	946	7,459.5
<b>Total Stockholders' Equity</b>	<b>2.9</b>	<b>8.6</b>	<b>186.9</b>	<b>18,546.1</b>	<b>18,537</b>	<b>215,051.4</b>	<b>18,359</b>	<b>9,821.9</b>
<b>Trust Assets</b>	<b>0.7</b>	<b>1.2</b>	<b>15.3</b>	<b>6,119.8</b>	<b>6,119</b>	<b>518,528.0</b>	<b>6,105</b>	<b>39,924.9</b>
Debtor Accounts Due To Trust Assignments (FAOV)	0.4	0.8	2.0	78.4	78	9,948.7	76	3,780.2
Financial Revenues	2.1	7.2	139.8	4,457.4	4,450	62,067.5	4,318	3,088.6
Financial Expenses	0.2	0.5	3.3	132.2	132	24,839.6	129	3,929.9
Gross Financial Margin	1.9	6.6	136.5	4,325.2	4,319	65,039.0	4,189	3,068.2
Financial Intermediation Margin	2.1	8.6	171.7	9,008.3	9,000	104,404.5	8,837	5,147.4
Transformation Expenses	1.0	2.8	47.0	3,567.2	3,564	127,758.1	3,520	7,483.4
Income Taxes	0.2	1.3	20.3	1,153.4	1,152	89,309.3	1,133	5,581.7
<b>Net Income</b>	<b>0.7</b>	<b>4.0</b>	<b>89.1</b>	<b>3,627.6</b>	<b>3,624</b>	<b>90,816.5</b>	<b>3,539</b>	<b>3,972.7</b>
Accumulate Agriculture Portfolio	2.8	10.4	346.4	9,975.4	9,965	96,094.3	9,629	2,779.7
Official Institutions Deposits	1.2	5.8	54.5	3,613.1	3,607	62,627.3	3,559	6,529.5
Micro Loans	0.4	1.7	70.6	4,488.8	4,487	268,688.0	4,418	6,254.4

Ratios (%)				
Loan Portfolio Provisions / Non Accrual Loans	4,986.88	32,673.42	926,662.37	571,602.88
Non Accrual Loans / Gross Loan Portfolio	0.05	0.01	0.00	0.00
Net Results / Average Assets *	4.43	5.64	9.77	11.07
Net Results / Average Equity *	83.18	140.05	277.63	179.44
Liquidity	55.02	75.55	54.39	64.89

\* Annualized percentages





## CREDIT RISK REPORTS PRONOUNCEMENT

During the second semester of 2018, the Credit Risk management was signaled to the execution of strategic actions aimed at maintaining the Quality of the Credit Portfolio, evidencing at the end of the year, a significant increase in loans, maintaining the fixed levels of expected losses.

The quality of the Loan Portfolio is shown in a delinquency index of 0.0003%, being the lowest of its group even in the Financial System. Likewise, at the end of the second semester of 2018, the coverage level of the Provision for Fixed Loans recorded a value of 571,602.34%.

On the other hand, the performance of collection management indicators evidences higher levels of effectiveness, derived from recovery strategies from the integral perspective of the client, the execution of preventive management actions and the use of collection models with Early Alerts.

Having predictive models for the granting and behavior of credit, as well as the monitoring of the evolution and management of past due balances, resulted in the generation of value on the final result of the credit business, which is shown in the result of the main indicators associated with the performance of the Credit Portfolio.

## APPROVAL OF ACTIVE OPERATIONS THAT EXCEED THE PERMITTED PERCENTAGE ON THE EQUITY OF THIS INSTITUTION

In accordance with number 3 of Article 30 from the Law on Institutions from the Banking Sector, in the matters of active operations, at the end of the semester, the Board of Directors

decided on the approval of five hundred thirty seven (537) credits, that by individual or group risk, in the same monthly period, exceeded five percent (5%) of the bank's equity.



### PARTICIPATION IN THE COUNTRY'S PRODUCTION SECTOR AS A PERCENTAGE OF THE LOAN PORTFOLIO

December 2018 (VES)

Economic Activities	Outstanding	Restructured	Past to Due	In Litigation	Total	% Composition
Agriculture, Fishing and Forest	9,975,353,532	0	0	0	9,975,353,532	13.36%
Hydrocarbons and Mining Exploitation	362,521,295	0	0	0	362,521,295	0.49%
Manufacturing Industry	2,203,875,658	0	0	0	2,203,875,658	2.95%
Electricity, Gas and Water	118,637,228	0	0	0	118,637,228	0.16%
Construction	1,977,336,042	0	0	0	1,977,336,042	2.65%
Trade, Restaurants and Hotels	45,939,463,909	0	896	0	45,939,464,805	61.53%
Transport, Storage and Communications	561,862,904	0	0	0	561,862,904	0.75%
Financial Establishments, Real State and Services Provided to Companies	12,652,150,531	1	240,742	0	12,652,391,274	16.95%
Community, Social and Personal Services	868,893,405	0	0	0	868,893,405	1.16%
<b>Subtotal (VES)</b>	<b>74,660,094,504</b>	<b>1</b>	<b>241,638</b>	<b>0</b>	<b>74,660,336,143</b>	<b>100%</b>

# COMPARATIVE FINANCIAL STATEMENTS FOR THE LAST TWO (2) YEARS AND APPLICATION OF NET INCOME



**Chairman of the Board**  
Juan Carlos Escotet R.

**Main Directors**  
Juan Carlos Escotet R.  
José Grasso Vecchio  
Miguel Ángel Marciano C.  
Emilio Durán Ceballos  
María Josefina Fernández M.

**Statutory Auditors**  
Carolina A. Arellano Suárez  
María E. Medina Silva

**External Auditors**  
Lara Maramba & Asociados

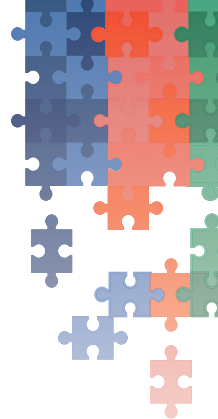
**Stock Capital** Bs.S. 12.500,00  
**Capital Paid-in** Bs.S. 12.500,00  
**Capital Reserves** Bs.S. 18.546.037.828,68

## BALANCE SHEET December 31, 2018 (Stated in VES)

ASSETS	dec-18	dec-17	LIABILITIES AND EQUITY	dec-18	dec-17
<b>CASH AND DUE FROM BANKS</b>	<b>103.098.551.304</b>	<b>211.528.608</b>	<b>DEPOSITS</b>	<b>159.074.600.904</b>	<b>280.943.743</b>
Cash	7.740.009.580	2.088.341	Deposits in Current Accounts	150.653.929.417	262.157.741
Central Bank of Venezuela	73.521.324.360	203.652.776	Non-Remunerated Checking Accounts	105.894.436.276	177.186.631
Local Banks and Other Financial Institutions	645.265.645	898.320	Remunerated Checking Accounts	43.131.836.208	83.913.894
Foreign and Correspondent Banks	17.239.603.892	2.502	Current accounts under exchange agreement N° 20	1.445.831.678	387
Head Office and Branches	0	0	Demand Deposits and Certificates	180.025.255	1.056.929
Pending Cash Items	3.952.347.829	4.886.669	Other Demand Liabilities	958.542.850	1.380.842
(Provision for Bank Accounts)	0	0	Savings Deposits	7.446.243.558	17.372.900
			Time Deposits	15.885.079	32.200
<b>INVESTMENTS IN SECURITIES</b>	<b>29.176.520.601</b>	<b>7.466.674</b>	<b>OBLIGATIONS WITH BCV</b>	<b>0</b>	<b>0</b>
Investments in Central Bank	95.187	108.050	<b>DEPOSITS AND OBLIGATIONS WITH BANAVIH</b>	<b>156</b>	<b>129</b>
Investments in Trading Securities	0	0	<b>OTHER FINANCING OBTAINED</b>	<b>7.596.644.502</b>	<b>7.108.410</b>
Investments in Securities Available for Sale	123.396.541	610.344	Liabilities with local financial institutions up to one year	7.596.644.502	7.108.407
Investments in Securities Held-to-maturity	19.137.723.425	592.865	Liabilities with local financial institutions more than one year	0	0
Limited Availability Investments	9.870.215.798	5.494	Liabilities with foreign financial institutions up to one year	0	3
Other Security Investments	45.089.650	6.149.921	Liabilities with foreign financial institutions more than one year	0	0
(Provision for Security Investments)	0	0	Other Liabilities up to one year	0	0
			Other Liabilities more than one year	0	0
<b>LOAN PORTFOLIO</b>	<b>73.279.126.369</b>	<b>74.246.549</b>	<b>OTHER FINANCIAL OBLIGATIONS</b>	<b>0</b>	<b>0</b>
Outstanding Credits	74.660.094.504	75.947.654	<b>INTEREST AND COMMISSIONS PAYABLE</b>	<b>615.727</b>	<b>645</b>
Restructured Credits	2	619	Expenses payable due to deposits from clients	603.440	445
Past Due Credits	241.638	5.236	Expenses payable due to obligations with BCV	0	0
Credits in Litigation	0	0	Expenses payable due to deposits and liabilities with BANAVIH	0	0
(Provision for Credits Portfolio)	(1.381.209.775)	(1.708.954)	Expenses payable due to other financing obtained	12.287	0
			Expenses payable due to other financial obligations	0	0
<b>INTEREST AND COMMISSIONS RECEIVABLE</b>	<b>1.075.093.404</b>	<b>1.089.261</b>	Expenses payable due to obligations convertible to capital	0	0
Interest receivable from cash and due from banks	0	0	Expenses payable due to subordinated debt	0	0
Interest receivable from security investments	437.216.296	159.328	<b>ACCUMULATED AND OTHER LIABILITIES</b>	<b>37.494.976.995</b>	<b>11.205.429</b>
Interest receivable from credit portfolio	620.940.531	882.314	<b>SUBORDINATED DEBT</b>	<b>0</b>	<b>0</b>
Commissions Receivable	17.004.588	48.491	<b>OTHER LIABILITIES</b>	<b>0</b>	<b>0</b>
Interest Receivable on Other Accounts Receivable	0	0	<b>TOTAL LIABILITIES</b>	<b>204.168.838.284</b>	<b>299.258.155</b>
(Provision for Interest Receivable and Other)	(68.011)	(1.476)			
<b>INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES</b>	<b>32.124.734</b>	<b>2.093</b>	<b>STOCKHOLDERS' EQUITY</b>	<b>12.500</b>	<b>12.500</b>
Investments in subsidiaries and affiliates	32.124.734	2.093	Capital Paid-in	12.500	12.500
Investments in branches	0	0	Paid-in Surplus	0	0
Provision for investments in subsidiaries, affiliates and branches	0	0			
			Capital Reserves	13.750	13.682
<b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>	<b>3.435</b>	<b>1.591</b>	Equity Adjustments	14.109.276.399	2.169.951
			Accumulated Income	3.610.615.896	5.625.429
<b>PROPERTY IN USE</b>	<b>5.334.099.702</b>	<b>3.888.790</b>	Non-Realized Gain or (Loss) on Available for Sale Security Investments	25.732.132	1.514
			Treasury Stock	(349)	(349)
<b>OTHER ASSETS</b>	<b>10.717.369.063</b>	<b>9.659.316</b>	<b>TOTAL EQUITY</b>	<b>18.546.050.328</b>	<b>8.622.727</b>
<b>TOTAL ASSETS</b>	<b>222.712.888.612</b>	<b>307.880.882</b>	<b>LIABILITIES AND EQUITY</b>	<b>222.712.888.612</b>	<b>307.880.882</b>
			Contingent Debtor Accounts	7.840.109.645	11.649.593
			Trust Assets	6.119.812.197	1.181.406
			Other Trust Assignments	49.081	28.491
			Debtor Accounts Due to Trust Assignments (Housing Mutual Fund)	78.381.041	778.005
			Other Debtor Accounts (Housing Mutual Fund)	163	186
			Other Debtor Memorandum Accounts	1.884.867.419.453	793.683.873
			Other Debtor Book Accounts	310	308

Statements of Earnings (Stated in VES)					
	dec-18	dec-17		dec-18	dec-17
<b>Financial Revenues</b>	<b>4.457.413.465</b>	<b>7.170.172</b>	<b>Financial Intermediation Margin</b>	<b>9.008.286.824</b>	<b>8.623.090</b>
Revenues from Cash and Cash Equivalents	17.900.527	23			
Revenues from Security Investments	277.399.239	199.289	<b>Transformation Expenses</b>	<b>3.567.243.781</b>	<b>2.792.300</b>
Revenues from Credit Portfolio	4.162.112.952	6.970.505	Personnel Expenses	1.258.525.895	754.553
Revenues from Other Accounts Receivable	747	355	Administrative and General Expenses	2.223.954.138	1.692.343
Revenues from Investments in Subsidiaries, Affiliates and Branches	0	0	Contributions to Deposit Guarantee and Bank Protection Fund	30.673.004	310.132
Revenues from Head Office and Branches	0	0	Contributions to Superintendency of Banks and Other Financial Institutions	54.090.744	35.272
Other Financial Revenues	0	0			
<b>Financial Expenses</b>	<b>132.178.690</b>	<b>528.321</b>	<b>Gross Operating Margin</b>	<b>5.441.043.043</b>	<b>5.830.790</b>
Expenses Due to Deposits from Clients	126.942.279	528.315	Income from Adjudicated Goods	20.006	170.070
Expenses Due to Obligations with BCV	0	0	Income from Special Programs	0	0
Expenses Due to Deposits and Obligations with BANAVIH	0	0	Income from Sundry Accounts	3.512.112	509
Expenses Due to Other Financing Obtained	433.633	6	Expenses Due to Realizable Property	22.450	1.127
Expenses Due to Other Financial Obligations	4.802.778	0	Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods	0	0
Expenses Due to Subordinated Debt	0	0	Expenses Due to Sundry Accounts	662.361.595	719.097
Expenses Due to Other Obligations	0	0	<b>Net Operating Margin</b>	<b>4.782.191.116</b>	<b>5.281.145</b>
Expenses Due to Head Office and Branches	0	0	Extraordinary Income	0	0
Other Financial Expenses	0	0	Extraordinary Expenses	1.236.461	4.491
			<b>Gross Income Before Taxes</b>	<b>4.780.954.655</b>	<b>5.276.654</b>
			Income Taxes	1.153.385.000	1.286.860
<b>Gross Financial Margin</b>	<b>4.325.234.775</b>	<b>6.641.851</b>	<b>Net Income</b>	<b>3.627.569.655</b>	<b>3.989.794</b>
Income from Recovered Financial Assets	68.793	18.328			
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	1.335.566.498	1.189.037	<b>Application of Net Income:</b>		
Provision for Loan Portfolio and Other Accounts Receivable, Losses	118.903.678.073	1.189.037	Reserva Legal	0	0
Provision for Cash and Due from Banks	0	0	Statutory Utilities	108.827.200	0
			Other Capital Reserves	0	63
<b>Net Financial Margin</b>	<b>2.989.737.070</b>	<b>5.471.742</b>			
Other Operating Income	7.027.597.139	4.122.170	<b>Accumulated Income</b>		
Other Operating Expenses	1.009.047.385	970.822	LOSEP Contribution	3.518.742.455	3.989.794
			Aporte Losep	49.938.273	56.491

Net Income Distribution		
Legal Reserve	0	0
Statutory Utilities	108.827.200	0
Other Capital Reserves	0	0
Restricted Surplus	1.759.371.228	1.994.897
Surplus to apply	1.759.371.228	1.994.834
<b>NET INCOME</b>	<b>3.627.569.655</b>	<b>3.989.731</b>



# REPORT OF DEMANDS AND COMPLAINTS OF CUSTOMERS OF THE BANKING SERVICES

SECOND HALF 2018

Banesco counts on a technological tool named IRS (Integrated Request System), that allows to manage all the clients and customers' requests and complaints, through the different customer service channels (BanescOnline, Network of National Agencies, Call Center Service and Administrative Offices), offering a swift, effective and efficient response, aligned with the current legal framework.

## a) Summary by Status

In the second half of 2018, 2,301 complaints and requests

were reported, for a total amount of 8,185,941 VES; of which 1,205 were ruled in favor of the client with a reimbursement of 408,179 VES.

When evaluating the attention times of the claims and requirements reported by customers/users in the second half of 2018, and starting from the premise indicated by the regulatory body where a maximum date of 20 continuous days is established for the resolution of the same, it is observed that the level of compliance in the service offer was 99.76%.



TABLE 1. SUMMARY OF COMPLAINTS AND REQUESTS  
REPORTED BY STATUS

Managed						In Process		Level of Compliance in the service supply
Admissible			Not Admissible					
Report Month	Nº of Complaints	Claim Amount (VES)	Reimbursed Amount (VES)	Nº of Complaints	Claim Amount (VES)	Nº of Complaints	Claim Amount (VES)	
July	81	7,394	6,755	152	86,829	37	21,846	99.57%
August	128	11,076	10,453	131	93,762	30	6,300	99.23%
September	263	16,438	16,111	184	610,793	58	48,871	100.00%
October	348	52,303	50,973	169	524,084	30	68,601	99.81%
November	232	110,762	108,575	141	1,558,293	28	1,435,997	99.73%
December	153	210,206	170,541	122	3,283,978	14	38,408	100.00%
Total II Half	1,205	408,179	363,408	899	6,157,739	197	1,620,022	99.76%

## b) Summary by Type of Financial Instrument



TABLE 2. SUMMARY BY TYPE OF FINANCIAL INSTRUMENT

Credit Card (CC)			Debit Card (DC)		Savings		Checks		Customer Service	
Report Month	Nº of Complaints	Claim Amount (VES)	Nº of Complaints	Claim Amount (VES)	Nº of Complaints	Claim Amount (VES)	Nº of Complaints	Claim Amount (VES)	Nº of Complaints	Claim Amount (VES)
July	64	8,098	203	107,971	-	-	-	-	3	-
August	50	9,532	237	101,606	1	-	-	-	1	-
September	42	9,154	461	666,021	-	-	1	926	1	-
October	37	25,048	508	619,940	-	-	-	-	2	-
November	21	27,092	377	3,077,953	-	-	2	7	1	-
December	58	186,536	229	3,344,256	-	-	1	1,800	1	-
Total II Half	272	265,460	2,015	7,917,748	1	0	4	2,732	9	0

Relationship of the Type of Financial Instrument and Code in the database: Credit Card (30), Debit Card (31), Savings (33), Check (34), Customer Service (50).





## POSITION OF THE CAPITAL ADEQUACY COEFFICIENT

In accordance with the provisions of the Resolution 305.09, issued on July 9th, 2009, published in the Official Gazette No. 39230 issued on July 29, 2009, the following principles and procedures are established to calculate the capital adequacy level:

### Accounting Capital Adequacy Ratio

This ratio is calculated dividing the accounting equity amount plus the operating management expenses, between the total asset rates. The coefficient resulted from this operation, once multiplied by one hundred (100), shall not be inferior to nine percent (9%). This provision was published in the Official Gazette No. 40.509, issued on October 1st, 2014.

Also, through the notices SIB-II-GGR-GNP-10189, issued on April 7th, 2016, and SIB-II-GGR-GNP-24974, issued on November 22nd, 2017, the Superintendence of the Institutions of the Banking Sector (SUDEBAN) grants a regulatory exception to determine the Accounting Capital Adequacy Ratio", which is enshrined in the article 6 of the No. 305.09, in the following terms:

#### **SIB-II-GGR-GNP-10189 (Issued on April 7, 2016)**

- a) Exclude from the Total Asset item, as defined in the article 2 of the aforementioned resolution, the balance of the following item lines:
  - Bonds and Obligations issued by the Central Bank of Venezuela.
  - Placements in the Central Bank of Venezuela
  - Liquid funds of the banking institution deposited in the Central Bank of Venezuela (including the Legal Reserve)
  - Bonds and Obligations issued by the state-owned company Petróleos de Venezuela, S.A. (PDVSA).
- b) Include in the Accounting Capital, as defined in the aforementioned article 2, the amount corresponding to the following item lines:
  - Generic provision for credit and microcredit portfolio-Anti-cyclical provision for credit and microcredit portfolio.

