



# 2019

FINANCIAL REPORT

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SECOND HALF







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# FINANCIAL ECONOMIC BALANCE

## SECOND HALF 2019

Once again, we reflect on our performance; for this reason, we are pleased to confirm that we continue to be the leading private bank in the Venezuelan financial system, as per report of the first half of 2019. It is necessary to highlight that our corporate values, such as responsibility, reliability, quality and innovation, were the foundations that guided this management that is distinguished by giving continuity to our idea of becoming an increasingly digital bank, through products and services that satisfy our clients' needs and demand less inconvenience and movement for them.

Banesco has been a pioneer in many aspects. In this regard, this 2019 period was the stage for the launch of the new Mis Solicitudes website, which allows our clients to update their entire file, as frequently suggested by the regulatory institutions, without having to go to the bank.

We proved the professionalism of our Human Capital and its great capacity of adaptation, vocation of service and sense of belonging in this year. The board of directors and the remaining corporate governance bodies worked jointly with over 4,000 Banesco citizens. They have proven at all Banesco agencies throughout Venezuela that they are human beings, capable of offering the best quality, financial products and services, while seeking new ways to improve their training on a continuous basis and, thus, providing the best service. We remain confident in our shareholders and in the entire Venezuelan society. Venezuelans are aware that they can count on our goodwill in order to guarantee a good exercise of transparency and compliance with legal provisions. Consequently, we are releasing this Balance Sheet regarding the second half of 2019 to the public, which proves that we not only maintain the leadership, but also the preferen-

ce of the Venezuelan private banking clients. We are the first institution in our financial system to finance productive activities ending the period with a gross portfolio of VES 1.91 billion. This accounts for 18.3% of the market, granting more than 13,000 loans in 2019 and reaffirming once again Banesco's focus on credit intermediation. We maintain excellent portfolio management indicators, adequately provisioned and of good quality, with a default rate of 0.0002%.

As a result of the strategic planning exercise for 2019, a mandate emerged in order to strengthen and diversify our service channels. Moreover, we take great care in making the necessary arrangements with the whole structure of the bank and its internal processes in order to ensure that we would make the necessary investment in the requested human capital. In addition, we make sure that we are always actively listening to our customers to obtain the expected success in the implementation of the new digital channels. During this process, we are supported by our shareholders, who approved significant investments in the needed resources. We realize that the concept of Customer Service must be kept under constant review and how it has been transformed to create a new one, marked by



Banesco provides nationwide coverage through 325 Points of Service (Agencies, Box Offices and Banesco Express Agencies) and more than 139 thousand Points of Sale, excluding the 608 ATMs, distributed in the most populated regions of the country.

# FINANCIAL ECONOMIC BALANCE

## SECOND HALF 2019

circumstances and new trends, in order to understand the relationship and efficiency in the supply of financial services in all the areas where Banesco operates nationwide.

We continue on the complex path towards digital transformation, which goes beyond the development of new attention platforms. During the second half of 2019, over 2,023 million transactions were carried out by our customers through the service channels offered by Banesco, showing a 99.61% share of the digital and e-channels at the end of December. In fact, BanescOnline, during the second half of 2019, recorded an average of 2.4 million active customers on a monthly basis, accounting for 53% of the bank's total active customers. In addition, Pago Móvil channel reached over 2.45 million affiliates with more than 112 million operations through such application.

Banesco provides nationwide coverage through 325 Points of Service (Agencies, Box Offices and Banesco Express Agencies) and more than 139 thousand Points of Sale, excluding the 608 ATMs, distributed in the most populated regions of the country. At the end of 2019, the option for face-to-face transactions was reduced by 42% compared to 2018.

These results contribute to the bank's sustainability in the complex Venezuelan economy. We maintain our position as leaders in financial services offered by Venezuelan private banking. We continue to work very hard to be the main reference, with the purpose of getting closer to our customers and anticipating their needs and requirements.

Since our mission to provide quality financial services is not exhausting our presence in the country and with our stakeholders, we continue to play an active role towards

society. For this reason, beyond this half-yearly management summary, we are proud of maintaining several processes of constant dialogue with the society through our social partners and allies. These institutions have enabled us to reach out to vulnerable communities, according to the guidance provided by our Banesco Social Responsibility and Sustainability Policy, aimed at three fundamental pillars: Education, Health and Financial Inclusion.

In the second half of 2019, health and education projects remain our main external social investment. For this reason, we keep the support to the work made by our social allies and partners as the most efficient way to reach the most vulnerable people.

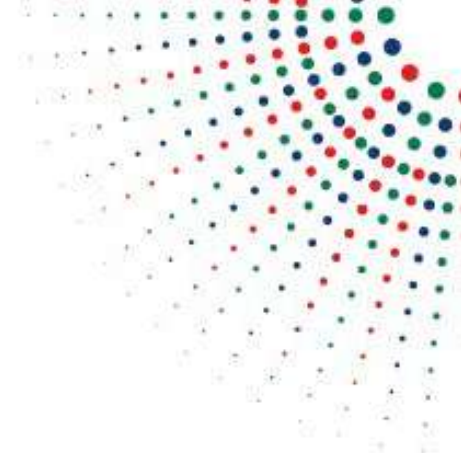
On one hand, our social investment totalized VES 1.25 billion during this period. On the other hand, we invested VES 20.70 billion to the strengthening of our employees' quality of life and their relatives, by means of the subsidy to the dining service of Ciudad Banesco, as well as the medical service or support in the event of severe diseases and aid to the funerary and health insurance, among others.

Next, we are pleased to submit the detailed information concerning our 2019 Management.

**JOSÉ GRASSO VECCHIO**

EXECUTIVE CHAIRMAN  
BANESCO BANCO UNIVERSAL, C.A.





## THE VENEZUELAN ECONOMY DURING THE SECOND SEMESTER OF 2019

According to the Report of the Organization of Petroleum Exporting Countries (OPEC) of January 2020, Venezuela's Oil Production registered an average of 792 mbd in 2019, accounting for a decrease of 562 mbd (-41.5%) compared to 2018. The average price of the basket reached 56.7 USD/b.

Production in the OPEC countries remained stable throughout 2019, fluctuating around 29 mbd, mainly due to the agreements on production cuts signed by its members and some independent countries such as Russia. This balanced the market, while better economic prospects were achieved, given the trade agreement reached by China and the United States, causing an increase of the OPEC's basket to 64.04 USD/b.

International reserves ended on December 27, 2019 at USD 7.40 billion, a decrease of USD 1.43 billion (-16.2%) compared to the same period in 2018. The yearly variation of the National Consumer Price Index, however, stood at 9,585.5% at the end of 2019, lower than 2018 (130,060.2%). The highest increases were found in Housing (22,045.5%), Education (18,861.1%) and Health (17,872.4%).

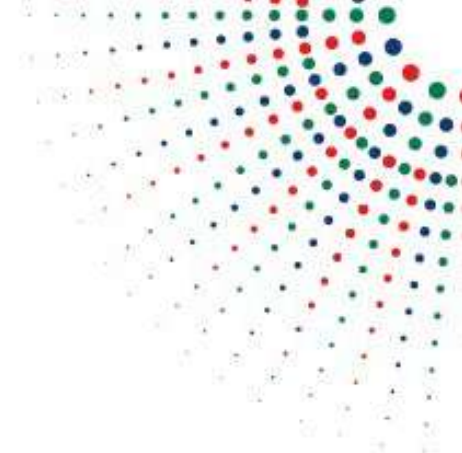
The Central Bank of Venezuela (BCV) maintained its policy of restricting monetary liquidity in 2019, with the aim of achieving a significant reduction in inflation and containing the advance of the exchange rate. The most important measures include the following:

- The adjustment by the BCV regarding loan and credit card interest rates, as reported in the Official Gazette No. 41,575, dated January 30, 2019, states that the lending interest rates for manufacturing rose to 22% from 18% per year. The one corresponding to the commercial sector went from 24.0% to 36.0%; the mortgage sector reached to a maximum of 12.66% and 15% for the tourism sector. Meanwhile, rates for credit card purchases were raised to a top of 40%. Passive rates, however, went from 12.5% to 21.0% in savings, while time deposits rose from 14.5% to 24.0%.
- Under Resolution No. 19-01-04, published in Official Gazette No. 41,573, dated January 2019, the financial system is authorized to sell euros in cash to strategic

companies, which will be provided by the BCV through financial transactions.