The amount to be included for the aforementioned shall correspond with the percentages set forth in the regulations issued, for such purpose, by the Superintendence of the Institutions of the Banking Sector.

#### **SIB-II-GGR-GNP-12738 (Issued on April 7th, 2016)**

The banking institutions must include within the determination of the core capital (Level I), the amount corresponding to the aforementioned generic and countercyclical provisions.

The amount to be included for those provisions shall correspond with the percentages set forth in the regulations issued, for such purpose, by the Superintendence of the Institutions of the Banking Sector.

#### **Resolution No. 025.17 (Issued March 28<sup>th</sup>, 2017)**

The "Norms Applied for the Revaluation of Assets in Banking Institutions" is a legal instrument enshrined by the Superintendence of the Institutions of the Banking Sector, through which this regulatory institution has instructed that the amount for Revaluation "may not exceed the totality of the core capital (Level I)" of the Institution, considering the parameters fixed in the norms that regulates the calculation of the Total Capital Adequacy Ratio. Furthermore, it is indicated in the article 6 that "the amounts for assets' revaluation shall be accounted in the item "Assets" and registered in the accounts and subaccounts contemplated in the Accounting Manual for Banking Institutions, with offsetting in the equity account No. 351.00, denominated "Adjustments for Assets' Revaluation".

#### **Resolution No. 004.18 (Issued on January 25<sup>th</sup>, 2018)**

The Superintendence of the Institutions of the Banking Sector has issued the Resolution No. 004.18, which dictates the temporary measures to determine the relation between capital over assets and contingent operations, applying weighting criteria based on risk levels. This Resolution is applicable from the accounting close of January 2018 until January 2019. It is applied to calculate the accounting capital adequacy ratio in accordance with the provisions set forth in article 6 of the Resolution No. 305.09, which determines that the accounting capital adequacy ratio diminishes two (2) percent points, going from 9% to 7%. Afterwards, with the purpose of calculating the total capital adequacy ratio, in accordance with the provisions enshrined in the article 48 of the Decree with the Status and Force of Law of the Financial Institutions of the Banking Sector Act, the aforementioned percentage is reduced by one (1) point, going from 12% to 11%.





## POSITION OF THE CAPITAL ADEQUACY COEFFICIENT

Additionally, the article 6 of Resolution No. 004.18 enshrines the following provisions in the subparagraphs a and b of the paragraph 1:

It shall be considered the following aspects for the calculation of the Core Capital (Level I) rate:

- a) The premiums in the issuance of shares for capital increases shall be registered in the account 331.00 "Contributions for Capital Increases". Other premiums approved jointly with the specific capital increase that originates them shall be recorded in the sub-account 332.01, denominated "Premiums from Capital Contributions in Cash".
- b) The account 352.00 is denominated "Gain or Loss due to Exchange Rate Fluctuations Derived from Assets and Liabilities Holding in Foreign Currency" and the account 354.00 refers to "Gain or Loss Derived from Operations in the Exchange Market".

Likewise, the paragraphs 2 and 3, of the aforementioned resolution, set forth the following provisions:

- 1) Diminish the assets risk weighting in the following terms:
  - a) For the balances registered in the sub-account 114.03 "Banks and Foreign Correspondents- Exchange Convention No. 20 and 31", the risk weighting rate shall vary from 20% to 0%.
  - b) For the purposes of immediate collection, the risk weight rate shall vary from 50% to 0%.
  - c) For interbank placements and other placements of the microfinance, agricultural and tourism sectors, the risk weighting rate shall vary from 50% to 20%, as long as the sums deposited in such placements are used to meet obligations directly related to the most important financial portfolios of the Bank.
  - d) For the credits related to the current and restructured portfolios promoted by the Bank, the risk weighting rate shall vary from 50% to:
    - The Agriculture Portfolio 40%.
    - The Tourism Sector Portfolio 30%.
    - The Mortgage Portfolio 25%.
  - e) The commercial credits, different from the loans directed to the aforementioned portfolios, shall be registered and accounted as effective credits. They shall be classified the risk level "A, which corresponds to a risk weighting rate that vary from 100% to 80%.

- f) For the contingent accounts, the risk weighing may vary from 100% to 80%.

- g) In the event of the items accounted in the sub-account 186.03 "Operations in transit", which are withdrawn within the first five (5) days of the next month to be reported, the risk weighting may vary from 100% to 50%.

- 2) Deduce the amount of cash deposits given in guarantee in the same banking institution for the assets object of risk weighing, which are different to the items weighted in 100%.

### SIB-II-GGR-GNP-01343 (Issued on February 4th, 2019)

The Superintendence of the Institutions of the Banking Sector has implemented a complementary regulatory exception, through which it resolves to extend the validity of the Resolution No. 004.18, issued on January 25, 2018, for a period of six (6) additional months. The temporary measures contemplated therein shall be applied to the accounting close of the period between February 2019 until July 2019, both inclusive.

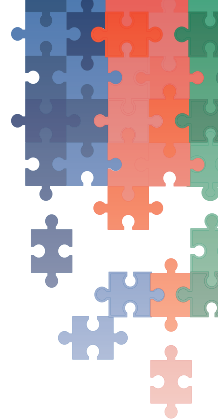
- **The total asset adequacy ratio (Level I)**, defined as the relation established between the core capital (Level I), the totality of the assets and the contingent operations weighed by risk levels. This ratio shall not be inferior to 6%.
- **The total capital adequacy ratio**, which consists of the sum of the core capital rate (Level I), plus the Complementary Capital (Level II), divided between the totality of the assets and the contingent operations, weighed by risk levels. The coefficient obtained, once multiplied by one hundred (100), shall not be inferior to twelve percent (12%).

According to the provision established and based on the results obtained in December 2018 and June 2018, percentages reached are:

Description	Dec. 2018	Jun. 2018
Capital Adequacy Ratio	15.80%	8.91%
Total Capital Adequacy Ratio	23.20%	11.55%
Tier 1 Capital Adequacy Ratio	23.20%	11.55%







## ELECTRONIC CHANNELS BANK AGENCIES



As of December 2018 close, Banesco had a wide network of physical and electronic distribution channels whereby the Bank offers a wide range of products and services:

- ▶ 328 service points (agencies, satellites and Banesco Express).
- ▶ 109.395 Points of sale.
- ▶ 1.113 ATMs (587 Monofunctional y 526 Multifunctional).

## EXTERNAL AUDITOR'S REPORT

The financial statements of the Bank corresponding to the second half of 2018, included in this report, were audited by the external auditors of the Institution, "Lara Marambio & Asociados" (DELOITTE), and confirmed the fairness of such financial statements.



## LIQUIDITY, LEVERAGE, EFFICIENCY AND PROFITABILITY INDICATORS

Principal Financial Indicators	Dec. 18	June 18	Dec. 17	June 17
<b>1. Equity</b>				
(Equity + Operative Management) / Total Assets	15.80%	8.91%	11.08%	13.60%
Non-Productive Assets / Equity + Operative Management	619.49%	1361.15%	2577.88%	828.80%
<b>2. Assets Quality</b>				
Loan Portfolio Provisions / Gross Loan Portfolio	1.85%	2.00%	2.25%	2.50%
Non Accrual Loans / Gross Loan Portfolio	0.00%	0.00%	0.01%	0.05%
<b>3. Management *</b>				
Personnel Expenses + Operative Expenses / Average Productive Assets	21.34%	11.08%	9.60%	10.46%
Personnel Expenses + Operative Expenses / Financial Income	76.73%	32.05%	35.76%	41.50%
<b>4. Earnings *</b>				
Net Results / Average Assets	11.07%	9.77%	5.64%	4.43%
Net Results / Average Equity	179.44%	277.63%	140.05%	83.18%
<b>5. Liquidity</b>				
Availability / Customer Funds	64.81%	54.32%	75.29%	53.23%
Availability + Investment in Securities / Customer Funds	64.89%	54.39%	75.55%	55.02%

\* Annualized Percentages





# REPORT OF THE INTERNAL AUDITOR ABOUT THE INTERNAL CONTROL OF BANESCO BANCO UNIVERSAL, C.A.

## SECOND HALF 2018

In accordance with the dispositions of the article 28 included in the Decree with the Status and Force of law of the Partial Reform of the Law of the Financial Institutions of the Banking Sector, published on the Official Gazette No. 40557, issued on December 8th, 2014, as well as the prudential legislation issued by the Superintendence of the Institutions of the Banking Sector (which hereinafter shall be referred as SUDEBAN, by its initials in Spanish) published on August 27th, 2014, through the Resolution 064.14 (articles 1 and 16) related to the “General Norms Related to the Internal Auditing Unit of the Financial Institutions of the Banking Sector”, we have presented a report that summarizes the tasks and activities performed and developed by the Internal Auditing Unit of Banesco Banco Universal, C.A. during the period between July 1st and December 31st, 2018, which has been submitted to the consideration of the Auditing Committee and the Board of Directors.

Banesco Banco Universal, C.A. has an Internal Auditing Unit that works independently to fulfill efficiently and in a timely manner its functions. This unit has widest powers to achieve these goals. The Executive Vice President of the Internal Auditing Unit of the Bank is the Internal Auditor, which is responsible of the Internal Auditing Area. The members of the staff under the responsibility of the Internal Auditor are ascribed to the Internal Auditing Unit and they shall make administrative reports periodically to the Board of Directors of Banesco.

The Unit counts with a Statute of the Internal Auditing Function, which is revised periodically: This document defines the principles, norms and attributions of the Internal Auditor, the assurance policy of the Internal Auditing Activity, the Regulations and Policies of the Internal Auditing and the Internal Auditing Activities, the Work Procedures and Guidelines, which are consistently defined in accordance with the National and International Internal Auditing Norms and the Standards established by the Institution if there are major changes in the regulatory framework or the company's functionality, those modifications shall be approved by the Auditing Committee and the Board of Directors.

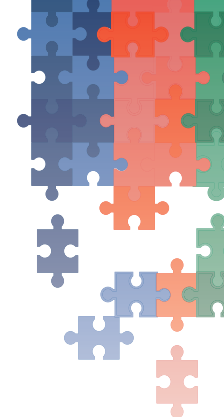
The methodology applied by the Internal Auditing Area for the development of the Auditing Plan, based on risk management processes, has been designed considering the following criteria:

- The Operating Plan of the Internal Auditing Area was approved by the Auditing Committee and submitted to the Board of Directors for its ratification. 6 reports have been sent periodically to the Board of Directors and the Auditing Committee (every month) and the Committee of Integral Risks (every semester) to inform about the implementation of the plan.
- The norms enshrined by SUDEBAN, as well as the national and international regulations applied to the banking sector, have been taken into account.
- The Auditing Management is oriented mainly to the revision of the process, based on risks, observed in the following sectors: administrative and operating central areas, bank offices and agencies, information technology, control and prevention from money laundering and terrorism funding, in accordance with the schedule fixed in the Auditing Plan.
- Implementation of Auditing tests for the assessment of significant degrees of exposure to risks, which must be followed by corrective/preventive measures based on clear strategies, verification of the internal control environment and its efficient functioning. All of these steps shall contribute to improve the effectiveness and efficiency of all the departments of Banesco Banco Universal, C.A., since it shall provide perspectives and orientations on the basis of the analysis and assessment of the related information and the processes performed by the Bank.
- Regarding the implementation of the Regulatory Framework for the Internal Auditing Activity, the Auditing Unit has adapted itself to specific factors of the Venezuelan legal, cultural and regulatory framework, as well as the expectations of the interested parties. This auditing process has been done in accordance with the current national regulatory norms, the best practices of Internal Auditing in terms of Assurance, the Declarations on Norms and Procedures of Internal Auditing Required by SUDEBAN, in relation to the activities performed by the Internal Auditing Committee.

### Evaluation of Internal Control and Risk Management

- For the second half of 2018, revisions were made in the coverages set forth in the Internal Audit Operating Plan. It could be highlighted the following aspects:
  - Qualification of the effectiveness of the internal control environment, assessing the different aspects that involve the updating, application and functioning of the internal control policies of the Institution: the risk management framework, the effectiveness of the internal controls and the efficiency and productivity of such resources.
  - Revision and verification of the compliance of the legal provisions that regulate the banking activity and specially, the dispositions enshrined in the Law of the Financial Institutions of the Banking Sector, as well as other resolutions, notifications and official letters issued by SUDEBAN. Other effective regulations related to the banking activity, applicable in the revisions performed by the Bank, shall be also complied mandatorily.





## REPORT OF THE INTERNAL AUDITOR

—Application of the provisions set forth in the Accounting Norms for Banks issued by SUDEBAN, which shall be implemented in the balances and applied to the figures displayed in the financial statements of Banesco.

—The Bank has monitored the administrative process related to the integral risk management and the administration of technological risks. It has been implemented some tests to assess the gap closing identified by means of the analysis performed by the Regulatory Body in terms of operating risks, internal and external audits.

—The Bank has given strict compliance to the special audits requirements, which are related to the certification of processes assessed by the Regulatory Body in inspections performed by SUDEBAN, special cases, or requests issued by the Auditing Committee and the Board of Directors.

—For the closing of the second semester of 2018, in accordance with the programmed schedule, the Internal Audit Unit has concluded the following:

Audit class	Scheduled
Scheduled Audits accomplished	36
Non-scheduled Audits	26
<b>Total</b>	<b>62</b>

—Regarding the aspects observed in the audits and the reported situations pending regularization, which are related to the reinforcement of internal control, it has been conducted a follow-up action plan designed by the auditors. Through this measure, some of the aspects reported were corrected and other matters are in the process of being resolved, within the convened deadlines.

### Regulatory Framework in force

—The Integral Risk Management Unit was audited at the end of 2018, corroborating that Banesco has materialized its efforts to conform the organizational structure contemplated in the Resolution 136.03 issued by SUDEBAN. This resolution aims at guaranteeing an adequate Risk Management; the design of methodologies has been incorporated to identify, measure, control, monitor and assess the various risks assumed, as well as the development of the policies contemplated in the aforementioned norm. Some adjustments have been performed to comply strictly with the Resolution 136.15.

—Regarding the Resolution 119-10 of SUDEBAN, which regulates money laundering and terrorism funding, the Internal Audit Unit has verified the strict compliance of the norms and regulations applied for the Administration and Supervision of the Risks related to the Prevention against Money Laundering and Terro-

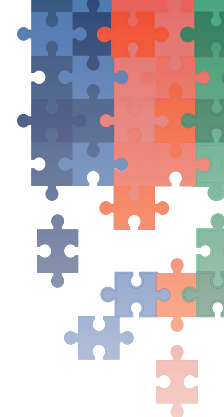
rism Funding, applicable to the Institutions regulated by SUDEBAN. The scope of this revision has included all the risk areas (Credit portfolios, Agencies and Offices, as well as the Employee Records). Based on the revision that has been performed, we have concluded that the plans and programs to prevent and detect operations, which are presumably related to Money Laundering and Terrorism Funding, are adequately designed. Additionally, it has conducted a revision of the action plan, trying to correct the observations reported by External Auditors, SUDEBAN, Official Notices and the Internal Audit Unit. This policy aims at strengthening the environment control and guaranteeing the strict compliance of the regulations in force.

—In terms of Information Technology, the Bank has revised carefully the Reports of Technological Risk Inspection issued by SUDEBAN, as well as the External and Internal Audit. Besides, it has been monitored all the processes, applications and components, communications, links and interfaces convened in the Audit Plan

During the second semester of 2018, in the process of reconciliation of the credit portfolio, it was possible to verify the reasonableness of the accounting records and the correct application of the regulations enshrined in the current legislation. The portfolios assessed, as of October 31st, 2018, were the following: Agriculture, Commercial Credits, Manufacturing, Multi and Micro Credits and Credit Cards.

—At the end of 2018, the Financial Statements were reviewed in accordance with the provisions enshrined by the Decree with the Status and Force of law of the Financial Institutions of the Banking Sector Act, with the purpose of verifying the variations in balance. This measure was implemented in order to verify the reasonableness of the accounts that make up the financial statements and ensure that the accounting figures are presented in a consistent manner and in accordance with the criteria set forth by the Superintendence and other prudential standards. The measure aims also at verifying the Bank's financial indicators, as a way of assessing its economic, financial and patrimonial situation, monitoring the records of the provisions and reserves contemplated in the laws and regulations in force.

—Regarding the determination of the Total Capital Adequacy Ratio and the Accounting Capital Adjustment Ratio, the Organization has maintained a plan of capital increases, in which the Internal Audit Unit has validated the contributions made by the shareholders and the requests that support the acquisition mandate, during the second semester of 2018. These contributions are kept in the accounting account No. 331011000100000000 "Contributions Pending Capitalization", until the issuance authorization of the respective agency is granted. The capital increases performed during this semester made that the Organization has risen its social capital to eight hundred billion four hundred and twelve thousand and five hundred bolivars corresponding to:



## REPORT OF THE INTERNAL AUDITOR

Date	Increase (VEF)	Balance (VEF)
January 2018	10,000,000,000.00	91,250,000,000.00
February 2018	150,000,000,000.00	241,250,000,000.00
March and April 2018	450,000,000,000.00	691,250,000,000.00
April and May 2018	1,800,000,000,000.00	2,491,250,000,000.00
June 2018	4,000,000,000,000.00	6,491,250,000,000.00

It shall be highlighted that as of December 2018, the Bank has been adjusting asset growth, jointly with the capitalization strategy. Some adjustments have been done in the assets and liabilities stated in the DICOM rate by the BCV. These measures have allowed this Banking Institution to comply with the aforementioned indicator during the period ended at December 31st, 2018.

Additionally, on October 24th, 2018, the Banking Association of Venezuela, through communication No. AM/RM/AN/094/18/OF, has requested formally to the Superintendence of the Institutions of the Banking Sector the extension on the validity of the Resolution No. 004.18 for one additional year to the date scheduled for its expiration. Subsequently, by means of the Notice No. SIBII-GGR-GNP-20233, issued on December 19th, 2018, the Regulatory Body has responded and submitted the extension requested by the Association Banking of Venezuela to the Superior Organ of the National Financial System (OSFIN, by its acronym in Spanish). It is required the prior approval and binding opinion of this collegiate body. Until the period ending on December 31st, 2018, the Venezuelan Banking Association is still awaiting for a formal response.

—Regarding the measure of special administrative intervention contemplated in the Resolutions 031.18, issued by SUDEBAN on May 4th, 2018 and published in the Official Gazette No. 41,392, issued on May 8th, 2018 and 082.18, dated November 1st, 2018, and published in Official Gazette No. 41,516, issued on November 2nd, 2018, in which it is enshrined that the special administrative intervention imposed on the commercial society Banesco Banco Universal, C.A., remains in force in the same terms and for twenty (120) continuous days, counted from of November 5, 2018, the Internal Audit has accompanied rigorously the process. This decision has been taken in order to facilitate the documentation management, the process validation, the information timely delivery, and the compliance of the requirements demanded by the intervention process, as well as ensuring the operational continuity.

### Statement of the Internal Control Unit

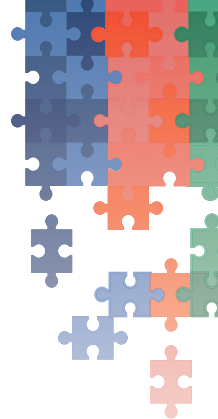
The activities performed by the Internal Audit Unit were defined taking into account the standards established in the current regulations, contemplating the principles of objectivity and independence of the Internal Audit Function.