- Increase in the legal bank reserve (ordinary and marginal), from 21.5% and 31% in October 2018 to 57% and 100% in February 2019, respectively.
- On September 19, 2019, the BCV reformed the rules for the establishment of the legal reserve, by creating the figure of the Initial Overall Deficit (IOD), that is, the limit above which the penalties for deficit are charged by applying the Investment Index (IVI) calculated by the issuing entity on the variation of the official exchange rate. Any legal reserve deficit below or equal to the initial overall deficit is sanctioned by the application of a yearly rate of 126%, which remains in force. This boosted the overnight interbank rate from an annual average of 10.73% in 2018 to 150.56% in 2019, reaching historic figures in November of 999%.
- On May 02, 2019, Official Gazette No. 41.264 published Resolution No. 19-05-01 of the BCV, which authorizes the financial institutions to serve as exchange operators, making exchange control in the country more flexible. The official exchange rate increased from VES 638.18/US\$ in December 2018 to VES 46,621/US\$ by the end of 2019.
- Pursuant to Official Gazette No. 41,742, dated October 2019, the commercial credit indexing is authorized to the official exchange rate. Credits must be expressed through the Unit of Commercial Credit Value (UCCV) and the highest applicable rate is 6.0% annually. Credit card operations, microcredits, payroll credits and those granted to employees of banking institutions are excluded.
- In relation to employment, three salary adjustments were decreed in January, April and October 2019, raising the total salary (minimum wage plus meal food voucher) from VES 19,800 to VES 300.000,00. This was a lower number of increases in 2019 compared to the 8 increases in the year before, in line with the objectives of reducing fiscal spending aimed at diminishing inflation and liquidity levels.

Said measures led to a significant restriction of monetary liquidity. Hence, M2 amounted to VES 40.61 billion at



# THE VENEZUELAN ECONOMY DURING THE SECOND SEMESTER OF 2019

the end of 2019, which accounts for a yearly growth of 4,945.6% over the same period in 2018, in contrast to the increase of 63,257.3% recorded in the previous year.

In summary, the fiscal policy underwent a significant change in 2019. This was characterized by highly restrictive measures in terms of money issuance, reduction of public spending and discouraging the granting of bank credit. This was aimed at controlling the inflationary levels in the economy and balancing the exchange market.

## THE VENEZUELAN BANKING SYSTEM

At the end of 2019, the financial system was composed of 29 institutions, 23 of private capital and 6 of the State. Among this total, 23 correspond to the universal banks segment. By the end of December, the banking market had 3,194 branches, 49,166 employees, 4,910 ATMs and 431,831 points of sale. This shows an important change in the orientation of human, material and technological resources owned by the financial institutions towards the public, progressively adjusting to the transactional needs of users and the commercial sector and to the current economic context. Hence, the preference for digital and electronic means of payment has increased significantly.

The consolidated balance sheet of the system recorded: total assets for VES 281.22 billion at the end of 2019. This is equivalent to an inter-annual variation of 5,965.7% and a half-yearly variation of 495.2%, while investments in securities experienced the greatest growth in absolute terms over the previous year (VES 177.21 billion), accounting for 64.1% of assets, followed firstly by the available funds (21.9%), which amounted to VES 61.65 billion in December after an annual increase of 7.451.5%, mainly due to the adjustment in the valuation of securities issued in foreign currency due to exchange rate fluctuations and to the higher legal reserve requirements in the Central Bank of Venezuela (BCV). This last increase meaningfully affected the banking industry's capacity to act as an intermediary.

In fact, the credit intermediation ratio fell by 17 percentage points in the last year, from 30.1% in December 2018 to 13.3% at the cut-off date of 2019. This is very low compared to, for example, those observed in 2014, when it

exceeded 50%. There was also a significant reduction in the weight of the gross portfolio, which went from representing 10.2% of total assets to 3.7% in the same period, ending the period with a gross portfolio of VES 10.46 billion, registering an annual growth of 2,105.0%.

Regarding liabilities, there was a lower growth rate of public collections in 2019, increasing its balance by 5,025.6%, lower than the one reflected the previous year (115,038.3%). This behavior is in line with the slowdown of monetary liquidity. Thus, the balance of deposits ended this year at VES 76.67 billion. Exempting from deposits expressed in foreign currency closed at VES 43.69 billion with a variation of 4,753%.

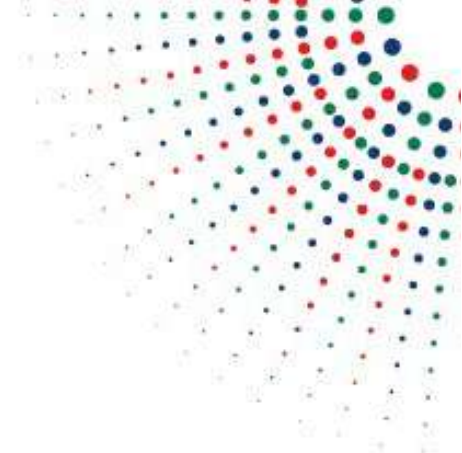
Equity amounted to VES 55.53 billion, after an annual growth of 5,794.8%, driven by the valuation of the investment portfolio and the capitalization of the profits of financial institutions.

The results statement reveals the achievement of a gross financial margin of VES 2.17 billion, having obtained a variation of 6,276.9% compared to the same period in 2018, coming mainly from income generated by credit operations. However, the higher volume of revenues is due to other operating revenues, with an amount of VES 5.12 billion at the end of the half-year, which increased by 16,668.3%, as a result of the impulse reflected by the service fees item.

Transformation expenses amounted to VES 4.03 billion in the last six months, following growth of 15,458.7%, made up of 64.6% in general and administrative expenses, followed by personnel expenses (32.5%). The remaining 2.9% was allocated to contributions to FOGADE and SU-DEBAN.

From the half year operations, a net result of VES 1.16 billion was obtained, which totalized VES 1.56 billion for the year. Most of the indicators remained stable with respect to the previous two halves; however, the lower profitability of the system is particularly noteworthy, presenting a Return on Assets (ROA) of 1.74% and a Return on Average Equity (ROAE) of 8.41%, decreasing by 1.8 and 9.0 percentage points, respectively, compared to the same period in 2018.





## BANESCO BANCO UNIVERSAL IN THE 2019 SECOND HALF

The Bank's total assets amounted to VES 11.66 billion at the end of 2019, after experiencing an annual increase of VES 11.44 billion (5.138.5%). Availabilities were the item with the greatest increase (VES 7.29 billion) in the period analyzed, as a result of the legal reserve requirements.

It is worth noting the significant growth of 2,462.4% (VES 1.83 billion) in the gross portfolio with respect to the previous year, ranking the first place in the financial system in December 2019. Its market share was 18.3%, and it granted more than 13,000 loans during the entire year, mainly to promote the development of the country's productive activities. Banesco Banco Universal ranked first in the entire national market for its agricultural portfolio, ending the period with VES 710 billion, which accounts for 36.58% of its participation. Next, came financing for the manufacturing sector (VES 348 billion), with a participation of 22.52%, and equally in first place. Furthermore, it is maintaining important positions in other portfolios, such as the commercial one, with an amount of VES 706 billion, a market share of 13.52% and the first place in the private banking; in tourism loans (VES 4 billion) and 15.74% share, second place in the market. We also granted 17.28% of the loans for the acquisition of vehicles (VES 6.5 billion), ranking first in the private banking sector. Finally, we concentrated 12.20% of the credit card portfolio (VES 80 billion and second place in the market).

The above results once again reaffirm Banesco's vocation as an intermediary, registering in 2019 the highest growth (VES 1.83 billion) in loans in the Venezuelan financial system, with an excellent quality portfolio (0.0002% of non-performing loans) and a net portfolio to public deposits ratio of 25.15%, easily exceeding the market average (13.29%).

At the end of the second half of 2019, Banesco maintained its leadership in private banking regarding public deposits, with a balance of VES 7.46 billion, after experiencing growth of VES 7.30 billion (4,593.1%) compared to the same period in 2018. Except for the accounts in foreign currency, we obtained a 16.2% share.

We ended the year with an annual increase of VES 889 billion (4,791.0%) in relation to total equity, reaching VES 907 billion in December 2019. This led to the achievement of an accounting equity adequacy ratio of 17.04% and a capital adequacy ratio of 23.56%. Both cases exceeded the minimum requirements established by current regulations.

The transactions in the first half resulted in a net result of VES 154 billion, mainly attributable to the higher growth rate of financial income from loan portfolio and other operating income. This resulted in a return on average assets (ROA) of 6.92%, which was higher than the market average.



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# FINANCIAL HIGHLIGHTS



(Stated in Million VES)

	First Half 2018	Second Half 2018	First Half 2019	Second Half 2019	GROWTH			
					II Half 2019 II Half 2018		II Half 2019 I Half 2019	
					Absolute	%	Absolute	%
<b>Total Assets</b>	<b>4,863</b>	<b>222,713</b>	<b>2,045,800</b>	<b>11,666,789</b>	<b>11,444,076</b>	<b>5,138.5</b>	<b>9,620,988</b>	<b>470.3</b>
Cash and Due from Banks	2,307	103,099	1,378,135	7,400,370	7,297,271	7,078.0	6,022,235	437.0
Security Investments	61	29,177	115,537	1,091,680	1,062,503	3,641.6	976,143	844.9
Credit Portfolio	2,242	73,279	305,890	1,877,681	1,804,402	2,462.4	1,571,792	513.8
Gross Portfolio	2,288	74,660	311,776	1,913,073	1,838,413	2,462.4	1,601,297	513.6
<b>Deposits from Clients</b>	<b>4,247</b>	<b>159,075</b>	<b>1,378,726</b>	<b>7,465,597</b>	<b>7,306,523</b>	<b>4,593.1</b>	<b>6,086,871</b>	<b>441.5</b>
Deposits in Current Accounts	4,082	150,654	1,293,846	6,991,270	6,840,616	4,540.6	5,697,424	440.3
Savings Deposits	136	7,446	72,604	406,757	399,311	5,362.6	334,153	460.2
Time Deposits	16	16	137	1,408	1,392	8,758.5	1,271	928.5
Other Deposits	13	959	12,139	66,162	65,204	6,802.4	54,023	445.0
<b>Total Stockholders' Equity</b>	<b>187</b>	<b>18,546</b>	<b>227,000</b>	<b>907,097</b>	<b>888,551</b>	<b>4,791.1</b>	<b>680,097</b>	<b>299.6</b>
<b>Trust Assets</b>	<b>15</b>	<b>6,120</b>	<b>66,134</b>	<b>331,059</b>	<b>324,939</b>	<b>5,309.6</b>	<b>264,925</b>	<b>400.6</b>
<b>Debtor Accounts Due To Trust Assignments (FAOV)</b>	<b>2</b>	<b>78</b>	<b>1,747</b>	<b>13,324</b>	<b>13,246</b>	<b>16,899.6</b>	<b>11,578</b>	<b>662.9</b>
Financial Revenues	140	4,457	61,084	425,419	420,961	9,444.1	364,335	596.5
Financial Expenses	3	132	11,206	58,883	58,751	44,447.9	47,677	425.5
Gross Financial Margin	137	4,325	49,878	366,535	362,210	8,374.4	316,657	634.9
Financial Intermediation Margin	172	9,008	211,807	1,083,219	1,074,211	11,924.7	871,412	411.4
Transformation Expenses	47	3,567	97,551	721,174	717,606	20,116.6	623,623	639.3
Income Taxes	20	1,153	7,072	56,122	54,968	4,765.8	49,049	693.5
<b>Net Income</b>	<b>89</b>	<b>3,628</b>	<b>86,690</b>	<b>153,916</b>	<b>150,289</b>	<b>4,143.0</b>	<b>67,226</b>	<b>77.5</b>
<b>Accumulate Agriculture Portfolio</b>	<b>346</b>	<b>9,975</b>	<b>47,163</b>	<b>709,981</b>	<b>700,006</b>	<b>7,017.4</b>	<b>662,818</b>	<b>1,405.4</b>
<b>Official Institutions Deposits</b>	<b>55</b>	<b>3,613</b>	<b>110,575</b>	<b>326,928</b>	<b>323,314</b>	<b>8,948.4</b>	<b>216,353</b>	<b>195.7</b>
<b>Micro Loans</b>	<b>71</b>	<b>4,489</b>	<b>1,260</b>	<b>39,876</b>	<b>35,387</b>	<b>788.3</b>	<b>38,615</b>	<b>3,064.4</b>

## Ratios (%)

Loan Portfolio Provisions / Non Accrual Loans	926,662.37	571,602.88	142,602.01	743,404.07
Non Accrual Loans / Gross Loan Portfolio	0.00	0.00	0.00	0.00
Net Results / Average Assets *	9.77	11.07	15.32	6.92
Net Results / Average Equity *	277.63	179.44	143.86	65.23
Liquidity	54.39	64.89	99.99	99.39

\* Annualized percentages

## CREDIT RISK REPORTS PRONOUNCEMENT

During the second semester of 2019, the expected losses of the credit portfolio have remained constant despite the changing environment and the deterioration of the country's economic activity, due to the continuous monitoring process of clients, which allows the preventive detection of deterioration of the clients' payment capacity, the reinforcement of the credit granting and maintenance criteria, Training Plans in credit analysis aimed at the sales areas, for adequate decision-making.

Among the evidences of the quality of the loan portfolio we can highlight the delinquency rate that closed the year

at 0.0002%, placing us in 2nd place in the ranking of the national banking system. Likewise, the level of provision coverage on fixed assets registered a value of 743,404%.

Having predictive models for the granting and behavior of credit, as well as monitoring the evolution and management of past due balances, led to the generation of value on the final result of the credit business. Collection strategies continue to be based on a recovery approach from the integral perspective of client and preventive management, thereby showing higher levels of effectiveness.

## 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 forty-four (44) 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 - DEC. 2019 (VES)

Economic Activities	Outstanding	Restructured	Past to Due	In Litigation	Total	% Composition
Agriculture, Fishing and Forest	939,983,186,732	0	0	0	939,983,186,732	49.13 %
Hydrocarbons and Mining Exploitation	12,805,624	0	0	0	12,805,624	0.00 %
Manufacturing Industry	377,543,567,530	0	303,946	0	377,543,871,476	19.73 %
Electricity, Gas and Water	149,514,752	0	0	0	149,514,752	0.01 %
Construction	37,497,530,119	0	348	0	37,497,530,467	1.96 %
Trade, Restaurants and Hotels	351,445,405,407	0	4,916	0	351,445,410,323	18.37 %
Transport, Storage and Communications	21,994,260,226	0	33	0	21,994,260,259	1.15 %
Financial Establishments, Real State and Services Provided to Companies	168,086,436,624	0	4,451,431	0	168,090,888,055	8.79 %
Community, Social and Personal Services	16,355,473,255	0	67	0	16,355,473,322	0.85 %
<b>Subtotal (VES)</b>	<b>1,913,068,180,270</b>	<b>0</b>	<b>4,760,739</b>	<b>0</b>	<b>1,913,072,941,009</b>	<b>100.00 %</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.  
Enrique Durán Ceballos  
María Josefina Fernández M.

Statutory Auditors  
Emilio A. Ladrera M.  
Antonio Ramón Lobo Z.

External Auditors  
Lara Maramba & Asociados  
(DELOITTE)

Stock Capital Bs. 12,500.00  
Capital Paid-in Bs. 12,500.00  
Capital Reserves Bs. 907,697,181,063.46

December 31, 2019 (Stated in VES)

ASSETS	12/19	12/18
<b>CASH AND DUE FROM BANKS</b>	<b>7,400,389,920,566</b>	<b>103,068,551,304</b>
Cash	451,631,622,703	7,740,039,582
Central Bank of Venezuela	6,048,598,235,534	73,321,304,362
Local Banks and Other Financial Institutions	39,146,416,510	946,256,643
Foreign and Correspondent Banks	710,740,010,513	17,239,603,892
Head Office and Branches	0	0
Pending Cash Items	150,788,286,418	3,952,347,829
(Provision for Bank Accounts)	(533,595,112)	0
<b>INVESTMENTS IN SECURITIES</b>	<b>1,091,679,654,099</b>	<b>29,176,526,691</b>
Investments in Central Bank	261,351,000,000	96,187
Investments in Trading Securities	0	0
Investments in Securities Available for Sale	19,818,942,676	123,306,641
Investments in Securities Held to Maturity	74,248,496,524	19,137,723,425
Limited Availability Investments	736,248,175,263	9,870,216,796
Other Security Investments	43,233,236	45,089,650
(Provision for Security Investments)	0	0
<b>LOAN PORTFOLIO</b>	<b>1,877,681,413,455</b>	<b>73,279,126,369</b>
Outstanding Credits	1,913,058,180,270	74,660,094,604
Restructured Credits	0	2
Past Due Credits	4,760,739	241,630
Credits in Litigation	0	0
(Provision for Credit Portfolio)	(16,361,527,664)	(1,361,329,776)
<b>INTEREST AND COMMISSIONS RECEIVABLE</b>	<b>39,817,250,970</b>	<b>1,075,095,484</b>
Interest receivable from cash and due from banks	0	0
Interest receivable from security investments	4,175,379,456	437,216,296
Interest receivable from credit portfolio	27,758,207,744	620,940,531
Commissions Receivable	641,688,908	17,004,688
Interest Receivable on Other Accounts Receivable	0	0
(Provision for Interest Receivable and Other)	(2,665,325,140)	(66,011)
<b>INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES</b>	<b>5,175,975,657</b>	<b>32,124,734</b>
Investments in subsidiaries and affiliates	5,175,975,657	32,124,734
Investments in branches	0	0
Provision for investments in subsidiaries, affiliates and branches	0	0
<b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>	<b>632</b>	<b>3,435</b>
<b>PROPERTY IN USE</b>	<b>264,076,737,335</b>	<b>5,334,069,702</b>
<b>OTHER ASSETS</b>	<b>907,697,470,975</b>	<b>19,717,369,663</b>
<b>TOTAL ASSETS</b>	<b>11,666,788,634,489</b>	<b>223,712,888,612</b>