From the reviews made to the internal controls of the Units and Processes of Banesco Banco Universal, C.A., during the second semester of 2018, an average rating of 1.62 SATISFACTORY was obtained. Based on these results, it is observed an adequate formulation of policies and processes, which allows us to conclude that Banesco Banco Universal, C.A., operates:

- In accordance with the strategies defined by the Senior Management, with the necessary human, technological and material resources, seeking efficient use.
- The decision making process is outstanding and a reliable. There is a transparent of information disclosure to the Board of directors, shareholders, workers, clients, competent authorities and the public in general (to all the groups of interest). Thus, the Bank counts with solid quality information systems, technological sufficiency, safety and the promptness to fulfill all kind of requirements.
- There has been a policy for the identification, assessment and risk monitoring in order to keep control and diminish effectively the losses, by means of a better administration.
- There is a clear consistency between the operating processes and the guidelines dictated by the Executive Direction. These procedures are assessed permanently to verify the operation of the controls and to adopt, if necessary, corrective measures timely and effectively.
- It is observed a strict compliance of the regulatory norms in force, as well as the policies and internal procedures conveyed by the Board of directors and the Executive Direction.
- The policies applied by the Bank have shown the following: conscience about risks; an adequate Corporative Government, which supervises constantly all the processes and guarantees integrity and ethical values; strategic targets based on the operativity; strict compliance of the administrative process and the activities of control applied to all the policies and Procedures.
- The Bank has applied the corresponding action plans, which aims at correcting and reinforcing the controls and procedures that allow mitigating and preventing risks, as well as guaranteeing the correct administration and management of such events.
- Regarding the recommendations and instructions conducted by the Superintendence in its different inspection, the Bank has given the explanations that have deemed proper. In the monitoring activities performed during the audit processes, the Internal Audit Unit has confirmed that the staff responsible for the administration of the internal controls is working efficiently. They are implementing timely the observations and recommendations reported by the Regulatory Entity.

For the reasons explained above, the Internal Audit Unit concludes that Banesco Banco Universal C.A., manages with efficiency and effectiveness its internal Control System and keeps a reasonable safety.





## NOTICES BY THE SUDEBAN

REGARDING PROVISIONS, REMARKS,  
RECOMMENDATIONS OR INITIATIVES  
ON THE OPERATION OF THE INSTITUTION



### PARTICULAR REGULATION

DATE	OFFICIAL PAPERS
General Meeting of Shareholders	
31/07/18	<b>SIB-II-GGIBPV-GIBPV5-12618.</b> Considerations on the collections of the Extraordinary General Shareholders' Meeting to be held on 07/31-2018.
08/07/18	<b>SIB-II-GGIBPV-GIBPV5-13109.</b> Statement on the communication issued by the Bank through which the explanatory report of the resolutions adopted on the declaration of dividends and simple copy of powers granted by the shareholders that were represented at the Ordinary General Assembly is sent.
08/07/18	<b>SIB-II-GGIBPV-GIBPV5-13110.</b> Pronouncement on the powers granted by the shareholders that were represented at the Extraordinary General Shareholders' Meeting held on 05-28-2018.
08/07/18	<b>SIB-II-GGIBPV-GIBPV5-13111.</b> Pronouncement on the powers granted by the shareholders that were represented at the Extraordinary General Shareholders' Meeting held on 03-22-2018, at 8:45 a.m.
08/24/18	<b>SIB-II-GGR-GA-14250.</b> Considerations on the Extraordinary General Shareholders' Meeting held on 12-18-2017, referred to the authorization to increase the capital stock of the Bank.
08/30/18	<b>SIB-II-GGIBPV-GIBPV5-14784.</b> Considerations regarding the collections corresponding to the Extraordinary Shareholders' Meeting to be held on 08-31-2018.
09/07/18	<b>SIB-II-GGIBPV-GGIBPV5-15147.</b> Considerations to the communications sent in response to the official No. SIB-II-GGIBPV-GIBPV5-04167 of 03-15-2018, containing the observations to the collections of the Ordinary General Shareholders' Meeting held on 03-22-2018 at the 8:00 am.
09/07/18	<b>SIB-II-GGIBPV-GGIBPV5-15144.</b> Considerations to the communication sent in response to the letter No. SIB-II-GGIBPV-GIBPV5-28103, containing the observations to the collections of the Ordinary General Shareholders' Meeting held on 09-28-2017.
09/07/18	<b>SIB-II-GGIBPV-GGIBPV5-15145.</b> Pronouncement of the simple copies of the powers granted by the shareholders that were represented at the Extraordinary General Shareholders' Meeting held on March 22, 2018.
09/07/18	<b>SIB-II-GGIBPV-GGIBPV5-15146.</b> Pronouncement on the communication of remission of the simple copies of the powers granted by the shareholders that were represented at the Extraordinary General Shareholders' Meeting held on 21-02-2018.
09/18/18	<b>SIB-DSB-UNIF-15618.</b> Considerations to the communication by means of which the collections of the Ordinary General Shareholders' Meeting held on 09-27-2018 were forwarded.
09/20/18	<b>SIB-II-GGIBPV-GIBPV5-15798.</b> Considerations to the communication sent by the Bank, through which the Certified Minutes of the Extraordinary Shareholders' Meeting held on 01-17-2018 was recorded.
09/25/18	<b>SIB-II-GGIBPV-GIBPV5-15954.</b> Considerations on the collections of the Extraordinary General Assembly of Shareholders to be held on September 27, 2018, at 9:00 a.m.



## PARTICULAR REGULATION

DATE	OFFICIAL PAPERS
General Meeting of Shareholders	
09/25/18	<b>SIB-II-GGIBPV-GIBPV5-15953.</b> Considerations regarding the remittance of the corresponding collections to the Extraordinary General Shareholders' Meeting to be held on September 27, 2018, at 8:30 a.m.
09/25/18	<b>SIB-II-GGIR-GSRB-15966.</b> Statement on the trade identified with the nomenclature SIB-II-GGIR-GSRB-12900 dated 03.08.2018, related to the Extraordinary General Shareholders' Meeting 22-03-2018.
09/26/18	<b>SIB-II-GGIBPV-GIBPV5-15994.</b> Considerations regarding the request for an extension of thirty (30) continuous days to complete the registration process of the Minutes of the Ordinary General Shareholders' Meeting held on March 22, 2018.
09/26/18	<b>SIB-II-GGIBPV-GIBPV5-15995.</b> Pronouncement on the collections of the Ordinary General Shareholders' Meeting to be held on 09-27-2018.
10/17/18	<b>SIB-II-GGIBPV-GIBPV5-16837.</b> Pronouncement on the collections corresponding to the Extraordinary Shareholders' Meeting to be held on 10-19-2018.
10/19/18	<b>SIB-II-GGR-GA-16973.</b> Statement on the request for authorization to increase the share capital agreed at the Extraordinary General Shareholders' Meeting held on 01-17-2018.
10/19/18	<b>SIB-II-GGR-GA-16974.</b> Considerations to the communication sent by the Bank on 04/24/2018, through which it requested authorization to increase the share capital in the amount of Bs. 450,000,000,000.00, agreed at the Extraordinary Shareholders' Meeting of 22-03-2018.
10/24/18	<b>SIB-II-GGIBPV-GIBPV5-17321.</b> Considerations to the office No. SIB-II-GGIBPV-GIBPV5-15147 and No. SIB-II-GGIBPV-GIBPV5-04167, containing the observations to the collections of the Ordinary General Shareholders' Meeting held on 03-22-2018.
10/24/18	<b>SIB-II-GGIBPV-GIBPV5-17322.</b> Pronouncement on the remission of simple copies of the powers granted by the shareholders that were represented at the Extraordinary General Shareholders' Meeting held on 07-31-2018.
10/26/18	<b>SIB-II-GGIBPV-GIBPV5-17320.</b> Pronouncement of the remission of simple copies of the powers granted by the shareholders who were represented at the Extraordinary Shareholders' Meeting held on 04-30-2018.
10/29/18	<b>SIB-II-GGIR-GSRB-17498.</b> Considerations to the remittance of the corresponding collections to the Ordinary General Shareholders' Meeting of 22-03-2018.
11/20/18	<b>SIB-II-GGR-GA-18561.</b> Pronouncement of the request for authorization to increase the share capital agreed at the Extraordinary General Shareholders' Meeting held on 11-20-2017.
12/11/18	<b>SIB-II-GGIR-GSRB-19841.</b> Considerations to the remittance of the corresponding collections to the Ordinary General Shareholders' Meeting of 22-03-2018.
12/17/18	<b>SIB-II-GGIBPV-GIBPV5-20062.</b> Considerations to the remittance of the corresponding collections to the Extraordinary General Assembly of Shareholders to be held on 12-19-2018.
12/20/18	<b>SIB-II-GGIBPV-GIBPV5-20229.</b> Pronouncement of the remission of simple copies of the powers granted by the shareholders who were represented at the Extraordinary General Shareholders' Meeting held on 09/27/2018.
12/20/18	<b>SIB-II-GGIBPV-GIBPV5-20239.</b> Considerations to the remittance of the collections corresponding to the Extraordinary General Shareholders' Meeting held on 08/31/2018.
12/26/18	<b>SIB-II-GGIBPV-GIBPV5-20535.</b> Considerations for the remission of the Certified Act of the Extraordinary General Shareholders' Meeting held on 21-02-2018.
12/16/18	<b>SIB-II-GGIBPV-GIBPV5-20536.</b> Considerations for the remission of the amounts recorded on the occasion of the Ordinary General Shareholders' Meeting held on 09-28-2017.





## PARTICULAR REGULATION

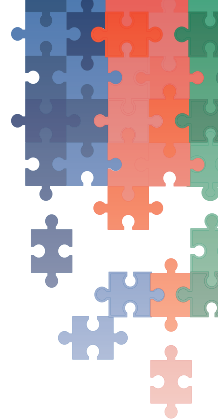
DATE	OFFICIAL PAPERS
<b>Inspection Visits</b>	
08/02/18	<b>SIB-DSB-UNIF-12687.</b> Report containing the results obtained during the Special Inspection Visit to the agencies: Centro Comercial Cristal Valencia (Code 0890) and World Trade Center (Code 1089).
08/02/18	<b>SIB-DSB-UNIF-12714.</b> Statement on communication issued by the Bank, in response to Official Letter No. SIB-DSB-UNIF-01660, containing the results obtained in the Special Inspection Visit to the agencies located in the state of Barinas evaluated on 01-18-2018.
08/02/18	<b>SIB-DSB-UNIF-12715.</b> Statement on communication issued by the Bank, in response to Official Letter No. SIB-DSB-UNIF-08795, containing the results obtained in the Special Inspection Visit to the agencies located in the state of Aragua evaluated on 04-11-2018.
08/31/18	<b>SIB-DSB-UNIF-14748.</b> Pronouncement of the communication sent by the Bank, in response Official Letter No. SIB-DSB-UNIF-12687, containing the results obtained in the Special Inspection Visit to the agencies Centro Comercial Cristal Valencia (Code 0890) and World Trade Center (Code 1089).
10/23/18	<b>SIB-II-CCSB-17165.</b> Sudeban requests information that will be used by the officials during the Special Inspection Visit, to be carried out in the Customer Service Unit and Banking User and the Customer Ombudsman and Banking User.
11/29/18	<b>SIB-DSB-UNIF-19103.</b> Statement on the results obtained in the Special Inspection Visit made to the San Fernando de Apure Office (Code 0206).
12/28/18	<b>SIB-II-CCSB-20346.</b> Report containing the results obtained in the Special Inspection carried out to the Bank during the months of January to March and May to November 2018; as well as the management of the Customer Service and Banking User Unit and the Banking Client and Banking User Ombudsman.
<b>Others</b>	
08/02/18	<b>SIB-DSB-UNIF-12712.</b> Considerations to the communications sent by the Bank, referred to the remission of the "Report of Unusual Behavior", related to the evaluation of the fulfillment of the Circular No. SIB-DSB-UNIF-20697.
09/07/18	<b>SIB-II-GGIR-GRT-15215.</b> Pronouncement on the Weekly Restart Plan for the application of automatic teller machines (ATM) in the production environment during the period from September to December 2018.
11/12/18	<b>SIB-DSB-UNIF-18137.</b> Pronouncement on the results obtained in the "Compliance and Risk Assessment", through which the quality, timeliness and supporting documentation of the Suspicious Activity Reports (RAS, by its acronym in Spanish) is verified.
12/28/18	<b>SIB-II-GGIR-GRT-20594.</b> Statement on the implementation of the monthly Restart Plan for the application of automatic teller machines (ATM) in the production environment during the period from January 2019 to December 2019.



## PARTICULAR REGULATION

DATE	OFFICIAL PAPERS
07/04/18	<b>SIB-II-GGR-GNP-11236.</b> Sudeban instructs to comply with regulations regarding the financing of the Tourism Sector.
07/11/18	<b>SIB-II-GGR-GNP-09145.</b> Communication to the Banking Institutions of the Public Sector, on the payment of the contribution quota that must be made by the Institutions subject to the Supervision and Control of the Sudeban.
07/11/18	<b>SIB-II-GGR-GNP-09146.</b> They dictate the instructions regarding the Payment of the contribution quota that must be made by the institutions subject to the supervision and control of Sudeban.
07/16/18	<b>SIB-DSB-UNIF-11736.</b> Sudeban informs the updating of the records maintained in the National Financial Intelligence Unit (UNIF, by its acronym in Spanish) on the occasion of the designation of the new Compliance Officer of the Bank.
07/16/18	<b>SIB-II-GGR-GNP-11808.</b> Modification of the Accounting Manual for Banking Institutions, referring to the Accounting Registries that derive from the Execution of the Monetary Reconversion Process.
07/17/18	<b>SIB-II-GGR-GNP-11809.</b> Considerations to the National Funds of Reciprocal Guarantees and Reciprocal Guarantee Companies, on the modification of the Accounting Manual for the National System of Reciprocal Guarantees for Small and Medium Enterprises.
07/25/18	<b>SIB-II-GGR-GNP-12209.</b> Guidelines for determining the ratio of equity over assets and contingent operations, applying weighting criteria based on risk.
08/02/18	<b>SIB-DSB-UNIF-12800.</b> Sudeban issues guidelines on Prevention of LC/TF/FPADM applicable to Banking Correspondent relationships.
08/02/18	<b>SIB-DSB-UNIF-12801.</b> Considerations about the weaknesses in the content of the Transmission Files AT37 "Electronic Transfers" sent by the Banking Institutions.
08/08/18	<b>SIB-II-GGR-GNP-13260.</b> Reach to Circular No. SIB-II-GGR-GNP-11808, containing the modification of the Accounting Manual for banking institutions, referring to the accounting records derived from the execution of the Monetary Reconversion process.
08/08/18	<b>SIB-II-GGR-GNP-13263.</b> Sudeban informs the modifications to the Banking Calendar for the year 2018, by virtue of the entry into force of the Monetary Reconversion.
08/10/18	<b>SIB-DSB-UNIF-13190.</b> Sudeban reports on the content of the Public Declarations of the Financial Action Group of the Caribbean (GAFIC, by its acronym in Spanish) dated May 31, 2018 and June 29, 2018.
08/10/18	<b>SIB-II-GGR-GNP-13434.</b> Modification of Resolution No. 524.10, containing the "Rules to unify the information shown on the screens of Automatic or Electronic ATMs for the use of customers and users of the banking system".
08/15/18	<b>SIB-GGIR-GRT-13639.</b> Authorization to carry out activities that allow the materialization of the Monetary Reconversion.
08/21/18	<b>SIB-DSB-UNIF-13946.</b> Sudeban reports the results obtained in the "Compliance and Risk Assessment" through which the quality, timeliness and supporting documentation of the RAS (Suspicious Activity Reports) received at the UNIF is verified between the months March-April 2018.

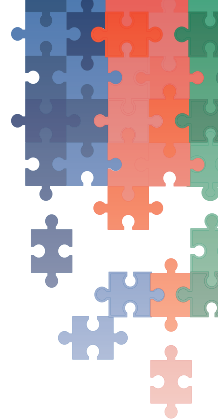




## PARTICULAR REGULATION

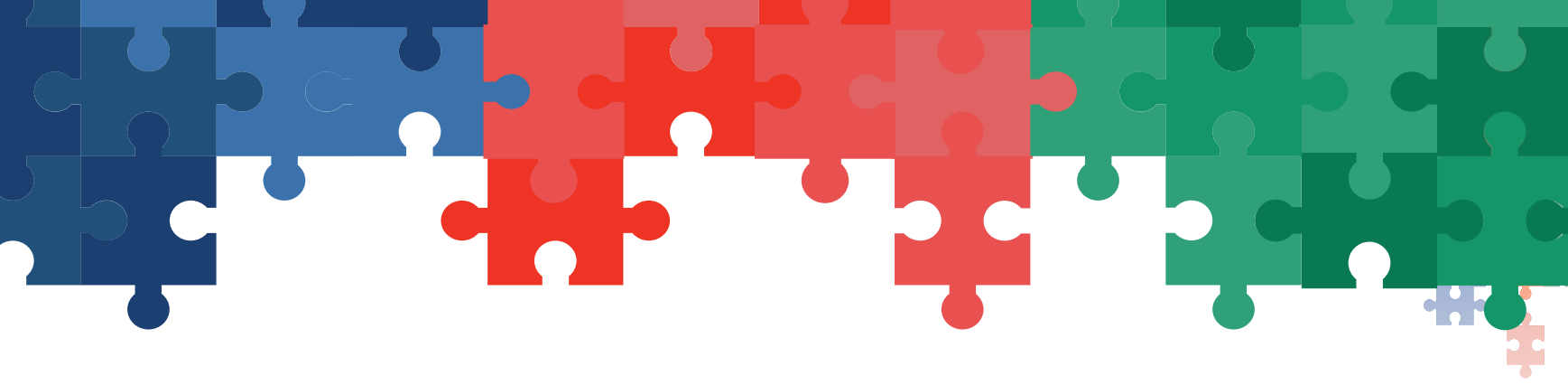
DATE	OFFICIAL PAPERS
08/21/18	<b>SIB-DSB-UNIF-13935.</b> Sudeban informs the content of the documents and transmission files that the Obligated Subjects must consign to the National Financial Intelligence Unit.
08/23/18	<b>SIB-II-GGR-GNP-14227.</b> Sudeban instructs the daily publication on the website of this Banking Institute, of the Reference Indicators of the Value of the "PETRO" account unit.
08/23/18	<b>SIB-II-GGR-GNP-14226.</b> Information on collection and placement instruments in the "PETRO" account unit.
08/28/18	<b>SIB-DSB-14539.</b> Reach to the Circular N° SIB-DSB-14539 dated 08-27-2018, relative to the Integral Protection of the Clients, Users and Users of the National Banking System that carry out operations through the Remote Banking or Internet Banking outside the Bolivarian Republic of Venezuela.
08/31/18	<b>SIB-II-GGR-GNP-GIDE-14678.</b> Sudeban informs the updating of the Forms, Criteria and Deadlines for the submission of information, due to the execution of the Monetary Reconversion process.
09/04/18	<b>SIB-II-GGR-GNP-15018.</b> Sudeban issues an exhortation for the optimization of attention to pensioners, in the Commercial Network of Agencies, Offices and Branches of Banking Institutions.
09/07/18	<b>SIB-DSB-15250.</b> Modification of Resolution No. 524.10, containing the "Rules to unify the information shown on the screens of Automatic or Electronic ATMs for the use of customers and users of the banking system".
09/12/18	<b>SIB-DSB-UNIF-15385.</b> Forms PE-UNIF-001 Customer Identification Card Natural Person and PE-UNIF-002 Customer Identification Card Legal Person.
09/12/18	<b>SIB-DSB-UNIF-15386.</b> Sudeban carries out the scope of the Official Paper No. SIB-DSB-UNIF-13320, through which it requested information about natural or legal persons clients of the Bank whose operations correspond to non-profit organizations.
09/19/18	<b>SIB-DSB-15796.</b> Modification of Resolution No. 524.10, containing the "Rules to unify the information shown on the screens of Automatic or Electronic ATMs for the use of customers and users of the banking system".
09/21/18	<b>SIB-II-GGR-GNP-15834.</b> They dictate Rules relative to the increase of the limit for the financing by means of Credit Cards granted by the Banking Institutions.
09/28/18	<b>SIB-DSB-UNIF-16030.</b> Reach to the presentation of the "Strategies to be implemented by the Financial Institutions to mitigate the risks derived from the improper use of cash".
10/05/18	<b>SIB-II-GGR-GNP-15889.</b> Sudeban informs the payment of the contribution quota that must be made by the Private Banking Institutions subject to the Supervision and Control of that Organization.
10/08/18	<b>SIB-DSB-UNIF-16360.</b> UNIF dictates the measures that must be implemented by the Obligatory Subjects for the acceptance and continuity of relations with Politically Exposed Persons (PEP).
11/02/18	<b>SIB-DSB-UNIF-17799.</b> Reach to the Circular N° SIB-DSB-14539, relative to the Integral Protection of the Clients and Users of the National Banking System that carry out operations through the Remote Banking or Internet Banking outside the Bolivarian Republic of Venezuela.
11/08/18	<b>SIB-DSB-UNIF-17960.</b> Sudeban issues the best practices for the Prevention and Control of Terrorist Financing, regarding Non-Profit Organizations (NPOs).





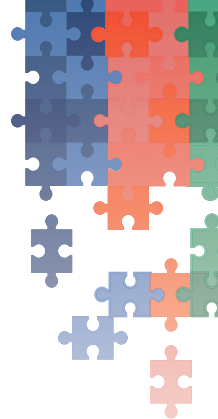
## PARTICULAR REGULATION

DATE	OFFICIAL PAPERS
11/14/18	<b>SIB-DBS-CJ-OD-18311.</b> Sudeban informs the Public Bank that the Collection Management of SENIAT, authorized the Collecting Public Bank, to receive the Special Taxpayers' forms, in their agencies with Ordinary code at national level.
11/23/18	<b>SIB-II-GGR-GNP-18947.</b> Modification to Resolution No. 524.10 "Rules to unify the information shown on the screens of Automatic or Electronic ATMs for the use of customers and users of the banking system".
11/29/18	<b>SIB-DBS-UNIF-19213.</b> Scope of Circular SIB-DBS-17799, relative to the integral protection of clients and users of the national banking system who perform operations through remote banking or internet banking outside the Bolivarian Republic of Venezuela.
12/05/18	<b>SIB-DSB-UNIF-19320.</b> Update of the list of Resolution No. S/RES/1267 of the Security Council of the United Nations (UN) for the Preventive Blockade of Assets or other Assets Related to Terrorism.
12/05/18	<b>SIB-DSB-UNIF-19321.</b> UNIF informs that they constitute an integral part of the Instructions for the Identification of the Natural Person Client (PE-UNIF-001) and the Customer Identification Card for Legal Persons (PE-UNIF-002).
12/06/18	<b>SIB-II-GGR-GNP-GGIR-19562.</b> Sudeban reports "Approval of the wireless sales points that operate within the telecommunications networks and referral of information related to the aforementioned devices that use 2G technology".
12/06/18	<b>SIB-II-GSRB-GGR-GNP-19580.</b> Sudeban instructed the deferral of articles 24 to 31 of Resolution No. 136.15, containing the Rules relating to the adequate Integral Administration of Liquidity Risk of Banks, specifically in relation to the Ratio of Liquidity Risk (RLR).
12/06/18	<b>SIB-DSB-UNIF-19583.</b> UNIF dictates the measures that the Obligated Subjects must implement in terms of the Risk Assessment in the matter applied to the products, services and technologies marketed by the Institution.
12/06/18	<b>SIB-DSB-UNIF-19610.</b> Sudeban dictated the Guidelines related to National and Transfrontier Electronic Transfers, which must be implemented by the Obligated Subjects.
12/06/18	<b>SIB-DSB-UNIF-19611.</b> UNIF issued the measures that must be implemented by the Obligors when they delegate to third parties the due diligence of the client (DDC, by its acronym in Spanish), and must be expressly incorporated in the contracts or documents signed.
12/11/18	<b>SIB-II-GGR-GNP-19797.</b> Sudeban issues the "Rules relating to the increase of the limit for financing by Credit Cards granted by the Banking Institutions (Circular SIB-II-GGR-GNP-19797".
12/17/18	<b>SIB-DSB-CJ-PA-20005.</b> Sudeban informs that the Commercial Companies indicated in the attached list, are incorporated as of 3 December of the current year as special taxpayers (IGFT).
12/17/18	<b>SIB-DSB-CJ-PA-20007.</b> Sudeban informs that the following Mercantile Companies indicated must be unchecked from the database listing so that the IGTF will not continue to be taxed.
12/27/18	<b>SIB-DSB-UNIF-20549.</b> Sudeban issues guidelines related to the preservation of media, documents and records.
12/27/18	<b>SIB-DSB-UNIF-20565.</b> Evaluation of the incorporation of the internet banking service in the process of updating data and by using authentication factors Categories 3 and 4.



## RELEVANT'S INFORMATION TO STAKEHOLDERS





# SUMMON

BANESCO BANCO UNIVERSAL, C.A.

Stock Capital BsS.  
12.500,00

## Announcement Ordinary Shareholders' Meeting

By resolution of the Board of Directors and in accordance with the provisions of Articles 10, 12 and 27.2 of the Corporate By-laws, shareholders of Banesco Banco Universal, C.A. are summoned to meet at the Annual Meeting of Shareholders to take place on March 26th, 2019, at 8:00 a.m., in the Fernando Crespo Suárez Auditorium, in the third floor of the Ciudad Banesco building, located in Avenida Principal de Bello Monte, entre calle Lincoln y calle Sorbona, in the city of Caracas, for the purpose of addressing the following matters:

**FIRST:** Discuss and decide, prior submission of the report of the Shareholders' Representatives, on the approval of the Financial Statements, prepared by independent public accountants, corresponding to the business semester ended on December 31st, 2018.

**SECOND:** Discuss and decide on the allocation to be made to the profits as of December 31st, 2018.

**THIRD:** Appoint the Principal Commissioner and his deputy, setting their remuneration.

**FOURTH:** Appoint the Customer Ombudsman and Banking User for the period 2019-2021.

**Note:** The information referred to in this call will be available in the Bank's Shareholders Unit, located on 3rd Floor, quadrant "D" of the "Ciudad Banesco" Building.

Caracas, February 28th, 2019

RIF: J07013380-5

**JUAN CARLOS ESCOTET RODRIGUEZ** | Chairman of the Board.





# REPORT OF THE CORPORATIVE GOVERNMENT

BANESCO BANCO UNIVERSAL, C.A.

BanESCO Banco Universal, C.A., is a banking institution, domiciled at Caracas in the Bolivarian Republic of Venezuela, duly authorized to perform all the financial intermediation activities and their related services, with the limitations imposed by the Decree with the Status and Force of law of the Law of the Financial Institutions of the Banking Sector.

## The Shareholders' Meeting

The Shareholders' Meeting represents the totality of the shareholders and it holds the supreme direction of the company. The meetings are held ordinarily within 90 days after the closing of every semester. Extraordinary meetings are held when the Board of Directors deems it convenient for the interests of the company or when it is required by a group of shareholders, which shall represent at least 20 % of the social capital. The acts and resolutions issued by this executive body are binding for BanESCO and its shareholders.

The Shareholders' Meeting has the following attributions: i) Determine the number of Directors that will make part of the Board of Directors; ii) Appoint the members of the Board of Directors and fix their salaries; iii) Designate the Statutory Auditor and its deputy delegate, as well as fixing their salaries; iv) Appoint one or several advisors, which shall have the right to attend the meetings and shall have voice, but not vote, in the sessions of the Board of Directors; v) Discuss, approve and modify the financial statements presented before the Meeting, in accordance with the observations of the Commissioner; vi) Issue and reform the Articles of Association; Decide over the following matters: anticipated dissolution of the company; extensions or renewals; company merger; sale of the social assets; changes on the social object of the company; increase,

decrease or reimbursement of the social capital of the company and reform of the statutes that rules the aforementioned matters; viii) Decide over the dividend declaration as well as the payment modalities: amounts, payment frequency, and periods, as it is deemed convenient by BanESCO. This shall be done always in accordance with the Venezuelan laws and the Articles of Association of the company; ix) Determine the convenience of constituting reserves or special chapters, which shall be submitted to the consideration of the Board of Directors; x) Likewise, hear and decide over any other matters within its competence, in accordance with the Venezuelan laws and the Articles of Association of the company.

## The Board of Directors

The Board of Directors is responsible of the direction and general administration of the businesses and operations of BanESCO, included in its policies of business social responsibility. This administrative body has the widest powers to manage the goods and businesses of the company with the exception of some matters, which will be administered exclusively by the Shareholders' Meeting and other administrative bodies set forth by the law or by the Articles of Association of the Bank. The Board of Directors shall define which are the goals of the company and how shall be the best way of administering it; this administrative body approves the business policies and principles and regulates the autonomy concerning executive decisions in order to preserve the interests of the shareholders and the institution. The Board of Directors is committed to control the operating and functional areas of the company; it also assesses the business' projections and compares the results obtained in previous years with the results obtained in every financial period. The members of the Board of Directors





## REPORT OF THE CORPORATIVE GOVERNMENT

shall convene an Ordinary Meeting, at least, once a month. The Special Meetings shall be called by request of the President of the Board of Directors or by three (3) of its members.

In accordance with the Decree with the Status and Force of law of the Law of the Financial Institutions of the Banking Sector, the Board of Directors has also the following duties and attributions: i) Define the credit and financial strategy of the institution and control its execution; ii) Analyze and give judgement over the credit risk reports, regarding the proportionality and validity of the granted guarantees; iii) Decide over the approbation of the asset operations that individually exceed five percent (5%) of the company's equity; iv) Give an reasoned opinion, under its responsibility, about the financial statements and the internal audit report, in which it shall be included the opinion of the audit about the compliance of the regulations that prevent money laundering; v) Hear and decide over the content and compliance of the regulations issued by the Superintendence of the Institutions of the Banking Sector related to dispositions, observations, suggestions or initiatives about the institution's functioning; vi) Obey and make comply the dispositions set forth by the law, the Superintendence of the Institutions of the Banking Sector, the General Shareholders Meeting and the Board of Directors. Likewise, the Board of Directors has some other attributions set forth in the Articles of Association of the Bank.

### The Chairman of the Board of Directors

The Chairman of the Board of Directors is subordinated to the Shareholders' Meeting and the Board of Directors. This leading position is committed to be the legal representative of the institution before any private or public authority. On behalf of the company, the Chairman shall convene contracts, agreements, and generally, and sign documents of any nature. The Chairman shall execute all the tasks commissioned by the Board of Directors. The Chairman convenes and leads the Shareholders Meeting and exercises, along with the Board of Directors, the supreme direction of the different activities of the Bank.

### The Executive Chairman

The Executive Chairman is in charge of the direction, management and daily operations of the businesses and internal services of the Bank, as well as the administration, surveillance and control of its businesses, its accountability, financial statements, inventory and accounts. Furthermore, the Exe-

### The purpose of the Compliance Officer is to strengthen the mechanisms that contribute to the monitoring of the risks related to Money Laundering and Terrorism Financing (ML / TF).

cutive Chairman has the following executive faculties: chairs the Executive Direction Committee of the Bank and represents the company among third parties in non-judicial matters. The Executive Chairman shall celebrate on behalf of the company, contracts, accords and agreements.

### Internal Auditor

In accordance with the Decree with the Status and Force of law of the Law of the Financial Institutions of the Banking Sector, the Internal Auditor is responsible of assuring that the operations and procedures of the bank are in line with the law, the prudential legislation, the internal manual of procedures of the bank, and the accounting principles generally accepted by the Superintendence of the Institutions of the Banking Sector.

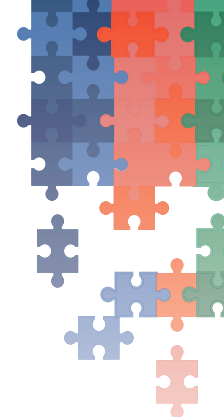
Furthermore, the Internal Auditor aims at preserving the adequate functioning of the internal control systems and guaranteeing the full compliance of the resolutions issued by the General Shareholders Meeting, the Board of Directors and the Superintendence of the Institutions of the Banking Sector. The Internal Auditor subscribes the financial statements, jointly with the legal representatives and the general accountant, and coordinates internally the different operations of the institution. This officer acts jointly with the Auditing Committee and informs the Board of Directors about the results of the different performed audits with the purpose of improving the internal process and resolving any difficulty or problem, which may occur.

### The Compliance Officer

This officer works directly with the Board of Directors of the bank, to whom it presents periodical reports. The officer aims at strengthening the mechanisms implemented to prevent from risks related to money laundering and terrorism funding.

Its main tasks are the following: preside the Committee of Prevention and Control against Money Laundering and Te-





## REPORT OF THE CORPORATIVE GOVERNMENT

rorism Funding; coordinate, observe and administer the compliance program against money laundering and terrorism funding; assure the implementation of the regulations to avoid cases of money laundering and terrorism funding; design, along with the Committee and Unit of Prevention and Control against Money Laundering and Terrorism Funding, an annual operating plan against those crimes.

### **The Corporative Government of Banesco Banco Universal, C.A., includes in its structure the following Committees:**

#### **The Auditing Committee**

The Auditing Committee aims at revising the financial statements, which shall be considered by the Board of Directors and then submitted to the approval of the Shareholders' Meeting. The Auditing Committee shall assure that all the required information contained in the financial statements is true and accurate, with no reserves and omissions, and it proves the financial situation of the company. Similarly, the Auditing Committee collaborates with the Board of Directors in the implementation of some measures, which aims at preserving the integrity of the financial information of the company. This instance also collaborates in the supervision and tracking of the external and internal audit of the Bank. The Auditing Committee approves the scope of the annual audit and revises, along with the Board of Directors and the external auditors, all the most significant aspects related to lawsuits, contingencies and claims.

#### **The Credit Risk Committee**

Its main task is the administration, identification, measurement and mitigation of the risks that the Bank might be exposed, fixing the risk limits in accordance with the policies set forth in each one of the activities of the Bank in aspects related to credit, financial market, legal framework, business, among others, in conformity with the domestic legislation and the best practices implemented in international legislations. Additionally, the Credit Risk Committee supports the Board of Directors, as well as the different Credit Committees, in the decision making. This instance brings about guidelines and policies that must be complied with the purpose of preserving the established risk profile.

#### **The Credit Committees**

The Board of Directors, reserving the exercise of this attribution, has delegated in the credit committees the faculty of granting credits in any of the modalities allowed by the law, assigning to each autonomy or credit committee, an individual borrowing limit. To this date, Banesco counts with the following committees: the Central Credit Committee, The Executive Credit Committee, the Delegate Credit Committee, the Regional Credit Committee and the individual autonomies.

#### **The Technology Committee**

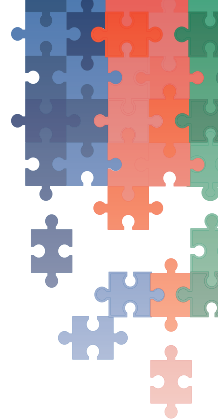
Its main function is to guarantee that all the technological implementations are aligned with the strategies and objectives of the bank, always considering a global and horizontal vision of the business. The Committee aims at using responsibly the technological resources, as well as identifying and administering possible risks. Furthermore, the Committee is responsible for the design and implementation of the architecture enterprise and the administration of the technological plan of the bank. This instance is committed with the optimization and monitoring of the process functioning and the problem-solving.

#### **Committee of Assets and Liabilities**

This instance is responsible for the management of the following matters: risk market, liquidity (prices, interests, exchange rates), and capital adequacy. This Committee analyzes







## REPORT OF THE CORPORATIVE GOVERNMENT



periodically the degree of exposure to risks and defines the financial strategies implemented, short and long-term, to deal with the risks assumed in accordance with the foreseeable evolution of the markets. Its main objective is managing from a financial, commercial and risk perspective, the assets and liabilities of the bank, anticipating to the threats and opportunities offered by the market as a way of optimizing the results and achieving the goals conceived in the financial planning.

### Committee of Prevention and Control against Money Laundering and Terrorism Funding

This instance aims at controlling and supervising the full compliance of the preventing measures intended to fight against Money Laundering and Terrorism Funding within the Bank. Likewise, the Committee acts as an advisory and consult organization, which supports the efforts undertaken by the Board of Directors, the President of the Institution and the Compliance Officer in order to guarantee the compliance of some aspects included in the current legislation for the prevention and control against Money Laundering and Terrorism Funding.

### Ethics Committee

Its main function is to guarantee the adequate reception, analysis, assessment and resolution of denunciations, questions and themes, which could affect the compliance of the norms re-

lated to the ethical values set forth in the Code of Ethics and Conduct of the Citizen Banesco. It also assesses some facts that could affect the integrity and image of Banesco.

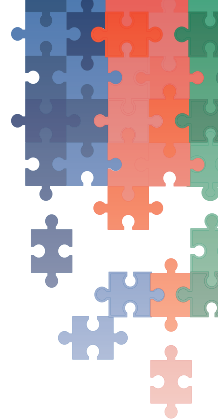
### Code of Ethics and Conduct of the Citizen Banesco

This code aims at defining and regulating the ethical values conceived by Banesco. This code establishes some behavior patterns, which aims at reinforcing honesty, an essential conduct in all the actuations of the citizen Banesco. Its implementation is addressed essentially towards the respect of the human rights, as well as the prevention and control against money laundering and terrorism funding.

To achieve this goal, the conduct of the citizen Banesco must be ruled by the following values:

- ▶ **Responsibility:** the Committee must act responsibly and perform all its tasks and duties. This implies to assume fully the competences, functions and tasks that have been assigned. The Committee must be diligent and have initiative in the compliance of all the requirements and demands inherent to this position. This instance aims at administering efficiently the time and giving the best to all the people.
- ▶ **Reliability:** the Committee guarantees the banking secret and any other confidential data related to the clients, unless an official authority requests specific information within the scope of its competences; this information, obtained due to the exercise of its functions, competences and tasks, shall not be used for personal gain or for the benefit of third parties. Likewise, the Committee shall tell the truth in any circumstance and answer always with honesty, recognizing its mistakes and asking for help if it is necessary.
- ▶ **Quality:** the Committee shall keep a conduct characterized by the respect towards human dignity, performing every task with the highest care and giving the best effort to overcome the expectations of our clients and users.
- ▶ **Innovation:** the Committee shall keep updated with new technologies, using them appropriately and generating new ways of getting things done. The Committees analyzes risks and acts always in accordance with the Code of Ethics and Conduct of the Institution.





# REPORT OF THE COMMISSIONER

## BANESCO BANCO UNIVERSAL, C.A.

Half finished at december 31, 2018 • Caracas, february 25, 2019

In our quality of Commissioners of Banesco Banco Universal, C.A., appointed at the General Shareholders' Meeting of the bank, held at March 30th, 2016 and ratified at the General Shareholders' Meeting of the bank, held at March 30th, 2017, in accordance with the Articles of Association of the institution, the Inter Professional Norms for the Exercise of the Function of Statutory Advisor and in conformity with the articles 287, 309 and 311 of the Code of Commerce, we are pleased to inform that we have examined the consolidated balance sheet as of December 31st, 2018, the related financial statements, the statement of changes in equity, the cash flow statement, for the semester then ended. We attach the report issued by the independent public accountants of the bank, members of the firm "Lara, Marambio & Asociados" (Affiliates of Deloitte) issued on February 22nd, 2019, which shall be considered to all effects as an integral part of this report.