Statements of Earnings (Stated in VES)

	12/19	12/18
<b>Financial Revenues</b>	<b>425,418,691,887</b>	<b>4,457,413,465</b>
Revenues from Cash and Cash Equivalents	5,502,840,563	17,900,537
Revenues from Security Investments	18,750,296,021	277,300,230
Revenues from Credit Portfolio	401,155,684,949	4,162,112,902
Revenues from Other Accounts Receivable	64	747
Revenues from Head Office and Branches	0	0
Other Financial Revenues	0	0
<b>Financial Expenses</b>	<b>58,893,567,003</b>	<b>132,178,690</b>
Expenses Due to Deposits from Clients	31,707,625,940	126,942,279
Expenses Due to Obligations with BCV	0	0
Expenses Due to Obligations with BANAVIH	0	0
Expenses Due to Other Financing Obtained	25,371,270,395	433,633
Expenses Due to Other Financial Obligations	1,804,566,667	4,802,778
Expenses Due to Subordinated Debt	0	0
Expenses Due to Other Obligations	0	0
Expenses Due to Head Office and Branches	0	0
Other Financial Expenses	0	0
<b>Gross Financial Margin</b>	<b>366,525,124,884</b>	<b>4,325,234,775</b>
Income from Recoverable Financial Assets	5,286,937	68,793
Expenses Due to Unrecoverability of Credits and Other Accounts Receivable	32,695,552,239	1,355,566,490
Provision for Loan Portfolio and Other Accounts Receivable, Losses	32,176,610,154	1,335,966,498
Provision for Cash and Due from Banks	489,042,085	0
<b>Net Financial Margin</b>	<b>333,875,059,582</b>	<b>2,969,737,670</b>
Other Operating Income	956,752,440,950	7,027,697,139
Other Operating Expenses	217,408,482,324	1,009,047,385

LIABILITIES AND EQUITY	12/19	12/18
<b>DEPOSITS</b>	<b>7,465,597,159,519</b>	<b>158,074,600,804</b>
Deposits in Current Accounts	6,991,270,373,888	150,853,329,417
Non-Renewable Checking Accounts	4,595,544,298,472	105,364,436,275
Renewable Checking Accounts	2,331,514,188,379	43,133,636,208
Current accounts under exchange agreement N° 20	103,023,027,415	1,445,831,678
Demand Deposits and Certificates	27,499,214,136	180,025,255
Current Accounts Exchange System Free Convertibility	119,589,675,183	958,542,850
Special Funds in Trusts Free Convertibility System	0	0
Other Demand Liabilities	66,162,312,016	7,446,243,898
Obligations for Money Desk Operations	0	15,855,075
Savings Deposits	406,756,854,021	0
Time Deposits	1,407,619,895	0
Securities issued by the institution	0	0
Restricted Deposits from Clients	0	0
Right of Ownership and Participation on Security Investments	0	0
<b>OBLIGATIONS WITH BCV</b>	<b>0</b>	<b>0</b>
<b>DEPOSITS AND OBLIGATIONS WITH BANAVIH</b>	<b>47,140,636</b>	<b>136</b>
<b>OTHER FINANCING OBTAINED</b>	<b>664,067,420,253</b>	<b>7,586,644,502</b>
Liabilities with local financial institutions up to one year	664,067,420,253	7,586,644,502
Liabilities with local financial institutions more than one year	0	0
Liabilities with foreign financial institutions up to one year	0	0
Liabilities with foreign financial institutions more than one year	0	0
Other Liabilities up to one year	0	0
Other Liabilities more than one year	0	0
<b>OTHER FINANCIAL OBLIGATIONS</b>	<b>0</b>	<b>0</b>
<b>INTEREST AND COMMISSIONS PAYABLE</b>	<b>1,348,290,349</b>	<b>615,727</b>
Expenses payable due to deposits from clients	1,394,542,312	603,440
Expenses payable due to obligations with BCV	0	0
Expenses payable due to deposits and liabilities with BANAVIH	0	0
Expenses payable due to other financing obtained	153,638,037	12,287
Expenses payable due to other financial obligations	0	0
Expenses payable due to obligations convertible to capital	0	0
Expenses payable due to subordinated debt	0	0
<b>ACCUALS AND OTHER LIABILITIES</b>	<b>2,828,691,420,147</b>	<b>37,464,976,995</b>
<b>SUBORDINATED DEBT</b>	<b>0</b>	<b>0</b>
<b>OTHER LIABILITIES</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>10,759,091,436,926</b>	<b>204,166,836,284</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>12,500</b>	<b>12,500</b>
Capital Paid-in	12,500	12,500
Obligations Convertible into Shares	0	0
Uncapitalized Equity Contributions	800,400,000	800,400,000
Capital Reserves	13,750	13,750
Equity Adjustments	675,231,433,973	14,109,276,399
Accumulated Income	223,789,408,619	3,876,615,896
Non-Realized Gain or (Loss) on Available for Sale Security Investments	1,284,925,070	25,732,132
Treasury Stock	(134)	(134)
<b>TOTAL EQUITY</b>	<b>907,697,159,519</b>	<b>15,546,050,320</b>
<b>LIABILITIES AND EQUITY</b>	<b>11,666,788,634,489</b>	<b>223,712,888,612</b>
Contingent Debtor Accounts	270,048,412,254	7,840,109,645
Trust Assets	331,058,726,767	6,119,812,187
Other Trust Assignments	10,807,035	49,681
Debtor Accounts Due to Trust Assignments (Housing Mutual Fund)	13,324,265,264	78,381,041
Other Debtor Accounts (Housing Mutual Fund)	175	163
Other Debtor Memorandum Accounts	54,436,960,186	1,884,967,419
Other Debtor Book Accounts	125	310

	12/19	12/18
<b>Financial Intermediation Margin</b>	<b>1,083,219,018,108</b>	<b>9,008,286,824</b>
Transformation Expenses	724,173,564,819	3,967,243,781
Personnel Expenses	204,522,210,172	1,258,526,806
Administrative and General Expenses	486,518,515,425	2,233,961,181
Contributions to Deposit Guarantee and Bank Protection Fund	9,304,770,424	30,673,004
Contributions to Supervisory of Banks and Other Financial Institutions	10,888,099,797	84,090,744
<b>Gross Operating Margin</b>	<b>362,045,453,289</b>	<b>5,441,043,043</b>
Income from Adjudicated Goods	1	20,005
Income from Special Programs	0	0
Income from Sundry Accounts	58,779,336	3,512,112
Expenses Due to Realizable Property	1,383	22,450
Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods	0	0
Expenses Due to Sundry Accounts	151,344,754,056	562,361,595
<b>Net Operating Margin</b>	<b>210,799,407,157</b>	<b>4,782,191,116</b>
Extraordinary Income	0	0
Extraordinary Expenses	761,754,635	1,236,461
<b>Gross Income Before Taxes</b>	<b>210,037,702,522</b>	<b>4,780,954,655</b>
Income Taxes	66,121,500,000	1,163,355,000
<b>NET INCOME</b>	<b>153,916,202,522</b>	<b>3,627,599,655</b>
<b>Application of Net Income</b>	<b>0</b>	<b>0</b>
Legal Reserve	0	0
Statutory Utilities	9,234,970,000	108,827,200
Board of Directors	9,234,970,000	108,827,200
Officials and Employees	0	0
Other Capital Reserves	0	0
<b>Accumulated Income</b>	<b>144,681,232,522</b>	<b>3,518,742,455</b>
LOSEP Contribution	2,191,456,950	49,938,273

<b>Net Income Distribution</b>	<b>0</b>	<b>0</b>
Legal Reserve	0	0
Other Capital Reserves	5,254,970,000	108,827,200
Reserve for other provisions	0	0
Residual Surplus	76,558,101,251	1,759,371,228
Surplus to apply	67,723,131,261	1,759,371,228
<b>NET INCOME</b>	<b>153,916,202,522</b>	<b>3,627,599,655</b>

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

SECOND HALF 2019

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 (BanescoOnline, 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 2019, 1,305 complaints and requests were reported, for a total amount of 820,977,523 VES; of which 685 were ruled in favor of the client with a reimbursement of 59,086,871 VES. When evaluating the attention times of the claims and requirements reported by customers/users in the second half of 2019, 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 99.91%.