During the semester ended on December 31st, 2018, the following general meetings have been celebrated:

General meeting of shareholders		Date
Extraordinary	(1)	August 31, 2018
Ordinary	(2)	September 27, 2018
Extraordinary	(1)	September 27, 2018
Extraordinary	(3)	September 27, 2018
Extraordinary	(1)	October 19, 2018
Extraordinary	(1)	November 23, 2018

- 1) **Points covered:** a) Capital increase in cash and b) modification of article 5 of the articles of association related to the social capital. The capital increase on the social capital, with cash funds provided by the shareholders, has not been approved yet by the Superintendence of the Institutions of the Banking Sector, prior to the binding opinion of the Superior Organ of the Financial National System, for its posterior consignment before the Mercantile Registry Office.
- 2) **Points covered:** a) Approval of the financial statements, based on the report of the Board of Directors and the Com-

missioners, as of June 30th, 2018, issued by independent public accountants, b) Decree of Dividends and its corresponding payment in cash, and c) Appointment of the Board of Directors and d) Election of the External Auditor.

- 3) **Points covered:** a) Reduce the social capital of the bank as a consequence of the rescue of the preferential shares, 2) Increase on the social capital of the Bank through the dividends decree paid in respect of share, 3) Modification of the article 5 of the Articles of Association, which is related to the social capital.

We have attended in our quality of Commissioners of the Ordinary Shareholders General Assemblies all celebrated on September 27th, 2018, at 8:00 am, 8:30 am and 9:00 am, respectively.

## Responsibility of the Administration for the Financial Statements

The General Management of Banesco Banco Universal, C.A. is responsible for the preparation and accurate presentation of these financial statements in conformity with the accounting principles established by the Superintendence of the Institutions of the Banking Sector (SUDEBAN), which differ in some aspects from the accounting principles generally accepted in the Bolivarian Republic of Venezuela (VEN-NIF). Furthermore, the General Management of Banesco Banco Universal, C.A. aims at establishing the internal controls that it deems necessary in order to guarantee that these financial statements are free from material misstatements, whether due to fraud or error. The General Management of Banesco Banco Universal, C.A. is committed to select and apply the most adequate accounting policies, as well as performing reasonable accounting estimations, in accordance with the circumstances.

## Responsibility of the Auditor

The responsibility of the independent public accountants is to express an independent opinion about these financial statements based on their audits. They have performed their audits





## REPORT OF THE COMMISSIONER

in accordance with the Auditing International Norms. These norms demand the compliance of several ethical requirements, as well as the planning and execution of tests, which aims at assuring that these financial statements are free from significant erroneous representations. An audit includes performing some procedures to obtain evidences related to the figures, data and information presented at the financial statements.

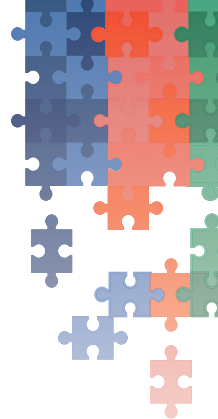
The selected procedures depend on the judgement of the auditor and it includes the assessment of risks derived from material misstatements, whether due to fraud or error. When evaluating the risks, the auditors consider the essential internal controls implemented by Banesco Banco Universal, C.A., for the preparation and presentation of reliable financial statements, with the purpose of designing auditing procedures deemed appropriate in accordance with the circumstances. It is not the purpose of the auditor to give an opinion about the internal controls of the bank. An audit also includes the assessment of the adequate use of the accounting policies and the reasonability of accounting estimations done by the General Management, as well as the presentation on balance of the financial statements. The independent public accountants of the Bank consider that the audit evidence obtained during their revision is sufficient, appropriate and it provides a reasonable basis to support their opinion.

### Responsibility of the Commissioner

Our responsibility is to express an opinion about the approval of these financial statements based on our revision. That revision was done in accordance with the scope we have deemed necessary, which is substantially inferior to an audit performed in accordance with the International Auditing Norms. Our main goal is to express a global and integral opinion about these financial statements. Our revision has considered the financial operations included in the following documents submitted to the consideration of the General Shareholders' Meeting: the financial statements as of December 31st, 2018, the income statement, the statement of changes in equity and the cash flow statements for the period then ended. Likewise, we have revised the minutes of the meeting of the Board of Directors and the Risk Committee; the Committee of Internal Auditing, Control and Compliance; the reports issued by the Internal Auditing Area in terms of Prevention and Control against Money Laundering and Terrorism Funding; the correspondence

received and sent to and from SUDEBAN. It is important to highlight that the judgments and opinions we express in this report about the financial situation of Banesco Banco Universal, C.A. as of December 31st, 2018, are based on our revision and mainly it has been considered the report issued by the firm Lara, Marambio & Asociados (Members of Deloitte), the independent public accountants. The following documents were issued by this firm on February 22nd, 2018, and they represent an integral part of this report:

- i) Financial statements
- ii) Special report.
- iii) Combined financial statements and Trust Funds.
- iv) Memorandum: observations and recommendations.
- v) Biannual Report on the Procedures Related to the Treatment of Non-Financial Information:
  - v.1) Revision of the biannual memoire and the report on claims interposed by the clients of the Bank before the Management of Client Services and Requirements, the Client's Ombudsman and the Personal Banking.
  - v.2) Certification on the implementation of the temporary measures set forth by the Resolution No. 332.11 issued on December 22nd, 2011, reprinted due to material misstatement on the Official Gazette No. 39924 issued on May 17th, 2012, for the constitution of provisions in the registry of the operations related to credits and microcredits; and
- vi) Biannual Reports of Assurance:
  - vi1) The Superintendence of the Institutions of the Banking Sector has issued the Resolution No. 004.18, which dictates the temporary measures to determine the relation between capital over assets and contingent operations, applying weighting criteria based on risk levels".
  - vi2) Compliance of the Resolutions No. 136.03 and No. 136.15, related to the "Norms for an Adequate Integral Administration of Risks" and the "Norms for an Adequate Integral Administration of Liquidity Related Risks in the Financial Institutions".
  - vi3) Biannual Compliance of the Resolution No. 119-10, related to the "Norms for the Administration and Audit of the Risks Related to Money Laundering and Terrorism Funding".



## REPORT OF THE COMMISSIONER

Additionally, we have reunited with the administrators, public accountants and other senior executives of the bank. These meetings allow us to construct reasonably the criteria that support the results of our assessment.

### Qualified Audit Opinion

After having revised and considered the opinion of the independent public accountants, previously identified, we could express that these financial statements present reasonably in all their significant material aspects, the financial situation of Banesco Banco Universal, C.A., as of December 31st, 2018, as well as the results of its operations and the cash flow during the period then ended, in accordance with the Accounting Principles Generally Accepted in the Bolivarian Republic of Venezuela, established by the Superintendence of the Institutions of the Banking Sector (SUDEBAN) for the Venezuela Banking System. The information provided in these financial statements is sufficient enough to recommend its approval.

### Emphasis of matter paragraphs

■ In the Note 1 of the report issued by independent public accountants of the Bank, it is pointed out that in the Official Gazette No. 41,392, issued on May 8, 2018, the Superintendence of Institutions of the Banking Sector has published the Resolution No. 031.18, issued on May 4th, 2018, through which it is formalized the special intervention measure of Banesco Banco Universal, C.A. This provision does not imply the cease of its operations. Said intervention measure had duration of ninety (90) business days. Its validity has been extended twice (2) by the Superintendence of Institutions of the Banking sector by means of the Resolutions No. 050.18 and No. 082.18. The last implemented extension established the administrative measure of special intervention, in the same terms, for one hundred and twenty (120) continuous days counted from November 5th, 2018. In this sense, the Bank has filed an appeal for reconsideration against the administrative act included in the aforementioned resolutions. Besides, the institution has filed an invalidity action before the Administrative Litigation Chamber of the Supreme Court. To the date of preparation of this report, there are no sufficient elements to determine which are the financial effects derived from this measure (if any) on the financial statements as of December 31st, 2018. .

■ In the Note 2 of the report issued by the independent public accountants, it is indicated that the bank, as a financial institution of the Venezuelan Banking System, prepare its financial states in accordance with the norms, guidelines and accounting principles established by the Superintendence of the Institutions of the Banking Sector. Such norms and principles differ in some aspects from the Accounting Principles Generally Accepted in the Bolivarian Republic of Venezuela (VEN-NIF GE).

■ In the notes 4, 10 and 30 of the report issued by the independent public accountants, it is indicated the following: as of December 31, 2018, the Bank has bonds held to maturity recorded at amortized cost, whose fair market value is lower than the value stated in the books and they present default in the interests' payment schedule. The Bank's management has been monitoring this situation and is waiting for formal responses from the Superintendence of Institutions of the Banking sector, since a written notice has been sent regarding the aforementioned due interests. To the date of preparation of this report, there are no sufficient elements to determine which are the financial effects derived from this situation (if any) on the financial statements as of December 31, 2018.

■ In the Note 22 of the report issued by the independent public accountants, it is indicated the following: the Bank makes transactions with related enterprises, whose effects are shown in the annexed financial statements.

We have to highlight that the opinion given by the independent public accountants of the bank in this report has not been modified by the emphasis of matter paragraphs previously mentioned.

### Basis of Accounting

Banesco Banco Universal, C.A., presents its financial statements in accordance with the accounting standards established by the Superintendence of Institutions of the Banking Sector (SUDEBAN), which differ, in some aspects, from the Generally Accepted Accounting Principles, as it is explained in Note 2 to the financial statements of the Independent Public Accountants. The financial statements attached to the report of the Independent Public Accountants were prepared with the purpose of complying with the standards and practices esta-



## REPORT OF THE COMMISSIONER

blished by this superintendence, and not with the purpose of complying with the Generally Accepted Accounting Principles in Venezuela VEN-NIF GE.

### Other matters to be informed

1) During the reading of the Minutes of the Board of Directors corresponding to the semester ending on December

31st, 2018, (From Minutes 1,453, dated July 25th, 2018 to Minutes 1,460 dated December 11th, 2018), the existence of dissenting votes was observed. The following table refers to the Minutes of the Board of Directors and the specific points, where the aforementioned situation is presented:

Minutes of the Board of Directors of the Semester II, 2018, Ended				
N°	Date	Subject	Votes Saved	Explanatory memorandum
1,453	07/25/2018	<p>3. Call Special Meeting of Shareholders August 31st, 2018.</p> <p>FIRST: To increase the Share Capital of the Bank.</p> <p>SECOND: To modify Article 5 of the By-laws, which deals with the Bank's share capital.</p> <p>4. Dividend</p>	One (1)	The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstained from voting, since it was a matter related to the interests and rights of the shareholders of the company.
1,454	08/09/2018	<p>3.3 Resolution 050.18, dated August 1st, 2018</p> <p>5. Meeting of Shareholders</p> <p>5.1. Ordinary meeting</p> <p>5.1.1. Call</p> <p>5.2.3 Dividends</p> <p>5.2 Special meeting</p> <p>5.2.1 Call</p> <p>5.3 Special meeting</p> <p>5.3.1. Redemption of Preferred Stock</p> <p>5.3.2 Call</p> <p>4. Institutional statement</p>	One (1)	<p>The Permanent Representative abstained from voicing an opinion, since it was an evaluation corresponding to the Superintendence of Institutions of the Banking Sector, the competent body to decide on this matter.</p> <p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstained from voting, since it was a matter related to the interests and rights of the shareholders of the company.</p> <p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstained from voting, since those were merely regulatory matters. .</p>



## REPORT OF THE COMMISSIONER

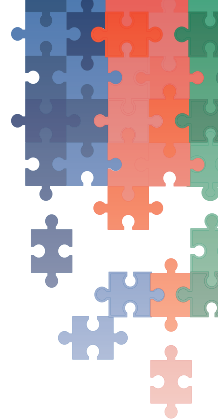
Minutes of the Board of Directors of the Semester II, 2018, Ended				
N°	Date	Subject	Votes Saved	Explanatory memorandum
1,454	08/09/2018	<p>5.5 Authorization</p> <p>6. Asset operations surpassing 5% of the equity</p> <p>7. Loan, Credit Card and Expenditure write-offs (June and July 2018)</p> <p>8. Power of attorney</p>	One (1)	<p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstained from voting, since it was a matter related to the interests and rights of the shareholders of the company.</p> <p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstains from voting, considering that a routine inspection by SUDEBAN is in progress in the credit department.</p> <p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstained from voting, since it was a matter related to the exercise of rights of the commercial company.</p>
1,455	09/05/2018	4. Audited Financial Statements		The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstains from voting, considering that the opinion of the external auditor, which states that until the completion of the process started on May 4th, 2018, by means of Resolution No. 031.18, issued by SUDEBAN, there are not enough elements to determine the effects, if there are any, on the bank's financial statements to June 30th, 2018, and on future transactions of the bank.
1,456	09/12/2018	<p>7. Report on Management of Credit Autonomy</p> <p>9. Loan, Credit Card and Expenditure write-offs (September 2018)</p> <p>10. Proposal of adjustments of Autonomies for the granting, processing and maintenance of Credit Card</p>		The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstains from voting, considering that an inspection by the supervising body is in progress.
1,457	09/21/2018	3. Call for Special Meeting of Shareholders		The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstained from voting, since it was a matter related to the interests and rights of the shareholders of the company.



## REPORT OF THE COMMISSIONER

Minutes of the Board of Directors of the Semester II, 2018, Ended				
N°	Date	Subject	Votes Saved	Explanatory memorandum
1,458	10/25/2018	<p>7. Update of the Information Security Policy Manual</p> <p>9.2 Credit Autonomy Document</p> <p>9.3 Report on Management of Credit Autonomy</p> <p>9.4 Asset operations surpassing 5% of the equity</p> <p>10. Loan, Credit Card and Expenditure write-offs (October 2018)</p> <p>11. Proposal of adjustments of Autonomies for the granting, processing and maintenance of Credit Card</p> <p>13. Shareholders</p> <p>13.1. Call</p> <p>13.2 Payment of Dividends</p> <p>14. Revocation and granting of Power of attorney for fiscal purposes.</p>		<p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstains from voting, considering that an inspection by the supervising body is in progress.</p> <p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstained from voting, since it was a matter related to the interests and rights of the shareholders of the company. .</p>
1,459	11/23/2018	<p>5. Asset operations surpassing 5% of the equity</p> <p>6. Loan, Credit Card and Expenditure write-offs (November 2018)</p> <p>7. Call for Special Meeting of Shareholders</p>		<p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstains from voting, considering that an inspection by the supervising body is in progress.</p> <p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstained from voting, since it was a matter related to the interests and rights of the shareholders of the company.</p>





## REPORT OF THE COMMISSIONER

Minutes of the Board of Directors of the Semester II, 2018, Ended				
N°	Date	Subject	Votes Saved	Explanatory memorandum
1,460	12/11/2018	3. Call for Special Meeting of Shareholders  4. Proposal for the Provision of labor liabilities as of December 31st, 2018.  5. Loan, Credit Card and Expenditure write-offs (December 2018)  6. Write-off of other assets		<p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstained from voting, since it was a matter related to the interests and rights of the shareholders of the company.</p> <p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstained from commenting in this regard.</p> <p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstains from voting, considering that an inspection by the supervising body is in progress.</p> <p>The Permanent Representative before the Board of Directors and all the committees of Banesco Banco Universal, C.A., abstained from commenting in this regard.</p>

2) Based on the evaluation of the Credit Portfolio and Interests and Commissions Receivable and Other Assets, as of December 31st, 2018, presented in the Special Report issued by the independent public accountants dated February 22nd, 2019, for the purpose of complying with the standards for the preparation of semi-annual external audit reports established by the Superintendence of Institutions of the Banking Sector (SUDEBAN), the following provisions as of December 31st, 2018 are, in our opinion, reasonable and sufficient for the purposes for which they were created, in accordance with the standards issued by the Superintendence of Institutions of the Banking Sector (SUDEBAN). The figures are expressed in VES:

Provision for Credit Portfolio	1,381,209,775
Provision for Returns Receivable and Other	68,011

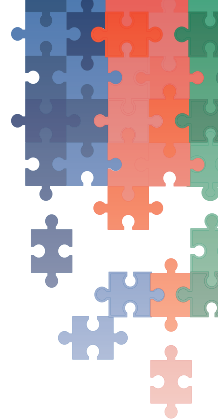
3) Based on the evaluation of the provision of Other Assets as of December 31st, 2018, and presented in the Special Report issued by the independent public accountants dated February 22nd, 2019, as of December 31st, 2018, in which it is stated that the account "Other various accounts

receivable", include VES 4,195,199, as accounts receivable in foreign currency, for which no provisions have been established, have more than three hundred and sixty (360) days, creating a lack of provision of that amount, during the month of February, 2019. The bank's management carried out the record of the corresponding provision charged to the account "Constitution of provision for other assets".

As of December 31st, 2018, the provision Other Assets has a provision shortfall of VES 172,443,700 to this date, which is not substantial related to the financial statements considered as a whole.

From the aforementioned amount, VES 168,248,501 correspond to "Overdue Returns Receivable for Investments in securities", for which the Bank, on January 2nd, 2019 has requested before the Superintendence of Institutions of the Banking Sector an authorization to create the corresponding provision charged to the account 352.00 (Profit or loss due to foreign exchange for having assets and liabilities in foreign currency"; as well as to record, during the year of 2019, the earnings corresponding to this securities in memorandum accounts, registering the income once the payment has been received.





## REPORT OF THE COMMISSIONER

4) Based on the assessment presented in the special report issued by the independent public accountants about the portfolio of Investments in Securities and their Returns Receivable, in national and foreign currency, as of December 31st, 2018, we determine that the presentation, valuation and its appraisal are reasonable, and, in our opinion, the creation of a provision is not required to that date. On the other side, concerning the bonds in foreign currency, as of December 31st, 2018, the Bank owns Bonds in foreign currency, issued by Petróleos de Venezuela, S.A., kept until their due date, whose Face Value is USD 4,850,500, recorded at the repaid cost equivalent to VES 1,940,313,025, whose fair market value of VES 457,665,339, is lower than the book value and are not complying with their interest payment schedule. The bank management has been monitoring this situation and is waiting for receiving answers from the Superintendence of Institutions of the Banking Sector, about communication sent on January 2nd, 2019, relating to the interests due of VES 168,248,501 (USD 264,298), recorded under Other Assets, for which no provisions have been created, and are mentioned in the preceding paragraph.

To the date of preparation of this report, no enough elements are available for determining the effects, if any, on the financial statements as of December 31st, 2018, that could result from this situation.

- 5) The bank has control mechanisms aiming to enforce compliance with Article 307 of the Venezuelan Code of Commerce. The Bank does not decree or pays dividends to shareholders, but on net ant collected profits.
- 6) The reserves, provisions and statutory sections are reasonable and comply with the provisions set forth in the regulations governing the matter; therefore, the managers have complied with the duties imposed by the Law, the Articles of Incorporation and By-laws document, and the legal order in force.
- 7) Banesco Banco Universal, C.A. has implemented the corresponding audit programs, with the purpose of complying with the instructions included in Official Paper No. HSB-200-1155 dated February 24th, 1984, issued by the Superintendence of Banks and Other Financial Institutions, the current Superintendence of the Institutions of the Banking Sector (SUDEBAN), as established in Official Paper No. HSB-200-5355 of September 13th, 1984.

8) During the period under review, we have not received any complaint from any shareholder nor have we been informed by any of them about the existence of circumstances that, in our opinion, weaken or have the potential to weaken the financial condition of the bank.