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	140	476,468	466,967	111	78,147,502	13	6,321,240	100.00 %
August	148	42,034,308	42,003,908	92	207,296,346	27	35,919,800	99.59 %
September	145	3,297,980	3,278,480	79	77,905,541	40	20,033,783	100.00 %
October	127	8,706,112	8,687,112	96	73,152,378	17	24,466,844	100.00 %
November	61	1,158,000	1,157,000	58	89,817,198	17	20,271,001	100.00 %
December	64	3,493,404	3,493,404	51	79,528,561	19	48,951,057	100.00 %
Total II Half	685	59,166,272	59,086,871	487	605,847,526	133	155,963,725	99.91 %

## 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	7	88.068	255	84.802,142	—	—	1	55.000	1	—
August	12	568.608	253	284.481,846	—	—	1	200.000	1	—
September	11	1.071.230	253	100.166.074	—	—	—	—	—	—
October	8	965.112	232	105.360.222	—	—	—	—	—	—
November	2	162.000	134	111.084.198	—	—	—	—	—	—
December	8	2.444.404	123	129.528.619	—	—	—	—	3	—
Total II Half	48	5.299.422	1.250	815.423.101	0	0	2	255.000	5	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).



# RATIO POSITIONING OF EQUITY ADJUSTMENT

In accordance with provisions of Resolution 305.09, dated July 9, 2009, published in Official Gazette No. 39,230, July 29, 2009, the following principles and procedures are established to calculate the level of equity ratio.

## Capital Adequacy Ratio

The Accounting Equity Ratio Index, calculated by dividing the amount of the accounting equity plus the operational management, divided by the value of the total assets. The ratio, when multiplied by one hundred (100), should not be less than nine percent (9%). According as published in Official Gazette No. 40,509, October 1, 2014.

Furthermore, by means of letters SIB-II-GGR-GNP-10189 dated April 7, 2016 and SIB-II-GGR-GNP-24974 dated November 22, 2017, the Superintendency of Banking Sector Institutions (SUDEBAN) grants a regulatory exception to determine the Accounting Equity Adequacy Index", provided for in article 6 of the aforementioned Resolution No. 305.09, in the following terms:

### **SIB-II-GGR-GNP-10189 (Dated April 27, 2016)**

- a) Exclude from Total Assets, as defined in Article 2 of the aforementioned Resolution, the balance of the following items:
  - Bonds and Obligations issued by the Central Bank of Venezuela
  - Deposits in the Central Bank of Venezuela
  - Availability of the Banking Institution in the BCV (including the Legal Reserve)
  - Bonds and Obligations issued by the state-owned company Petróleos de Venezuela, S.A. (PDVSA)
- b) Include in the accounting assets, in accordance with the definition set forth in the aforementioned article 2, the amount corresponding to the:
  - Generic provision for credit and microcredit portfolio;
  - Anti-cyclical provision for credit and microcredit portfolio;

The amount to be included for the concept of said provisions shall be the one corresponding to the percentages

established in the regulations issued to that end by the Superintendency.

### **SIB-II-GGR-GNP-10189 (Dated April 27, 2016)**

Banking institutions must include within the determination of primary equity (Level I), the amount corresponding to the generic and countercyclical provision.

The amount to be included for the concept of said provisions shall be the one corresponding to the percentages established in the regulations issued to that end by the Superintendency.

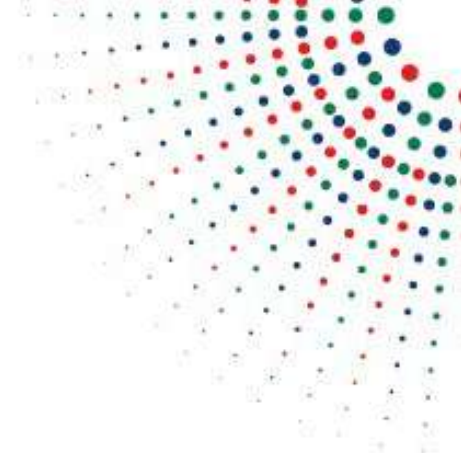
### **Resolution No. 025.17 (Dated March 28, 2017)**

The "Regulations Related to the Application of the Revaluation of Assets in Banking Institutions" were established whereby the Superintendency of Banking Sector Institutions indicates that the revaluation amount "may not exceed the total Primary Equity (Level I) of the Institution considering the standards established therein for the calculation of the Total Equity Adequacy Index. Similarly, Article 6 states that "The recording of the amount of the asset revaluation in the Asset item shall be made in the accounts and sub-accounts established in the Accounting Manual for Banking Institutions, with a balancing entry in the account of Equity 351.00 "Adjustment for Asset Revaluation".

### **Resolution No. 004.18 (Dated January 25, 2018)**

The Superintendency of Banking Sector Institutions issued Resolution No. 004.18 regarding "Temporary measures to calculate the equity ratio on assets and contingent operations, applying risk-based weighting criteria". This Resolution is applicable from the accounting closing of January 2018 until the end of January 2019, and establishes that for calculating the accounting equity adequacy index referred to in Article 6 of Resolution No. 305.09, the percentage is reduced by two (2) points, from 9% to 7%. Afterwards, with the purpose of calculating the total capital adequacy ratio, in accordance with provisions enshrined in the article 48 of the Decree with the Status and





## RATIO POSITIONING OF EQUITY ADJUSTMENT

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%.

In addition, Article 6 of Resolution No. 004.18 provides the following in subparagraphs a and b of paragraph 1 include for the calculation of primary equity (Level I):

- a) Premiums on share issues for capital increases recorded in the account 331.00 "Contributions for capital increases" and those approved jointly with the capital increase that gives rise to them, recorded in the sub-account 332.01 "Premiums on cash capital contributions".
- b. The accounts 352.00 "Foreign exchange gain or loss from holding assets and liabilities in foreign currency" and 354.00 "Realized gain or loss from operations in foreign exchange systems".

Likewise, paragraphs 2 and 3 of the aforementioned article state the following:

1. Decrease the weighting of risk assets as follows:
  - a. Regarding balances reflected in the sub-account 114.03 "Banks and correspondents abroad - Exchange Agreements No. 20 and 31", a risk weighting of 20% to 0% applies.
  - b. For immediate collection effects, the risk weighting is 50% to 0%.
  - c. For interbank deposits and others in the microfinance, agricultural and tourism sectors, the risk weighting is 50% to 20%, provided that those are maintained to comply with the percentages of the directed portfolios.
  - d. For loans in the current and restructured managed portfolios, the risk weighting of 50% a:
    - Agricultural portfolio 40%.
    - Tourism portfolio 30%.
    - Mortgage portfolio 25%.
  - e. For commercial loans, other than those in directed portfolios, recorded for accounting purposes as current loans, classified in risk category "A" Normal Risk, the risk weighting is 100% to 80%.

- f. For contingent accounts, the risk weighting is 100% to 80%.

- g. For items posted to sub-account 186.03 "Transit Operations" that are removed within the first five (5) days of the month following the reporting month, the risk weighting is 100% to 50%.

- 2) Deduct the amount of cash deposits given as guarantee in the same banking institution from the assets subject to risk weighting, other than those weighted at 100%.

### SIB-II-GGR-GNP-01343 (February 04, 2019)

The Superintendency of Banking Institutions resolved a complementary regulatory exception, resolving to extend the term of Resolution No. 004.18, dated January 25, 2018, for a period of six (6) additional months for the application of temporary measures contemplated therein, from the accounting close of February 2019 until the end of July 2019, both inclusively.

- Total Equity Ratio (Level I) is the ratio of Primary Equity (Level I) between the total amount of assets and contingent operations weighted by risk levels. It should not be less than 6%.
- Total Equity Ratio, which consists of the sum of the value of Primary Equity (Level I), plus the Complementary Equity (Level II), divided by the total amount of assets and contingent operations, weighted by risk levels. The ratio obtained once multiplied by one hundred (100) shall not be less than 12%.

According to the proposed arrangement and based on the results obtained in December 2019 and June 2019, the percentages achieved are:

Description	Dec. 2019	Jun. 2019
Capital Adequacy Ratio	17.04%	24.08%
Total Capital Adequacy Ratio	23.56%	36.09%
Tier 1 Capital Adequacy Ratio	23.56%	36.09%



## ELECTRONIC CHANNELS BANK AGENCIES



As of December 2019 close, Banesco had a wide network of physical and electronic distribution channels whereby the Bank offers a wide range of products and services:

- ▶ 325 Service points (agencies, satellites and Banesco Express).
- ▶ 139.911 Points of sale.
- ▶ 608 ATMs (252 Monofunctional y 356 Multifunctional).

## EXTERNAL AUDITOR'S REPORT

The financial statements of the Bank corresponding to the second half of 2019, 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. 19	Jun. 19	Dec. 18	Jun. 18
<b>1. Equity</b>				
(Equity + Operative Management) / Total Assets	17.04 %	24.08 %	15.80 %	8.91 %
Non-Productive Assets / Equity + Operative Management	929.14 %	706.73 %	619.49 %	1361.15 %
<b>2. Assets Quality</b>				
Loan Portfolio Provisions / Gross Loan Portfolio	1.85 %	1.89 %	1.85 %	2.00 %
Non Accrual Loans / Gross Loan Portfolio	0.00 %	0.00 %	0.00 %	0.00 %
<b>3. Management *</b>				
Personnel Expenses + Operative Expenses / Average Productive Assets	83.05 %	59.30 %	21.34 %	11.08 %
Personnel Expenses + Operative Expenses / Financial Income	163.53 %	154.45 %	76.73 %	32.05 %
<b>4. Earnings *</b>				
Net Results / Average Assets	6.92 %	15.32 %	11.07 %	9.77 %
Net Results / Average Equity	65.23 %	143.86 %	179.44 %	277.63 %
<b>5. Liquidity</b>				
Availability / Customer Funds	99.13 %	99.96 %	64.81 %	54.32 %
Availability + Investment in Securities / Customer Funds	102.89 %	99.99 %	64.89 %	54.39 %

\* Annualized Percentages

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

## SECOND HALF 2019

In accordance with provisions of article number 28 of the Decree with Rank, Value and Force of Law on the Partial Reform of the Law on the Institutions of the Banking Sector, published on Official Gazette Number 40,557, dated December 8, 2014, and reasonable regulations issued by the Superintendency of the Institutions of the Banking Sector (hereinafter SUDEBAN), published on August 27, 2014, articles 1 and 16 of Resolution 064. 14 referred to the “General Regulations Related to the Internal Audit Unit of the Institutions of the Banking Sector”, we submit the summary of the management, performed works and activities developed by the Internal Audit Unit in Banesco Banco Universal, C.A., from July 1, 2019 to December 31, 2019, presented for the consideration of the Audit Committee and the Board of Directors.

Banesco Banco Universal, C.A., has an Internal Audit Unit, which is independent enough to carry out its functions in an effective, efficient and timely manner, having all the necessary powers to achieve its objectives. The Executive Vice President of Internal Audit of the Bank, is the Internal Auditor. He is responsible for the Internal Audit area, and his staff, assigned to the Internal Audit Unit, reports functionally and administratively to the Board of Directors of Banesco.

The Unit is organized in accordance with the provisions of Resolution 064-14 and has an Internal Audit Function Statute, which is reviewed periodically and defines the Principles, Standards and Attributes of the Internal Auditor, Internal Audit Activity Assurance Policy, Internal Audit Policy and Standards Manuals and Internal Audit Activity, as well as work instructions, which are defined in accordance with National and International Internal Audit Standards and the standards established in the Institution. In the event of significant regulatory or functional changes, it is submitted to the Audit Committee, which recommends its approval to the Board of Directors.

The methodology applied within Internal Audit for the development of its activities of the Audit Plan, based on the risk management processes, was carried out considering the following criteria:

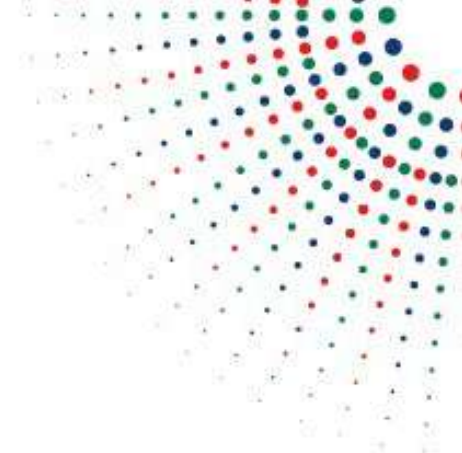
- The Internal Audit Operating Plan was recommended by the Audit Committee and submitted to the Board of Directors for approval. At the end of the second half of

the year, 14 regular progress reports were prepared and submitted to the Board of Directors, the Audit Committee (monthly) and the Comprehensive Risk Committee (six-monthly).

- The rules established by SUDEBAN were considered, as well as the regulations in force for the banking activity and the international supervision practices.
- Audit management is mainly aimed at reviewing the risk-based processes of the Central Administrative and Operational areas, Banks and Network of Agencies, Information Technology and Prevention and Control of Money Laundering and Financing of Terrorism (hereinafter PCML/FT), in accordance with the timetable set out in the Audit Plan.
- Application of audit tests for the evaluation of significant risk exposures, follow-up of corrective/preventive actions based on strategies, verification of the Internal Control Environment and effective operation, which contributes to the improvement of the effectiveness and efficiency of the areas of Banesco Banco Universal, C.A. This also derives in perspectives and orientations based on the analysis and evaluation of its information and processes.
- With regard to the application of the Framework for the Professional Practice of Internal Auditing, the Unit has adapted to specific factors of the legal, regulatory and cultural environment and expectations of the interested parties. In this regard, all this is in accordance with the regulatory standards in force in the country and the best practices of Internal Audit in terms of Assurance, Statements on Standards and Procedures of Internal Audit to meet SUDEBAN'S requirements related to the activity carried out by the Internal Audit.

### Assessment of the Internal Control and Risk Management

- For the second half of 2019, reviews were carried out with the coverage established in the Internal Audit Operating Plan, among which the following aspects stand out:
  - Assessment of the effectiveness of the internal control environment by evaluating the various aspects involved in updating, implementing and operating the institution's



# REPORT OF THE INTERNAL AUDITOR

internal controls, the risk management framework, the effectiveness of internal controls and the efficiency and productivity of resources.

- Review and verification of compliance with the legal provisions that regulate the banking activity and especially, the provisions of the Law on Partial Reform of the Law on Banking Sector Institutions, other resolutions, circulars and notices issued by SUDEBAN, and other regulations in force related to the banking activity applicable in the conducted reviews.
- Verification of the application of the provisions contained in the Accounting Manual for Banks of SUDEBAN, in the balances that make up the figures presented in the financial statements of Banesco.
- Monitoring of the processes of Comprehensive Risk Management and Technological Risk, as well as tests to validate the closing of the gaps identified in the analysis of the Regulatory Body, Operational Risk, Internal Audit and External Audit.
- There were special audits related to the certification of processes evaluated by the Regulatory Body in inspections carried out by SUDEBAN, special cases or requests from the Audit Committee and the Board of Directors.
- During the second half of 2019, according to the schedule, the Internal Audit concluded:

Audit Class	Scheduled
Scheduled Audits Completed	7
Unscheduled Audits	6
<b>Total</b>	<b>13</b>

- Regarding the findings and situations reported awaiting regularization and related to the strengthening of internal control, the action plans established by those responsible persons have been followed up, and it is evident that some of the reported aspects have been corrected and other activities are underway to resolve pending observations within the established deadlines.

## Regulating Framework in force

- The audit was carried out in the Comprehensive Risk Management Unit at the end of 2019 and confirmed

that Banesco is maintaining its efforts to create the organizational structure envisaged in Resolution 136.03 of SUDEBAN, for adequate Risk Management. In addition, methodologies have been designed to identify and measure, control, monitor and assess the various risks assumed, as well as the development of policies contemplated in the aforementioned standard, and the necessary adjustments have been made to comply with Resolution 136.15.