9) As part of our evaluation, we reviewed the communications received from and sent to the Superintendence of Institutions of the Banking Sector (SUDEBAN), during the semester ending on December 31st. In this regard, we highlight:

9.1 The Superintendence of Institutions of the Banking Sector, through Communications No.SIB-DSB-CJ-PA-6301 and SIB-DSB-CJ-PA-6302, both dated April 20th, 2018, notified the bank of the commencement of an administrative proceeding as a consequence of the alleged breach of the provisions set forth in Articles 14, 16 and 17 of Resolution No. 119-10, as the National Financial Intelligence Unit (UNIF), was not informed by the bank about accounts that presumably maintain transactional characteristics that could qualify as unusual or suspicious, according to the client's financial profile. In this regard, on May 3rd, 2018, the banking institution sent to the Regulatory Body, the brief with the allegations and arguments against the aforementioned administrative procedure.

9.2 Also, on April 23rd, 2018, by means of Communication No.SIB-DSB -UNIF-06346, the Superintendence of Institutions of the Banking Sector notified the commencement of a Special Inspection to the Unit of Prevention and Control of Money Laundering and Terrorist Financing.

9.3 In the Official Gazette No. 41,392 dated May 8th, 2018, the Superintendence of Institutions of the Banking Sector, published Resolution No. 031.18, dated May 4th, 2018, by means of which it formalized the special intervention measure of Banesco Banco Universal, C.A., without implying the ceasing of its operations. Said intervention measure would have a duration of ninety (90) business days, and its validity has been extended twice (2) by the Superintendence of Institutions of the Banking sector by means of Resolutions No. 050.18 and No. 082.18. The last implemented extension established the administrative measure of special intervention in the same terms and for one hundred and twenty (120) con-



## REPORT OF THE COMMISSIONER

tinuous days counted from November 5th, 2018. In this sense, the Bank has filed the administrative motions for reconsideration against the administrative act included in the aforementioned resolutions; as well as exerted the invalidity action before the Dispute Tribunal.

9.4 Through Communication No. SIB-DSB-UNIF-12787 dated August 2nd, 2018, the UNIF sent the report to the bank containing the partial results obtained as of July 31st, 2018, as a result of the Special Inspection visit to the Unit of Prevention and Control of Money Laundering and Terrorist Financing, which was initiated based on the dissemination made by the National Executive of the results obtained in the development of Operation Paper Hands and of the measure of special intervention established in the resolution of May 08th, 2018, showing observations related, among other aspects, with the following:

- The structure and functions of the acting parties of the Comprehensive System of Management of Risks of Money Laundering and Terrorist Financing.
- The detection and assessment of warnings; as well as their timely referral to the Regulatory Body.
- Information received late at the Unit of Prevention and Control of Money Laundering and Terrorist Financing by the employees responsible for Compliance for warning analysis.
- Comments in relation to the “Know Your Client” Policy and in relation to “Due Diligence” for knowing the clients, regarding weaknesses in the individual registration, updating and completeness of some fields of the “Client Identification Card” form, as well as absence of the form, in some cases, among other.
- Use and adjustment of the technological tools for the detection and analysis of warnings, segmentation, among others.
- Specialized training for the Compliance Officer and members of the Prevention and Control Committee of Money Laundering and Terrorist Financing and of the Unit of Prevention and Control of Money Laundering and Terrorist Financing.
- Absence of a global review, on the part of internal audit, for compliance with the procedures establi-

shed for the Unit of Prevention and Control of Money Laundering and Terrorist Financing, nor their management information systems.

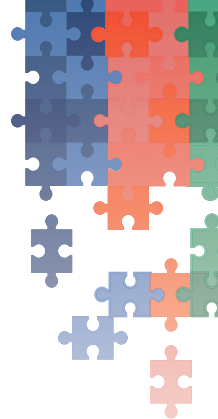
- Participation of the Unit of Prevention and Control of Money Laundering and Terrorist Financing in the processes associated with the approval of credits.
- Account blocking and conditioning as preventive measures.
- Risk assessment for products and distribution channels, as well as the geographical areas considered high-risk areas.

From the above, the SUDEBAN provides to the Bank with the recommendations to be put into practice regarding the findings pointed out.

In this regard, on August 16th, 2018, and in accordance with the request established in Communication No. SIB-DSB-UNIF-12787, the Bank presented the explanations and considerations on the aspects reported in said Communication and presented the plan containing the actions carried out to that date, included within its ongoing activities and those actions that will be implemented to correct the reported findings as appropriate. In the following list, the matters reported to the Regulatory Body are presented:

### a) Explanations and considerations:

- Structure and validity of the Comprehensive System of Management of Risks of Money Laundering and Terrorist Financing.
- Money Laundering and Terrorist Financing Risk Management Policy.
- Management of warning and Paper Hands lists - Capacities of the Unit of Prevention and Control of Money Laundering and Terrorist Financing.
- Training.
- Audits.
- Communication plans.
- ACRM (Technological tools).
- Money Laundering and Terrorist Financing Risk Aspects.



## REPORT OF THE COMMISSIONER

### **b) Action plan to be executed between the months of June and November 2018, related to:**

- Unit of Prevention and Control of Money Laundering and Terrorist Financing Structure.
- Training of personnel.
- Information sources.
- Reports of suspicious activities.
- Reports of suspicious activities.
- Participation of the Unit of Prevention and Control of Money Laundering and Terrorist Financing in credit processes.
- Know your Client policy.
- Communications addressed to external clients.
- Audits.
- Other considerations (preventive account blocking).

9.5 On August 15th, 2018, by means of Communication No. SIB-CJ-PA-13701, the bank is notified about resolution No. 060.18, of the same date. In said resolution, it was decided to sanction the bank with a fine by virtue of the non-compliance with Articles 14, 16 and 17 of Resolution No. 119-10. The management reports that it filed an action for nullity against the aforementioned resolution No. 060-18, on September 26th, 2018, before the First Court of Administrative Disputes, which was issued on October 10th, 2018.

9.6 On October 31st, 2018, through Communication No. SIB-DSB-UNIF-17725, the report containing the partial results obtained as of October 31st, 2018, was sent to the bank. In said report, it is required that within a term not longer than ten (10) business days, the considerations deemed pertinent by the bank are issued for arguing and correcting the findings referred to in the aforementioned report. From the above, dated November 2nd, 2018, the Bank issued, in accordance with the requested proceeding, its considerations about the remarks received from the Regulatory body.

9.7 On October 17th, 2018, the Superintendence of Institutions of the Banking Sector notified, through Communication No. SIB-DSB-UNIF-16587, the special inspection visit to the agencies and bank counters and/

or branches of the Bank, located in the States of Apure and Barinas. The purpose of the visit shall be to evaluate compliance with Resolution No. 119-10; as well as other Official Papers related to the matter of Prevention and Control of Money Laundering and Terrorist Financing.

The Regulatory Body on November 28th, 2018, through communication SIB-DSB-UNIF-19103, sent to the Bank the report with the results obtained in the special inspection visit to the agency of the State of Apure. Subsequently, on December 11th, 2018, the Bank issued its comments and considerations in this regard.

It is recommended to continue strengthening the prevention and management mechanisms of the Comprehensive System of Management of Risks of Terrorist Financing, through a continuous review and improvement of its policies and documentation of internal procedures and controls, based on risks, with special attention to the Know Your Client Policy and due diligence efforts, in compliance with the provisions of the standards governing the matter. All this, taking into account the recommendations given by the Regulatory body and the external and internal auditors.

Based on the foregoing, we recommend the shareholders to adopt the financial statements of Banesco Banco Universal, C.A., corresponding to the semester that ended on December 31st, 2018, presented by the Board of Directors; as well as the management of the administrators of the banking institution for the semester that ended on December 31st, 2018. The administrators of the banking institution are encouraged to carry out the recommendations set out in this report as well as those resulting from the reports issued by the external auditors, in their respective reports, and from the remarks and instructions issued by the Superintendence of Institutions of the Banking Sector through communications and Official Papers issued in the exercise of their legal powers of regulation and control.

**Carolina A. Arellano Suárez**  
Statutory Auditor  
C.P.C. 44.795

**María E. Medina Silva**  
Statutory Auditor  
C.P.C. 10.916



# CORPORATE MANAGEMENT REPORT

SECOND HALF 2018

## HUMAN CAPITAL

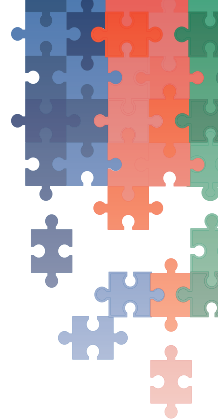
### Talent Development and Training

Focused in a systematic, planned and permanent way in the processes of training and development, and in the latest trends in knowledge management, always looking for new methodological strategies for our human talent to learn; in this 2018, Banesco developed actions aimed at generating the technical and professional improvement of the Citizen Banesco so that he/she can efficiently perform his/her functions, producing high quality results. Therefore, Banesco has framed its most important initiatives in the following:

- Training activities focused on key areas of the business, such as Credit, Sales, Business Processes, Project Management, Communication and Effective Negotiation Techniques, as well as activities aimed at strengthening the Competences of Management and Direction of Work Teams related to the Banesco Leadership Program, Innovation, Focus on client service. Similarly, and complying with legal regulations, we give banking knowledge workshops associated with Specializations in Prevention of Money Laundering and Terrorist Financing to departments subject to risk, as well as actions related to Occupational Health and Safety.
- We successfully achieved the acceptance of the Banesco Virtual Learning among our Citizens Banesco, in compliance with the strategy, which established that 85% of the training would be carried out through the Virtual Mode and 15% through the on-site attendance mode.
- Following our training and development strategies, regarding the on-site mode, 58% of training hours were allocated to reinforce the Technical Knowledge of the personnel, 13.6% to the reinforcement of Regulatory Banking Knowledge, 11% to the Development of Leadership Competences and Skills, and 17.3% to the attention of new personnel.
- Among the most important training activities carried out in 2018, the following activities stand out: Google-Migration; Monetary Reconversion; Core accounting system training; as well as Advanced Programs recognized by several Venezuelan universities: Diploma in Banking & Finances, Diploma for Managers, as well as Courses-Workshops of different topics, in partnership with recognized universities such as Universidad Católica Andrés Bello and Universidad Central de Venezuela.
- In compliance with the legal regulations, we give banking knowledge workshops associated with Specializations in Prevention of Money Laundering and Terrorist Financing, giving priority to the Training of the Employees that are Responsible for the compliance with the regulations at the national level. In addition, virtual courses related to the risk culture were taught at a Financial Institution, as well as about Occupational Health and Safety: we offered courses to be taught in the virtual mode such as: Our goal: "0" accidents, Prevention of Commuting Accidents, and Tips to manage work stress; and in the on-site mode, the following courses were given: Adding Skills - Promoting Harmony in the Workplace, among others.
- We broadened the Virtual Training Portfolio by incorporating 21 Modules, including the following courses: Credit Scoring, Business Expansion Model, Sir Web 2018, Google Site; as well as courses of regulatory nature and topical content such as the virtual module of Monetary Reconversion, among others.
- We participated in the Law compliance by training 180 INCES (*National Venezuelan Institute for Socialist Education and Training, for its Spanish Initials*) Apprentices.
- Promoting the specialized development of Citizens Banesco, in 2018 we invited more than 150 collaborators to participate in Diplomas in the following subjects: Business Intelligence, Banking & Finance, Management, and in Occupational Safety and Health; as well as specific courses such as: Retention and Total Reward; with the advice of Univer-







sidad Católica Andrés Bello (UCAB), Universidad Central de Venezuela (UCV), Venezuelan Association of Human Management (AVGH, for its Spanish Initials).

All these training and education activities allowed us to achieve the following results in 2018:

- ▶ 412,339 man-hours invested in Training and Development actions, of which 65,067 man-hours were carried out through the on-site mode and 347,272 man-hours through the virtual mode.
- ▶ Employees engaged in 16,028 on-site training activities
- ▶ 4,620 employees have attended at least one on-site training activity.
- ▶ 4,468 employees have received their training through the virtual mode.

## Culture, Climate and Quality of Life

Focused on reinforcing our culture and values, so that the behavior of the Citizen Banesco supports the result of what we are as an Organization, we have been focused on carrying out diverse activities that facilitate the commitment of the collaborators with their work in a systematic way. Therefore, in this way, they may leave their mark in everything they do, always under the premises of compliance with the rules established in the Code of Ethics and Conduct of the Citizen Banesco.

In this sense, our initiatives were framed in the following activities:

- ▶ Activities to manage the environment of the units, both in the branch network and in the administrative headquarters, aimed at strengthening resilience, managing emotions and facilitating change management, including: communications sending and on-site activities. Also, to reinforce the High Performance Organizational Culture through the promotion of the Cultural Agents, group and individual sessions with work teams and leaders; we carry out activities of team integration, alignment with the Banesco Values and with our Code of ethics compliance. Similarly, activities were carried out to promote behaviors aimed at preventing Money Laundering and Terrorist Financing, such as film forums, micro-theater plays, and group activities in the Branch Network.

## Quality of Life

During the second half of 2018, sport, recreational, cultural and volunteering activities were carried out as part of the Quality of Life Plan. Thus, contributing to the improvement of the quality of life of employees and motivating them to make better use of free time, providing spaces for the reconciliation between the work life and the personal life of the Citizen Banesco and his/her relatives. Among the activities carried out, the following ones can be listed:

### Sport, recreational and prevention activities against the abuse of alcohol, tobacco and other drugs:

**Continuous Toning and Training Activities:** These activities are carried out in Caracas. The activities are: dance therapy, yoga, softball, running club, among others.

**Family Days:** During the second semester of 2018, family days were carried out in the Metropolitan Area. In those days, the employees and their families enjoyed the recreational and preventive activities against the abuse of alcohol, tobacco and other drugs, as well as activities about our values.

### Cultural Activities:

**Theater/Presentation of Plays:** Presentation of the Play “*Las Muñecas de la Navidad*” [The Christmas’ Dolls].

**Choral Singing Workshops:** Singing classes and presentations in different events of our Banesco Choir.

## Staff Services

- ▶ **Conflict of Interest:** According to the Organization’s internal regulations, every two years, the employees must update the Declaration of Conflict of Interest. For that reason, in the second semester of 2018, the process started. Additionally, the Statement of Knowledge of Article 97 of the Venezuelan Institutions of the Banking Sector’s Act.
- ▶ **Donation of Toys:** In October, 2018, all Banesco employees with children aged between 0-12 years received a Donation of toys.

## CORPORATE SOCIAL RESPONSIBILITY

Education, health and financial inclusion are still the basis of Banesco's CSR and Sustainability Policy and the pillars guiding of our social investment during 2018.

At the end of the year, we allocated VES 141,917,536.45 to projects and activities of social impact, both in the internal dimension, and for the benefit of Citizens Banesco; and in the external dimension, through the supporting actions that we carry out with our partners and social partners.

During the second semester of 2018, we allocated more than VES 137,283,676.14 to the programs that strengthen the quality of life of the Citizens Banesco and their families. The figure accounts for 98.60% of the social investment made during the period. The internal dimension of our social investment includes the subsidy to the food service in the Ciudad Banesco (*Banesco Headquarters*) dining room; the medical service and the support in extreme illness cases, among others.

The external dimension of our social investment was oriented this semester to join alliances with foundations and NGOs and strengthen the link with our Social Partners in key areas such as health, education and disadvantaged population.

In this regard, we support and carry out several initiatives with our allies and social partners in the 2018 second semester. For instance:

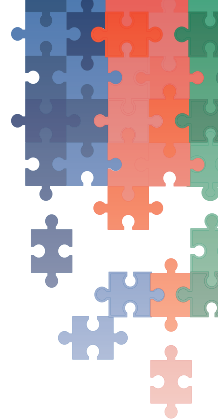
- The launching of digital book *70 años de Crónicas Policías*, from the Newspaper Collection of the Digital Library.
- Conference on cancer prevention with the Venezuelan Anti-cancer Society.
- AVESID concert.
- Carrying out of Beach Clean-up Day in the framework of the World Beach Day together with Unicasa and DirecTV and Volunteering of each of the companies.
- Launching of digital book *101 Razones para amar a los Leones del Caracas*, from the Heritage Collection in the Digital Library.



- Volunteer Day with visit to Bambi Homes (Hogares Bambi, by its name in Spanish).
- Fundana Auction, 14th edition.
- Participation in the International Book Fair of the West, UCAB.
- Event: Conversation between journalist Andrés Cañizalez, winner of the "Best of Us" Award, and Milagros Socorro about the awarded text.
- Launching of digital book *Nuevo País del Cine*, from "Los Rostros del Futuro", Collection of the Digital Library.
- Tertulia-Exhibition of the images regarding digital book *Caracas en 450*, with Álvaro Rodríguez Muir, Architect of Hotel Tamanaco and Adriana Herrera, co-writer, about *Caracas in 450*.
- Visit by the National System of Orchestras to the Christmas activities of Ciudad Banesco.
- Banesco was recognized with the "I am Responsible" award in Venezuela granted by Foundation Mundo Bondad in the Assistance Category.







## 2018 Training Program for Microentrepreneurs

We certified 1,837 microentrepreneurs during the second semester of 2018 by means of our social allies such as the University Institute of Management and Technology (Instituto Universitario de Gerencia y Tecnología) and FundAcción Social and Negocios Pyme. Together, we established strategic alliances with Foundation Nuestra Tierra, Foundation Cacao de Origen, Casa Comunal San Antonio, among other valuable alliances to carry out the Entrepreneurship training Program for merchants, service providers, dressmakers, food processing staff, shopkeepers, mechanics, artisans, hairdressers, among other microentrepreneurs, among others, and particularly to men and women who are entrepreneurs of chocolate and cocoa producers.

We continued our online inclusion program by issuing, in a timely manner, the Microentrepreneurs Training course to the Microentrepreneurs Training course to the Venezuelan Christian Revival Church Maranatha, Church Valencia. We started establishing some contacts to carry out the online training program to entrepreneurs.

During 2018, we certified a total of 3,426 microentrepreneurs (2,157 women and 1,269 men). In terms of academic training, 46% (1,586) are high school graduates, and 43% (1,479) are university graduates. Regarding the total number of trained people, 88% (3,020) have their own businesses and assets. Looking forward to 2019, we will keep our initiatives active in order to get closer to very diverse sectors of Venezuelan society and we will try to strengthen alliances already established with recognized organizations and create new alliances and develop resources that allow us to increase the scope of the program offer to our clients and public in general, face-to-face and virtual.

## Participatory Budget

For this year, we carried out the Participatory Budget in 8 states: Nueva Esparta, Zulia, Táchira, Carabobo, Lara, Anzoátegui and the Metropolitan Area of Caracas. The projects presented during the eight participatory budgeting processes attended mainly assistance services to unprotected



or more vulnerable sectors, children and the elderly. Among the winning projects, we highlight the purchase of supplies, adaptation of spaces for food, attention to people with special needs, training workshops, among others.

In order to offer the opportunity to participate to a greater number of social organizations in the interior of the country, we held meetings in each state, in a virtual way and we involved Citizens Banesco from each region, as facilitators of the Participatory Budget methodology. This innovative mechanism also allows participants to link up with the Banesco headquarters, in each location.

## Editorial Banesco Fund

During the second semester, we present new titles from our Banesco Digital Library. For instance:

*70 años de Crónicas Policiales*, from Colección Periodismo, grants a selection of the most notable crime or police chronicles, published during the last 70 years of the Venezuelan press.

*101 Razones para amar a los Leones del Caracas...*, from Patrimonio Collection, offering the team's story and counted through its protagonists, characters, data, heroic deeds and anecdotes of 76 years in the life of the Venezuelan baseball.

*Nuevo País del Cine* is the fourth work of Los Rostros del Futuro Collection of the Digital Banesco Library. This edition was dedicated to the filming realization and the different disciplines and trades that coexist with the production: scriptwriters, directors, producers, set designers, actors and actresses, editors, musicians and sound





engineers. Twenty-four Venezuelan filmmakers involved in filmmaking, born in the 1980s, were chosen.