- Pursuant to Resolution 083-18 of SUDEBAN, in the area of PCML/FT/FPWMD, audit and verification of compliance with provisions of the Rules for Management and Control of Risks related to the offences of Money Laundering and Financing of Terrorism applicable to institutions regulated by SUDEBAN have been carried out, with scope for review to date in risk areas (Credit, Agencies, Employees' Files). Based on the completed work, we conclude that plans and programs have been designed to prevent and detect operations that are presumed or could be related to money laundering and financing of terrorism. Additionally, we follow up on the action plan of the observations reported by External Auditors, SUDEBAN, Reception of Official Letters and Internal Audit, which allow the strengthening of the control environment and compliance with current regulations.
- Regarding Information Technology, we monitored the Technological Risk Inspection Reports provided by SUDEBAN, the External and Internal Audit, as well as the processes, applications and components, communications, links and interfaces established in the Audit Plan.
- During the second half of 2019, it was possible to verify the reasonableness of the accounting records and the establishment of provisions, as per regulatory standards in the balance of the credit portfolio.
- At the closing of the second half of the year, the Financial Statements were reviewed in accordance with the provisions of the Decree with Range, Value and Force of Law on Banking Sector Institutions, in order to verify the reasonableness of the accounts that make up the sheets and ensure that they are presented consistently and in compliance with the criteria set forth by the Superintendency and other reasonable standards, verifying the Bank's financial indicators that enable an assessment of the economic, financial and equity situation.





# REPORT OF THE INTERNAL AUDITOR

- With regard to the calculation of the Total Equity Adequacy Index and the Accounting Equity Adequacy Index, the bank has carried out capital increases, which at the end of the second half of 2019 are kept in accounting account No. 3310110001000000 "Contributions Pending Capitalization", until receiving the issuance authorization from the respective body, the made capital increases put the Organization in a capital of VES 800.41 million.
- It is important to highlight that as of December 2018, the bank has been adjusting the growth of assets, with the adjustments of assets and liabilities at DICOM rate by BCV. This has enabled us to comply with the established indicators.

Adicionalmente, de acuerdo a lo instruido mediante la Resolución 004.18, el Banco se ha mantenido dentro de los límites establecidos en cuanto al Índice de Adecuación de Patrimonio, observando que al cierre de diciembre el Índice de Adecuación de Patrimonio Total se ubicó en 23,56% y el Índice de Adecuación de Patrimonio Contable en 17,04%.

- Regarding BCV Resolution No. 19-0902, Regulations Governing the Legal Reserve Establishment, the Indicator continues to be monitored, based on the statements received by SUDEBAN and on the occasions when there has been a deficit in the coverage of the legal reserve. It is noted that the Bank has applied the actions contained in the Liquidity Risk Contingency Plan.

## Internal Control Statement

The activities developed by Internal Audit were defined taking into consideration the standards established in the regulations in force, contemplating the principles of objectivity and independence of the internal audit function.

The revisions made to the internal controls of the Units and processes of Banesco Banco Universal, C.A., during the second semester of 2019, obtained an Average Rating of 1.64 SATISFACTORY; therefore, based on these results, it was observed that the policies and processes for Banesco Banco Universal, C.A., were adequately formulated:

- In accordance with the strategies defined by the Senior Management, we have the necessary human, techno-

logical and material resources seeking to use them efficiently.

- For an adequate decision making and reliable and transparent disclosure of information to its Board of Directors, shareholders, employees, customers, competent authorities and the general public (all stakeholders), it is necessary to rely on information systems of the required quality, sufficiency, security and timeliness.
- Identification, assessment and monitoring of risks, in order to maintain effective control and decrease losses through adequate management of them.
- Concordance of the operational processes with what has been established by the Executive Directorate and permanently evaluated. This is to verify the functioning of the controls and to adopt, if necessary, corrective measures in a timely and effective manner.
- Compliance with current regulatory standards and internal policies and procedures established by the Board of Directors and Executive Management.
- Risk awareness, adequate Corporate Governance and continuous and timely supervision, which guarantees integrity and ethical values, strategic objectives based on operability, compliance by Management and control of activities related to Policies and Procedures.
- The corresponding action plans are established to remedy and strengthen the controls and procedures to mitigate and prevent the proper administration and management of risks.
- Regarding the recommendations and instructions made by the Superintendency in its different inspections, the bank has explained what it has considered appropriate, and in the follow ups conducted in the audit processes it has been verified that the responsible areas work and respond, in the regularization of the observations and recommendations provided by the Regulatory Entity.
- Therefore, it is concluded that the efficiency and effectiveness in the management of the Internal Control System of Banesco Banco Universal, C.A., maintains a reasonable security.

Por lo expuesto anteriormente, se concluye que la eficiencia y eficacia en el manejo del Sistema de Control Interno de Banesco Banco Universal, C.A., mantiene una seguridad razonable.



# NOTICES BY THE SUDEBAN

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



LETTERS			
ANNUAL SHAREHOLDERS' MEETING			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
1	09/07/2019	SIB-II-GGIR-GSRB-07585	Sudeban gives its opinions related to the requirements corresponding to the Annual Shareholders' Meeting, held on March 26, 2019.
2	17/07/2019	SIB-II-GGIBPV-GIBPV5-07945	Sudeban gives its opinion in response to the communications received on May 6, 2019 and May 10, 2019, in which it provides a copy of the notice published in the newspaper "El Universal" in its April 26, 2019 edition. This notifies that the Board of Directors in its session No. 1. 465 of 04-22-2019, decided, in accordance with the approval of the Annual Shareholders' Meeting held March 26, 2009, to pay a cash dividend to the holders of preferred shares from the surplus to be applied, for a total of 75 bolivars and 40 cents (VES. 75.40), on May 15, 2009.
3	05/08/2019	SIB-II-GGIBPV-GIBPV5-08831	Sudeban gives its opinion on the requirements of the Special Shareholders' Meeting, to be held tomorrow, Tuesday August 6, 2019, at which the single item will be discussed as follows: Designation of the members of the Board of Directors
4	21/08/2019	SIB-II-GGR-GA-09316	SUDEBAN, upon favorable opinion of the OSFIN, authorizes Banesco Banco Universal, C.A. to reduce its capital stock in the amount of VEF 100,000.00, at present VES 1.00, by virtue of the redeeming of 10,000 preferred shares, as well as to increase its capital stock through the payment of a dividend in shares, charged to subaccount 361. 02 "Restricted Surplus" for VEF 100,000.00, currently VES 1.00. Also, article 5 of its Articles of Incorporation, as per provisions approved at the Special Shareholders' Meeting held on September 28, 2019 must be subsequently amended.
5	29/08/2019	SIB-II-GGIR-GSRB-09625	Sudeban gives its opinion in response to the communications received on July 25, 2019, responding to the letter identified with nomenclature SIB-11-GGIR-GSRB-07585, dated July 9, 2019, contained in the Annual Stockholders' Meeting, held on March 26, 2019. More specifically, it responds to the issue related to the Half-Yearly Independent Auditor's Assurance Report with Resolutions No. 136. 03 and No 136.15 of the Audited Financial Statements as of December 31, 2018, that includes the level of compliance with legal regulations in force regarding risk matters issued by this Superintendency.
6	29/08/2019	SIB-II-GGIBPV-GIBPV5-09627	Sudeban give its opinion in relation to the communication by which this banking institution submitted the press notice published in a national circulation newspaper, announcing that the Board of Directors decided to pay a dividend to the holders of preferred shares from the Surplus to be applied at the closing of December 31, 2018, in the amount of VES. 76.91, on August 15, 2019.
7	19/09/2019	SIB-II-GGIBPV-GIBPV5-10466	The regulatory body gives its opinion related to the communication by which the bank has sent the corresponding information to the Special Shareholders' Meeting to be held on September 26, 2019 at 8:30 a.m., at which a "ONLY ITEM" will be discussed as follows: Designation of the members of the Board of Directors