## Book Fair

In November, we participated for the second consecutive year in the West Book Fair of Caracas, organized by Catholic University Andrés Bello. Our purpose is to disseminate the content of the Banesco Digital Library, whose titles contribute to the comprehensive education of Venezuelans and the construction of citizenship. The university environment is a special place for this kind of activity.

## Banesco Scholarship Program

During 2018, we were able to provide VES 946,188.46 in scholarships for a group of students of Catholic University Andrés Bello (UCAB), Margarita University (Unimar) and Monteávila University (UMA). These granted resources cover a percentage of the enrollment regarding selected students, based on their GPA and socio economic conditions. At present, the students selected by the educational institutions, granted with Banesco's scholarships, pursue degrees in the following areas: Business Administration and Accounting, Mass Communication, Laws, Education and Engineering.

## SOCIAL NETWORKS

At the end of December 2018, our social networks added up a community of over 1,362,000 followers in our official Twitter, Facebook, Instagram, Google+, YouTube and LinkedIn accounts, which is equivalent to an increase of 8.98% in comparison with the numbers of December 2017.

This is an important communication tool to communicate with our clients and the public. By using it, we not only spread our messages, but also read the clients' questions in real time. During the last semester, 9,455 cases referred to products and services were attended through social networks, which totalizes 18,063 attended cases in 2018.

Regarding its presence in social networks, Twitter – through the @Banesco account –, remains as the social network preferred by users and reaches more than 708,000 followers as of December 2018. Apart from serving as a link to client service and requirements, it also offers relevant content about personal finance, entrepreneurship, technology, holidays, history, sports, business, energy and novities concerning the products, services and promotions in the Bank. Furthermore, Banesco's Facebook exceeded 264,000 followers and Instagram it reached 147,074 followers.

The videos on YouTube channel "Banesco en Imágenes" register over 4.6 MM views, in addition to 10,200 subscribers. At the end of December 2018, Banesco Blog exceeded 7,900,000 visits. On this website, apart from corporate information regarding products and its policy of Corporate Social Responsibility, the institution is counting on exclusive content, which is drafted by renowned journalists.

## MARKETING AND INNOVATION

Now, we present a summary of the main achievements obtained during the second half of 2018.

### We continue the Permanent Campaign for the Prevention of Money Laundering

With the monthly publication of our bulletin in Banesco website, jointly with a deployment in the social networks and e-mails, we contribute to the training of our clients in the Prevention of Money Laundering and Financing Terrorism for the purposes of informing the different elements to prevent this crime and avoid being a victim of the organized crime. The permanent campaign allows us to contribute to mitigate the operational, legal and reputational risk associated with illicit activities. To reinforce the communication plan, we started the publication of the monthly poster in our network of agencies in November.

### Banesco updated with the Monetary Reconversion

From the beginning of the semester to September 2018, we maintained constant communication about the Monetary Reconversion process. This was aimed at informing our natural and legal clients, and the public as well, about the reconversion of the national currency. We promote the campaign through Banesco's website, jointly with a deployment in the social networks, and sending of targeted e-mails and the placement of informative papers in the network of agencies. In this regard, we contribute with the familiarization of the new bank notes.

### We promote the use of Banesco's Point of Sales and reward our cardholders

On October 19th, we initiated the campaign "Avoid Frights" with the massive launching of our advertisement in radio, TV, Banesco's website and the social networks as well. The campaign was aimed at promoting the use of Banesco's Points of Sale through the awarding of the Banesco Permanent Prize Ticket Program during October, November and December.



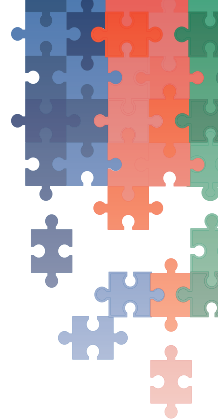
### We promote the Education of Pensioners in the use of their bank accounts

During the semester, we continued with the permanent campaign to inform pensioners about the benefits of their bank accounts and promoted in this segment the use of Banesco Digital Banking, highlighting the benefits offered by our digital services to make their operations faster and easier, without having to go to the agencies. The campaign was promoted at Banesco's website on a monthly basis, as well as in the social networks in the days prior to the notification of the Social Security Service's payment. During August and November, the campaign "Myths and Legends" was ranked in the first positions regarding the top of the campaigns with the largest emotional involvement

## ATENCIÓN PENSIONADOS







## SEGMENT MANAGEMENT

In the second half of 2018, we closed with a balance of VES 159.075 billion in bank deposits and a market share of 10.64%, this accounts for an increase of VES 154.827 billion (3,645.5%) compared to the previous period.

In relation to the bank's credit portfolio, we reached a market share of 15.74% and the period ended in VES 74.660 billion, accounting for an increase of VES 72,372 (3,163.1%). More than 1,280,000 credit transactions were settled by VES 71.409 billion, accounting for an increase of 3,130.1% with respect to the previous semester.

Regarding mandatory portfolios, a total of VES 17.677 billion was settled to the end of the second semester, being the most representative the Agriculture Loans for VES 9.834 billion and Microcredits for VES 5.429 billion.

Efforts are still being made with the support to sales force, the management of client's database and clients' files, applying the "Know your Client" Policy in each contact that is carried out with the client, through both visits and interviews that allow to get updated information.

The commercial management keeps using the strategy of migration of transactions to our electronic channels, aimed at a more efficient management of financial transaction by allowing a speed-up in the flow of collections and payments from clients.

## Mass Segments

At the close of December, the mass segments showed a positive result in the deposit indicators with a variation of 3,446% with respect to the first semester.

More than 46,215 loan requests were approved, which allowed for an increase of 3,245% in the total portfolio in this segment.

As an optimization strategy in the community segment, the full integration of the business ecosystem support in branch network was included. With this, we pursue to broaden the scope of the points of support and of the value proposition for this important segment, which strengthens our Social Responsibility program for supporting microentrepreneurs.

## Banking for Legal Persons

In the second semester of 2018, the Legal Banking Clients, through their specification and segmentation in the Corporate, Company and Agricultural sectors, kept having a high performance, in which stood out the development and deepening of relations, products and services offered to our clients. In that way, Banesco succeeded in meeting their demands and keep being their most preferred ally, supporting the main productive and service sectors of the country. The experience of our human talent was the driving force to achieve the goals and to continue establishing long-lasting relationships over time.

SÉ PARTE DE LA BANCA DIGITAL  
BANESCO CON **Banesco Móvil**

RIF: J-07013380-5

**Banesco**  
Costa Rica

## ELECTRONIC CHANNELS AND BANK BRANCHES

### Digital and Electronic Channels and Branch Network

During the second semester of 2018, through the service channels offered by Banesco, more than 2.836 billion transactions were made by our clients, evidencing a participation of 99.6% of the digital and electronic channels at the close of December.

#### Branch Channel

To the second half of 2018, Banesco has 328 Service Points made up of 300 Branches, 25 bank counters and 3 Banesco Express, through which 10.2 MM transactions were made.

#### Internet Banking Channel

During the second semester 2018, BanescOnline registered an average of 2.7 MM of monthly active clients, which accounts for 69% of the Bank's total active clients who made, on recurring basis, more than 1.805 billion transactions. Concerning financial transactions, this channel showed an increase of 19.1% compared to the same period of the previous year, accounting for a growth of more than 84 MM transactions.

#### Pago Móvil Channel

To the close of 2018, the channel reached more than 1.5 MM registered clients and 23 MM transactions. During the period, the *Pago Móvil* limits were adjusted, reaching in December the amount of VES 30,000; which allowed us to maintain the transactional leadership and to improve the client experience in our new channel. .

#### Telephone Banking Channel

Banesco Call Center answered, during the second half of 2018, a total of 26.92 MM calls, experiencing a 24% decrease



in relation to the same period of the previous year. 97.5% was handled automatically through the IVR (26.47 MM calls) and the remaining percentage by telephone agents.

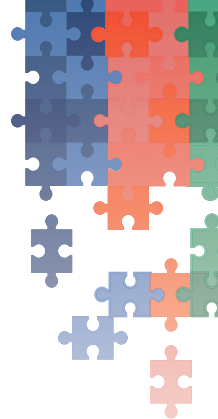
#### ATMs

Banesco closed the month of December with an installed operational park of 1,113 ATMs in the national territory (587 Monofunctional and 526 Multifunctional), through which, during the second semester of 2018, more than 30.8 MM transactions were processed, covering approximately 14 MM withdrawals and more than 16 MM balance requests.

## COLLECTION AND PAYMENT SERVICES

In this second half, Collection and Payment services recorded 39 MM transactions, driven by the *Multipagos* electronic transaction growth (+34%), and Payment to Suppliers (+13%).

In this period, the transaction volume of Collection and Payment services registered an increase of 84,700% with respect to the same period of 2017. There stand out the increases in volume of *Multipagos* and Payment to Suppliers.



## DEBIT AND CREDIT CARDS

### Credit Card Issuer Business

The Credit Card business grew 2,705% in sales at the close of second half of 2018 compared with the previous period. The market share in credit cards at the end of December was 15.11%, according to the last report published by SU-DEBAN.

The delinquency rate of the second half of 2018 was 0.003%. It was lower than the one of the previous period.

The *Extracrédito* product (Purchases and Cash) grew by 2,306% compared with the first half of 2018, due to the increases in the credit card limits and the client's payment behavior; which resulted in a non-delinquent portfolio at the close of the second half.

Card issuance and maintenance initiatives were carried out during the period, with the purpose of supporting our client's consumption needs.

### Debit Card Issuer Business

Banesco Debit Cards recorded a sales growth of 5,362% at the end of the second half of 2018 in relation to the previous period, being the Point of Sale the clients' most used payment channel, as a result of the constant adjustments of the maximum amounts for the transactions in Points of Sale, reaching a 91.25% level of acceptance, allowing for maintaining the service offer above the market and strengthening our client's preference.

In relation to Pensioners, 73% of our clients have a debit card, allowing them to pay from their pension accounts in all the stores with point of sale, to withdraw at ATM and at bank counter, to make and receive transfers from BanescOnline to third parties and other banks, to pay their credit cards, as well as using the Telephone Banking service.

### Merchant Acquiring Business

To the close of December 2018, Banesco has 109,395 physical and virtual points of sale, through which more than 700 MM transactions were made.

Accordingly, Banesco's Merchant Acquiring Business experienced a 5,791% growth in sales at the national level at the end of the second half with respect to the previous half, registering a 5,921% increase in Debit and a 4,434% increase in Credit.

Banesco leads the Acquiring Business at the national level, maintaining the affiliation plan by different business segments, developing the country's most important and sensitive sectors, guaranteeing the quality of the commercial portfolio and developing strategies aimed at differentiation for meeting the needs in the sales service of our business partners. All this within an innovative framework and ensuring the service sustainability of its technological platforms.

Banesco continues to point towards the creation of positive and simple experiences, maintaining virtual and physical points of sale with digital management of the reconciliation services. These solutions are accompanied by Fintech and startup type companies to implement, in 2019, intelligent solutions of payment methods that are integrated to the consumer's daily life.

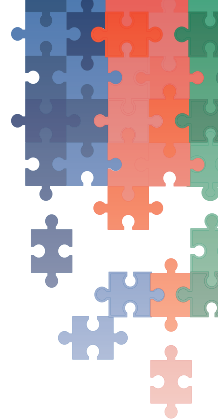


### Special Offers and Alliances

#### "Winning Ticket" Program

More than 1,400 prizes were given to Clients who used their credit and debit cards between October and December, 2018, refunding them the amount of the purchase that they had made.





## COMPETITIVE INTELLIGENCE

Keeping on the brand value promise in a consistent way and with high quality continued to be Banesco's core purpose, driven by the client experience strategy during the second half of 2018. For that purpose, and maintaining the management of a client-oriented vision as the core of all actions, follow-up was made on the development and execution of initiatives and projects that not only were aimed at introducing improvements to the products and services portfolio, but also at fostering the client's emotional bond to the Organization.

Within the framework of this purpose, we continued measuring the client's experience, identifying and understanding the condition of the client's voice, gathering their opinion about the service provided by us, their satisfaction and level of preference, not only from Banesco but also from the country's main banks. Thanks to this follow-up, we identified their expectations and experiences, which are valuable data allowing us to carry out further attracting, bonding and loyalty promoting actions in a continuous way.

As part of the measurement strategy, the self-management mechanism continued being implemented, achieving to deepen in Banesco client's opinion, his/her perception and level of recommendation about our channels and main portfolio products.

From the second semester, we started the Multi-Management project with the purpose of moving forward in our transforma-

tion goal towards a digital banking. To the close of the year, we already have the first deliverable of said initiative. Therefore, we already have a more robust client file in all our agencies, which allows us not only to comply with the current regulatory framework, but also to increase our client knowledge.

In addition to this initiative, it must be mentioned the management carried out within the Monetary Reconversion project, which required the establishment of a comprehensive communication strategy to guarantee the timely delivery of information, but in an easy and simple way, in order to properly guide all our interest groups in the framework of a great importance process for the country.

## Relational/Experiential Marketing

For the second half of 2018, we continued implementing the relational and experiential personalized marketing plan, directed both to internal and external clients, fostering the loyalty and the construction of lasting relationships with our clients, improving their value in relation to the Organization.

During this period, we sent about 23.5 MM e-mails to promote personalized commercial and relationship actions, with an e-mail open rate of 36.1% on average among all the distributed campaigns.

In this way, we supported the products and services business management carried out by the Bank's commercial department.

**Banesco Móvil**  
AHORA ES MÁS PODEROSO  
Usa la nueva Banca Digital Banesco y disfruta de sus nuevas funcionalidades

## INFORMATION TECHNOLOGY, BUSINESS PROCESSES AND OPERATIONS

Concerning Information Technology, Processes and Transactions, during this second semester, 2018, we guaranteed the availability of each of the services, systems and business processes of the client's value chain. We ensured the carrying out of the client's transactions under security and reliability conditions, through strong contingency plans. All this, in order to continue providing a reliable experience to our clients, guaranteeing stability and supporting the Bank's growth with quality and profitability criteria.

### Processes

Our main focus concerning processes was on actions aimed at optimizing the Bank's performance with efficient processes and structures, through capacity assessments that allowed us to assess the productivity of each department based on the effort made.

Among the achievements of the second half, the implementation of the new procedure of monitoring of the processes stands out. That procedure consists of the systematic assessment made to the business processes to ensure that they are carried out complying with the standards established and expected by the Organization.

### Application Development and Maintenance

In the Application Development and Maintenance department, technological solutions aligned with the strategic vision and business growth are delivered. In this sense, and in order to support the effective management of cash, the application of interbank payments from Person to Commerce (P2C) and balance consultation via SMS were developed, allowing clients to check the balance of their Banesco active accounts simply by sending a text message.

Regarding the regulatory framework, we analyzed the times established in all the requests made by the different govern-



mental bodies. There stood out Banesco's compliance regarding date and time of the implementation of the Monetary Reconversion Project and the new Monetary Cone.

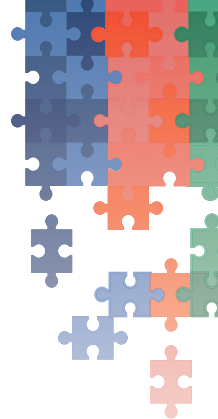
The completion of the implementation of the Advanced Compliance Risk Manager (ACRM) tool was of utmost importance to facilitate the management of the Prevention and Money Laundering Department. With this tool, the previous system properties are enhanced to allow the evaluation of clients and their timely detection if there are unusual activities.

### Technology Operations

Through the continuous improvement of the processes and systems health plans, the Technology Operations department managed to guarantee the capabilities and redundancy schemes, as well as the levels required by the infrastructure in order to support the services, products, and channels to keep the Bank's operations 100% stable.

In this semester, we also installed the new telecommunication infrastructures with the MasterCard and American Express franchises, expanded the server infrastructure for our Private Cloud, which increased the processing capacities and updated the server infrastructure for ATM security schemes.

The most important achievement of the semester was the migration of the current Core Banking and Card System supporting infrastructure to a new technological processing platform. Thus, expanding the processing capacity of the central computer and ensuring the Bank's transactional growth for the next three years.



## COMPREHENSIVE RISK MANAGEMENT

The result-oriented effort to comply with Banesco Banco Universal established goals for 2018 was framed in the identification and execution of overall losses control and mitigation strategies, the constant promotion and reinforcement of continuity and follow-up of Key Risk indicators within the risk-return levels accepted by the shareholders

In this sense, under the established methodology, during the second half of 2018, the identification of risks through the constant review and monitoring of the exposures, evaluation of both new and existing products, the support associated with this analysis continued to be the best practices, as well as the continuous update of the Risk Models, together with the continuity of the Communication actions, Measurement and Training that make up the Risk Culture Plan, whose main objective is to provide Citizens Banesco with the necessary tools for managing risks in their processes.



Aware of the importance of strengthening the Risk Culture in the Bank, and in order to guarantee the proper risk management within the Bank, at the close of the second semester of 2018, the Human Capital team together with the Executive Vice-Presidency of Comprehensive Management of Risk, coordinated the specialized training Comprehensive Risk Management and Risk Management Methodology topics to be given at several departments; the following are some departments that received the training: Comprehensive Risk, Business Processes, Finance, Operations, Branch Network, Banking, Channels, Credit, Products and Technology, for a total of 2,904 employees benefited from this training process. Also, as part of the “Banesco Advanced Internal Audit Program” (*PABAI, for its Spanish Initials*), training talks were given on Risk Management Methodologies. In the same way, different talks on Comprehensive Risk were given to a total of 482 new employees.

### Models and Methodology

In order to manage the different risks to which the Bank is exposed, there are several models. Some of said models are the following: Granting of Credit and Client Behavior, Collection Management, Operational Risk, Market Risk and Liquidity Risk.

During the second half of 2018, the monitoring and assessment of this models and methodologies was followed-up through both predictability analyses and backtesting, evidencing that Banesco Banco Universal has strong predictive models and methodologies, which maintain the results within the expected levels.

In terms of models and methodologies, the constant revision and adaptation to the best practices continued being implemented, as well as the compliance with the regulatory framework, presenting before the Risk Committee the proposals oriented towards an appropriate management.

The strengthening of the Risk Culture was also an objective of the Model and Methodology Executive Management, by means of the design of the Virtual Training in Risk Management and the participation in the new employees induction processes.



## Credit Risk

In order to maintain the expected losses of the Credit Portfolio at the established levels, during the second half of 2018, it was given continuity to the Credit Risk management, which was leveraged in: a) the reinforcement of the criteria for granting and maintaining loans, b) the execution of training plans in credit analysis aimed at sales areas, for an adequate decision making, c) the mass use of the tool that consolidates the criteria to be considered in the client selection process, d) in addition to having granting and behavior predictive models and methodologies, which are continually reviewed and that have allowed us to maintain a credit portfolio quality at the levels expected by the bank.

All these actions, together with the application of collection strategies that are more effective and differentiated by credit modalities, maintaining a comprehensive client's vision, have allowed for the obtaining of indicators of past due balances and delinquency at levels below the limits established by the Organization and observed at the Financial System

## Market and Liquidity Risk

In terms of Market Risk, the risk management was aimed at monitoring the positions held by the Bank in the Investment Portfolio, by means of the application of best practices and of what is set forth in the regulatory framework.

In this sense, the follow-up of the price fluctuations was carried out, as well as the Market VaR (Value at Risk) Back-testing analysis, quantifying the validity and accuracy of the prediction of the worst investment portfolio potential loss.

Concerning the liquidity risk, the management carried out was oriented to the monitoring and spreading, through the Risk Committee and the Assets and Liabilities Committee, of the different liquidity ratio and gap analysis indicators. Said indicators take into account the different scenarios, such as the contractual, expected and stressed scenarios. Also, the Liquidity Risk Training Plan benefiting the personnel of the Vice-Presidency of Treasury was maintained, as well as the ratification of the Liquidity Contingency Plan.



## Operational Risk

The results obtained by the Bank in the second half of 2018, reflect an appropriate risk management, specifically regarding Operational Risk, being it understood as the risk with the greatest financial impact in the Organization as a result of weaknesses, inadequacies or failures in the processes, people and functioning of internal systems, or caused by external events.

During the second half of 2018, the evaluations, the analyses and continuous monitoring with process leaders were followed-up, together with the Internal Audit department, applying the established methodology and the follow-up of the best practices, in order to maintain the risk levels within the established thresholds, having the maximum possible control over the Bank's exposures.

Finally, the risk culture strengthening for the identification and timely reporting of events was maintained, as well as the establishment of mitigation actions to close the gaps, mitigate losses and minimize the Reputational and/or Legal effects, through a fast reporting, control and event management process.

# PROPOSAL TO DECREE AND PAID DIVIDENDS

BANESCO BANCO UNIVERSAL

Caracas, February 27, 2019

**Proposals Presented by The Board Of Directors For The Consideration And Decision of The Regular General Meeting of Shareholders Called For March 26, 2019, to Decree And Pay Cash Dividends (Preferred Shares), Approved in Session No. 1,462 Dated February 27, 2019.**

## Cash Dividends

Defer cash dividends to the holders of preferred shares for the amount of **TWO HUNDRED TWENTY-NINE BOLIVARS WITH FORTY CENTS (BS. 229.40)**, which will be paid to the holders of preferred shares, corresponding to the emissions 2008-I and 2008-II.

This dividend covers the payment for the periods due on May 15, August 15 and November 15, 2019 in accordance with the respective issuance prospectus. Likewise, the Board of Directors will be subject to the consideration of the Assembly so that it complies with such formalities necessary to make the payment in a timely manner.

**José Grasso**

Executive President



## BALANCE SHEET



### ASSETS

Stated in Million VES

	Dec. 18	Jun. 18	Dec. 17	Jun. 17
<b>CASH AND DUE FROM BANKS</b>	<b>103,098.6</b>	<b>2,307.2</b>	<b>211.5</b>	<b>23.1</b>
Cash	7,740.0	20.5	2.1	0.4
Central Bank of Venezuela	73,521.3	2,165.3	203.7	21.4
Local Banks and Other Financial Institutions	645.3	7.6	0.9	0.4
Foreign Banks	17,239.6	23.8	—	—
Head Office and Branches	—	—	—	—
Pending Cash Items	3,952.4	90.0	4.9	0.8
Provision for Bank Accounts	—	—	—	—
<b>INVESTMENTS IN SECURITIES</b>	<b>29,176.5</b>	<b>60.6</b>	<b>7.5</b>	<b>1.8</b>
Investments in Central Bank	0.1	0.1	0.1	0.2
Investments in Trading Securities	—	—	—	—
Investments in Securities Available for Sale	123.4	2.6	0.6	0.6
Investments in Securities Held to-maturity	19,137.7	19.8	0.6	0.6
Limited Availability Investments	9,870.2	17.7	0.0	0.0
Other Security Investments	45.1	20.5	6.2	0.4
Provision for Security Investments	—	—	—	—
<b>LOAN PORTFOLIO</b>	<b>73,279.1</b>	<b>2,242.3</b>	<b>74.2</b>	<b>21.1</b>
Outstanding Credits	74,660.1	2,288.0	76.0	21.6
Restructured Credits	—	—	—	—
Past Due Credits	0.2	—	0.0	0.0
Credits in Litigation	—	—	—	—
Provision for Credit Portfolio	(1,381.2)	(45.8)	(1.7)	(0.5)
<b>INTEREST AND COMMISSIONS RECEIVABLE</b>	<b>1,075.1</b>	<b>16.7</b>	<b>1.1</b>	<b>0.3</b>
Interest receivable from cash and due from banks	—	—	—	—
Interest receivable from security investments	437.2	0.6	0.2	0.0
Interest receivable from credit portfolio	620.9	15.6	0.9	0.2
Commissions Receivable	17.0	0.6	0.1	0.0
Interest Receivable on Other Accounts Receivable	—	—	—	—
(Provision for Interest Receivable and Other)	(0.1)	—	—	—
<b>INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES</b>	<b>32.1</b>	<b>—</b>	<b>—</b>	<b>—</b>
Investments in subsidiaries and affiliates	32.1	—	—	—
Investments in branches	—	—	—	—
Provision for investments in subsidiaries, affiliates and branches	—	—	—	—
<b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>	<b>—</b>	<b>0.0</b>	<b>—</b>	<b>—</b>
<b>PROPERTY IN USE</b>	<b>5,334.1</b>	<b>15.4</b>	<b>3.9</b>	<b>1.5</b>
<b>OTHER ASSETS</b>	<b>10,717.4</b>	<b>220.3</b>	<b>9.7</b>	<b>0.9</b>
<b>TOTAL ASSETS</b>	<b>222,712.9</b>	<b>4,862.5</b>	<b>307.9</b>	<b>48.6</b>





# BALANCE SHEET



## LIABILITIES

Stated in Million VES

	Dec. 18	Jun. 18	Dec. 17	Jun. 17
<b>DEPOSITS FROM CLIENTS</b>	<b>159,074.6</b>	<b>4,247.1</b>	<b>280.9</b>	<b>43.3</b>
Deposits in Current Accounts	150,653.9	4,082.1	262.2	39.5
Non-Remunerated Checking Accounts	105,894.4	2,695.6	177.2	23.5
Remunerated Checking Accounts	43,133.6	1,292.8	83.9	14.0
Current accounts under exchange agreement n° 20	1,445.8	2.7	—	—
Demand Deposits and Certificates	180.0	91.1	1.1	1.9
Other Demand Obligations	958.5	12.7	1.4	0.5
Obligations for Money Desk Operations	—	—	—	—
Savings Deposits	7,446.2	136.4	17.4	3.4
Time Deposits	15.9	15.9	0.0	0.0
Securities Issued by the Institution	—	—	—	—
Restricted Deposits from Clients	—	—	—	—
Right of Ownership and Participation on Security Investments	—	—	—	—
<b>OBLIGATIONS WITH BCV</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>DEPOSITS AND OBLIGATIONS WITH BANAVIH</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>OTHER FINANCING OBTAINED</b>	<b>7,596.6</b>	<b>121.8</b>	<b>7.1</b>	<b>0.8</b>
Liabilities with local financial institutions up to one year	7,596.6	121.8	7.1	0.8
Liabilities with local financial institutions more than one year	—	—	—	—
Liabilities with foreign financial institutions up to one year	—	—	—	—
Liabilities with foreign financial institutions more than one year	—	—	—	—
Other Liabilities up to one year	—	—	—	—
Other Liabilities more than one year	—	—	—	—
<b>OTHER FINANCIAL OBLIGATIONS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>INTEREST AND COMMISSIONS PAYABLE</b>	<b>0.6</b>	<b>0.1</b>	<b>—</b>	<b>—</b>
Expenses payable due to deposits from clients	0.6	0.1	—	—
Expenses payable due to obligations with BCV	—	—	—	—
Expenses payable due to deposits and liabilities with BANAP	—	—	—	—
Expenses payable due to other financing obtained	0.0	—	—	—
Expenses payable due to other financial obligations	—	—	—	—
Expenses payable due to obligations convertible to capital	—	—	—	—
Expenses payable due to subordinated debt	—	—	—	—
<b>ACCRUALS AND OTHER LIABILITIES</b>	<b>37,495.0</b>	<b>306.6</b>	<b>11.2</b>	<b>1.6</b>
<b>SUBORDINATED DEBT</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>OTHER LIABILITIES</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL LIABILITIES</b>	<b>204,166.8</b>	<b>4,675.6</b>	<b>299.3</b>	<b>45.7</b>
<b>STOCKHOLDERS' EQUITY</b>				
<b>PATRIMONIO</b>				
<b>CAPITAL STOCK</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Capital Paid-in	0.0	0.0	0.0	0.0
<b>PAID-IN SURPLUS</b>	<b>800.4</b>	<b>64.9</b>	<b>0.8</b>	<b>—</b>
<b>CAPITAL RESERVES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>EQUITY ADJUSTMENTS</b>	<b>14,109.3</b>	<b>29.7</b>	<b>2.2</b>	<b>1.3</b>
<b>ACCUMULATED INCOME</b>	<b>3,610.6</b>	<b>92.0</b>	<b>5.6</b>	<b>1.6</b>
<b>NON-REALIZED GAIN OR (LOSS) ON AVAILABLE FOR SALE SECURITY INVESTMENTS</b>	<b>25.7</b>	<b>0.3</b>	<b>—</b>	<b>—</b>
<b>(TREASURY STOCK)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL LIABILITIES</b>	<b>18,546.1</b>	<b>186.9</b>	<b>8.6</b>	<b>2.9</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>222,712.9</b>	<b>4,862.5</b>	<b>307.9</b>	<b>48.6</b>
<b>CONTINGENT DEBTOR ACCOUNTS</b>	<b>7,840.1</b>	<b>346.5</b>	<b>11.7</b>	<b>6.2</b>
<b>TRUST ASSETS</b>	<b>6,119.8</b>	<b>15.3</b>	<b>1.2</b>	<b>0.7</b>
<b>OTHER TRUST ASSIGNMENTS</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (HOUSING MUTUAL FUND)</b>	<b>78.4</b>	<b>2.0</b>	<b>0.8</b>	<b>0.4</b>
<b>OTHER DEBTOR ACCOUNTS (HOUSING MUTUAL FUND)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>OTHER DEBTOR MEMORANDUM ACCOUNTS</b>	<b>1,884,867.4</b>	<b>4,467.0</b>	<b>733.7</b>	<b>147.2</b>
<b>OTHER DEBTOR BOOK ACCOUNTS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>



## STATEMENTS OF EARNINGS

Stated in Million VES

	Dec. 18	Jun. 18	Dec. 17	Jun. 17
<b>FINANCIAL REVENUES</b>	<b>4,457.4</b>	<b>139.8</b>	<b>7.2</b>	<b>2.1</b>
Revenues from Cash and Cash Equivalents	17.9	0.0	—	—
Revenues from Security Investments	277.4	0.8	0.2	0.1
Revenues from Credit Portfolio	4,162.1	139.0	7.0	2.0
Revenues from Other Accounts Receivable	—	—	—	—
Revenues from Investments in Subsidiaries, Affiliates and Branches	—	—	—	—
Revenues from Head Office and Branches	—	—	—	—
Other Financial Revenues	—	—	—	—
<b>FINANCIAL EXPENSES</b>	<b>132.2</b>	<b>3.3</b>	<b>0.5</b>	<b>0.2</b>
Expenses Due to Deposits from Clients	126.9	3.3	0.5	0.2
Expenses Due to Obligations with BCV	—	—	—	—
Expenses Due to Deposits and Obligations with BANAP	—	—	—	—
Expenses Due to Other Financing Obtained	0.4	—	—	—
Expenses Due to Other Financial Obligations	4.8	—	—	—
Expenses Due to Subordinated Debt	—	—	—	—
Expenses Due to Head Office and Branches	—	—	—	—
Other Financial Expenses	—	—	—	—
<b>GROSS FINANCIAL MARGIN</b>	<b>4,325.2</b>	<b>136.5</b>	<b>6.6</b>	<b>1.9</b>
<b>INCOME FROM RECOVERED FINANCIAL ASSETS</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>EXPENSES DUE TO UNCOLLECTIBILITY OF CREDITS AND OTHER ACCOUNTS RECEIVABLE</b>	<b>1,335.6</b>	<b>44.1</b>	<b>1.2</b>	<b>0.3</b>
Provision for Loan Portfolio and Other Accounts Receivable, Losses	1,335.6	44.1	1.2	0.3
Provision for Cash and Due from Banks	—	—	—	—
<b>NET FINANCIAL MARGIN</b>	<b>2,989.7</b>	<b>92.5</b>	<b>5.5</b>	<b>1.6</b>
OTHER OPERATING INCOME	7,027.6	95.0	4.1	0.7
OTHER OPERATING EXPENSES	1,009.1	15.8	1.0	0.2
<b>FINANCIAL INTERMEDIATION MARGIN</b>	<b>9,008.3</b>	<b>171.7</b>	<b>8.6</b>	<b>2.1</b>
<b>TRANSFORMATION EXPENSES</b>	<b>3,567.2</b>	<b>47.0</b>	<b>2.8</b>	<b>1.0</b>
Personnel Expenses	1,258.5	24.2	0.8	0.4
Administrative and General Expenses	2,224.0	20.6	1.7	0.5
Contributions to Deposit Guarantee and Bank Protection Fund	30.7	2.0	0.3	0.1
Contributions to Superintendency of Banks and Other Financial Institutions	54.1	0.2	0.0	0.0
<b>GROSS OPERATING MARGIN</b>	<b>5,441.0</b>	<b>124.6</b>	<b>5.8</b>	<b>1.1</b>
Income from Adjudicated Goods	0.0	0.2	0.2	—
Income from Special Programs	—	—	—	—
Income from Sundry Accounts	3.5	—	—	0.0
Expenses Due to Realizable Property	0.0	—	—	—
Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods	—	—	—	—
Expenses Due to Sundry Accounts	662.4	15.4	0.7	0.2
<b>NET OPERATING MARGIN</b>	<b>4,782.2</b>	<b>109.4</b>	<b>5.3</b>	<b>0.9</b>
Extraordinary Income	—	—	—	—
Extraordinary Expenses	1.2	—	—	—
<b>GROSS INCOME BEFORE TAXES</b>	<b>4,781.0</b>	<b>109.4</b>	<b>5.3</b>	<b>0.9</b>
Income Taxes	1,153.4	20.3	1.3	0.2
<b>NET INCOME</b>	<b>3,627.6</b>	<b>89.1</b>	<b>4.0</b>	<b>0.7</b>
<b>APPLICATION OF NET INCOME</b>				
Legal Reserve	—	—	—	—
Statutory Utilities	108.8	2.7	—	—
Other Capital Reserves	—	—	—	—
<b>ACCUMULATED INCOME</b>	<b>3,518.7</b>	<b>86.4</b>	<b>4.0</b>	<b>0.7</b>
<b>OTHER ACCOUNTS</b>				
LOSEP Contribution	49.9	1.2	0.1	0.0
Third-Party Investments	—	—	—	—
Monthly Agriculture Credit Portfolio	3,372.5	157.1	3.0	0.9
Accumulated Agriculture Credit Portfolio	9,975.4	346.9	10.4	2.8
Public Sector Deposits	3,613.1	54.5	5.8	1.2
Micro-Credits	4,488.8	70.6	1.7	0.4
Credits to the Segment of Tourism in accordance to law in force	5.9	1.9	0.6	0.2
Mortgages according to the Special Law for the Protection of the Housing Loan Debtor	0.1	0.1	0.1	0.1
Financial Soundness Ratio (%)	15.8	8.9	11.1	13.6
Manufacturing Loans	2,203.9	14.8	5.6	1.0



## TRUSTS

Stated in Million VES

	Dec. 18	Jun. 18	Dec. 17	Jun. 17
<b>TRUSTS</b>	<b>347.35</b>	<b>4.89</b>	<b>1.15</b>	<b>0.66</b>
<b>HERITAGE TRUST</b>	<b>81.93</b>	<b>0.84</b>	<b>0.21</b>	<b>0.27</b>
Individuals	0.03	0.01	—	—
Corporative Entities	81.19	0.81	0.20	0.08
Central Administration	—	—	—	—
Public, State, Municipal and Central Administrations	—	—	—	—
Decentralized Entities and Other Entities with Special Regime	0.70	0.02	0.01	0.18
<b>GUARANTEE TRUSTS</b>	<b>0.01</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>
Individuals	—	—	—	—
Corporative Entities	—	—	—	—
Central Administration	—	—	—	—
Public, State, Municipal and Central Administrations	—	—	—	—
Decentralized Entities and Other Entities with Special Regime	0.01	0.02	0.02	0.02
<b>MANAGEMENT TRUSTS</b>	<b>265.42</b>	<b>4.03</b>	<b>0.92</b>	<b>0.37</b>
Individuals	0.01	—	—	—
Corporative Entities	71.66	1.60	0.26	0.13
Central Administration	6.91	0.20	0.04	0.02
Public, State, Municipal and Central Administrations	1.44	0.07	0.04	0.01
Decentralized Entities and Other Entities with Special Regime	185.40	2.16	0.58	0.21
<b>FEATURES MIXED TRUSTS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Individuals	—	—	—	—
Corporative Entities	—	—	—	—
Central Administration	—	—	—	—
Public, State, Municipal and Central Administrations	—	—	—	—
Decentralized Entities and Other Entities with Special Regime	—	—	—	—
<b>OTHER TRUSTS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Individuals	—	—	—	—
Corporative Entities	—	—	—	—
Central Administration	—	—	—	—
Public, State, Municipal and Central Administrations	—	—	—	—
Decentralized Entities and Other Entities with Special Regime	—	—	—	—



## SOCIAL BALANCE ACCUMULATED 1998 - DECEMBER 2018

Stated in VES

DESCRIPTION	2018	Accumulated 1998 - December 2018
<b>SOCIAL INVESTMENT</b>		
<b>APPLICATION BANESCO RESOURCES</b>	<b>141,917,536.45</b>	<b>142,067,201.06</b>
Fe y Alegría	23,908.37	24,885.81
Microentrepreneurs Training Program	44,667.62	47,061.61
Simón Bolívar Music Foundation	48,147.70	48,364.00
Association of Venezuelan Catholic Education (AVEC)	4,749.40	5,017.15
Social Undertaking Project with the IESA	—	929.99
Universities and Other Institutions	961,556.71	964,623.84
BanESCO Long Scholarships Life	2,000.00	2,025.40
Other Education Institutes and Organizations	4,999.31	5,107.54
Venezuelan Foundation against Child Paralysis	2,436.86	2,650.47
Other Health and Medical Care Organizations	24,961.91	26,241.17
FUNDANA	7,875.00	8,672.04
Civil Association Don Bosco Houses Network	6,712.20	7,130.02
Salesian Ladies Civil Association	4,208.58	4,350.28
Attendance to the childhood and people with special necessities	3,677.22	4,500.95
Toys donation to the communities	—	34.17
Editorial Projects	15,800.14	16,789.12
Other Contributions	516.32	1,018.44
Solidarity (Capital and Regional)	(0.10)	61.29
Events for the Community	781,035.88	782,547.62
Investment in works in Colinas de Bello Monte	—	23.06
Mayoralties, Regional Governments and Other	—	141.71
Community Participative Budget	30,707.10	31,073.71
<b>Non-Contractual Social Benefits for BanESCO Employees</b>	<b>139,926,370.19</b>	<b>140,060,703.45</b>
Dining Subvention	122,350,580.83	122,446,762.67
Medical Service	1,124,268.61	1,125,686.79
Parking Subsidy	—	577.32
Medical Assistance for Extreme Diseases	643,633.61	647,132.56
Unsecured Loans for Housing	(36.23)	673.91
Transportation between offices	413,489.50	414,471.08
Housing sales between employees	—	1.31
Collective Agreement	15,394,433.87	15,425,397.81
<b>Corporate Volunteering Contribution</b>	<b>23,206.05</b>	<b>23,248.21</b>
<b>Aplication of Article 96 (LOCTISEP)</b>	<b>—</b>	<b>336.12</b>
<b>TOTAL SOCIAL INVESTMENT</b>	<b>141,917,536.45</b>	<b>142,067,537.19</b>



**President**  
Juan Carlos Escotet R.

**Directors**  
Juan Carlos Escotet R.  
Miguel Ángel Marcano C.  
José Grasso Vecchio

Emilio Durán Ceballos  
María Josefina Fernández M.