# NOTICES BY THE SUDEBAN

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

LETTERS			
ANNUAL SHAREHOLDERS' MEETING			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
8	25/09/2019	SIB-II-GGIBPV-GIBPV5-10649	Sudeban gives its opinion in relation to the requirements for holding the Annual Shareholders' Meeting on September 26, 2019, at 8:00 a.m. to discuss the following: "FIRST: Considering and resolving, based on the Report of the Board of Directors and the Commissioners, the approval of the Financial Statements, issued by independent public accountants, corresponding to the six-month period ended June 30, 2019; SECOND: Considering and resolving about profits destination as of June 30, 2019. THIRD Reducing the Bank's Capital share by VES.2.00, due to the redeeming of 20,000 preferred shares, according to the public offering prospectus for preferred shares issued in 2008-1 and 2008-11. FOURTH: Increasing in the share capital to VES 2.00 by means of the decree, distribution and payment of dividends in common shares. FIFTH: Based on the decisions concerning the above items, it is necessary to amend article 5 of the Bank's Articles of Incorporation regarding the share capital".
9	17/10/2019	SIB-II-GGIBPV-GIBPV5-11539	In this regard, Sudeban informs that it has nothing to say with respect to the powers of attorney granted on the occasion of the requirements for holding the Special Shareholders' Meeting. Similarly, the Bank must refrain from registering the minutes of said Special Shareholders' Meeting until this body expressly authorizes it.
10	30/10/2019	SIB-DSB-OPCLC-FT-FPADM-12196	Sudeban gives its opinion regarding the communication sent by the bank, whereby the following requirements of the Annual Shareholders' Meeting were submitted: Half-Yearly Report on the Training for Independent Auditors to comply with Resolution No.119-10, dated June 30, 2019.
11	01/11/2019	SIB-II-GGIBPV-GIBPV5-12377	Sudeban gives its opinion in response to the communications received on August 8 and August 15, 2019, responding to letter SIB-II-GGIBPV-GIBPV5-08611, dated July 31, 2019, which is containing the follow up of the observations made to the requirements submitted on the occasion of the Annual Shareholders' Meeting held on September 27, 2018.
12	07/11/2019	SIB-II-GGR-GA-12490	Sudeban authorizes this Bank to reduce its share capital by VES 0.12, through the redemption and payment of 1,200 preferred shares, as well as the increase of the its share capital by VES 0.12. This will be done by issuing 1,200 common, registered shares of the same class, non-convertible to bearer, with a par value of VES 0.0001 each, paid out with a dividend in shares, charged to sub-account 361.02 "Restricted Surplus" on June 30, 2018 and the consequent amendment of article 5 of its Bylaws.
13	07/11/2019	SIB-II- GGIR - GSRB-12521	Sudeban responds to the communications received on September 5, 2019, answering letter SIB-II-GGIR-GSRB-09625, dated August 28, 2019, which are containing the minutes of the Annual Shareholders' Meeting held on March 26, 2019. This is specifically related to the Half-Yearly Independent Auditor's Assurance Report for complying with Resolutions No. 136.03 and No 136.15 of the Audited Financial Statements, as of December 31, 2018. It also includes the level of compliance with legal regulations in force related to risk matters issued by this Superintendency. Once the content of the above-mentioned communication and its annexes have been evaluated, this body informs that it will be subject to further evaluation and monitoring.

# NOTICES BY THE SUDEBAN

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

LETTERS			
ANNUAL SHAREHOLDERS' MEETING			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
14	20/11/2019	SIB-II-GGR-GA-13215	"Sudeban made some observations concerning the communication sent by the bank on June 12, 2018, requesting an authorization to increase the share capital to VEF1.8 trillion, currently VES 18 million. (Letter No.: SIB-II-GGR-GA-13215)
15	20/11/2019	SIB-II-GGR-GA-13214	Sudeban comments on the communication sent by the Bank on June 12, 2018, requesting authorization to increase the share capital to the amount of VEF 150 billion, currently VES 1.5 million
16	20/11/2019	SIB-II-GGR-GA-13211	Sudeban asks for additional information related to the request for authorizing the share capital increase, as approved at the Special Shareholders' Meeting, held on March 22, 2018.
17	21/11/2019	SIB-II-GGR-GA-13286	Sudeban made some observations to the communication sent by the bank, which requested authorization to increase its capital share in the amount of VEF 50 billion, at present VES 500,000. This will be increased to VEF 81.25 billion, at present VES 812,500.00, through the issuance of five billion 5,000,000,000 new common shares, with a par value of VEF. 10.00, currently VES 0.0001 each, as approved at the Special Shareholders' Meeting held on December 18, 2017.
18	25/11/2019	SIB-II-GGR-GA-13350	Sudeban issues its considerations to the communication sent by the Bank, which it is sending information related to the request of authorization to increase the capital stock amounting to VEF 10 billion, currently VES 100,000. This will be done through the issuance of one billion one million new common shares, with a par value of VEF 10.00, currently VES 0.0001 each, as approved by the Special Shareholders' Meeting held on January 17, 2018
19	25/11/2019	SIB-II-GGR-GA-13352	It refers to the information of the authorization to increase the share capital of Banesco Banco Universal, C.A. to the amount of VES. 160 million in order to reach VES 800.41 million through the issuance of 1,600,000,000,000 new common shares with a par value of VES. 0.0001, to be paid in cash. Also, to amend Article 5 of the bank's bylaws related to share capital, as approved at the Special Shareholders' Meeting of Banesco Banco Universal, C.A. held on November 23, 2018.
20	25/11/2019	SIB-II-GGR-GA-13353	Sudeban gives its opinions regarding communication dated December 4, 2018, signed by María Alejandra Yépez Santiago, Legal Advisor of Banesco Banco Universal, C.A, submitted to the Superintendency on that same date, in response to the official letter No. SIB-11-GGR-GA-18561, dated November 19, 2018. The Superintendent, through this document, submits the information required in said letter for the authorizing request leading to increase the bank's share capital to VEF 30 billion, now VES 300,000.00. This will totalize VEF 31.25 billion, currently VES 312,500.00, by issuing 3 billion new common shares, payable in cash, as well as to amend Article 5 of its Articles of Incorporation regarding the share capital, as approved at the Special Shareholders' Meeting held on November 20, 2017.

# NOTICES BY THE SUDEBAN

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

LETTERS			
ANNUAL SHAREHOLDERS' MEETING			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
21	27/11/2019	SIB-II-GGR-GA-13429	Sudeban gives its opinion in relation to the authorization request to increase the bank's share capital to the amount of VEF 3.5 trillion, at present VES 35 million to reach a total of VEF 9.91 trillion, currently VES 99.91 million, by issuing 350 billion of common shares, to be paid in cash. Also, to modify article 5 of the bank's Bylaws concerning the share capital, in accordance with the approval of the Special Shareholder's Meeting of Banesco Banco Universal, C.A., held on July 31, 2018.
22	27/11/2019	SIB-II-GGR-GA-13430	It is referred to the information regarding the authorization request to increase the share capital of Banesco Banco Universal, C.A. to VEF 4 trillion, today VES 40 million, which will totalize VES 6.49 trillion, today VES 64,912,500, through the issuance of 400 billion of new shares, with a par value of VEF. 10.00, today VES. 0.0001 each. Also, to amend Article 5 of its Bylaws, as approved at the Special Shareholders' Meeting held on May 28, 2018.
23	05/12/2019	SIB-II-GGIBPV-GIBPV5-13790	Sudeban urges the bank to consign the recently issued documentation according to the ratifications of the members of the Board of Directors on the occasion of the Special Shareholders' Meeting held on September 26, 2019.
24	05/12/2019	SIB-II-GGIBPV-GIBPV5-13791	Sudeban reports that it has taken due note of the press notice that the Board of Directors decided, in accordance with the approval of the Annual Shareholders' Meeting, held on March 26, 2019, to pay a dividend to the holders of preferred shares, charged to the Surplus to be applied, for VES 76.91, on November 15, 2019.
25	09/12/2019	SIB-II-GGR-GA-13827	It refers to the information related to the authorization request in order to increase the share capital of Banesco Banco Universal, C.A. in the amount of VES 150 million, through the issuance of 1.5 trillion new common shares, registered with the same class, with a par value of VES 0.0001 each. These will be paid in cash by shareholders who decide to exercise their preemptive right to subscribe the new shares; also, to amend Article 5 of the bank's bylaws, as approved at the Special Shareholders' Meeting held on October 19, 2018.
26	09/12/2019	SIB-II-GGR-GA-13824	Sudeban gives its opinion regarding the authorization request in order to increase the bank's capital share to VES 330.5 million by issuing 3.30 trillion of new common shares, registered with the same class, with a nominal value of VES. 0.0001 each. Those will be paid in cash by the shareholders who decide to exercise their preemptive right to sign the new shares. Also, to modify Article 5 of the bank's bylaws, as approved at the Special Shareholders' Meeting held on September 27, 2018.
27	09/12/2019	SIB-II-GGIBPV-GIBPV5-13832	The opinions given by the regulating body in relation to the requirements presented by the Annual Shareholders' Meeting held on March 26, 2019, specifically in the "Combined Financial Statements on Trusts, as of December 31, 2018, are provided".



# NOTICES BY THE SUDEBAN

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

LETTERS			
ANNUAL SHAREHOLDERS' MEETING			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
28	19/12/2019	SIB-II-GGIBPV-GIBPV5-14293	Sudeban gives its opinions regarding the list of civil and commercial lawsuits against this bank, the copies of the powers of attorney granted by the shareholders represented at the Annual Shareholders' Meeting, held on September 26, 2019, and the certified meeting minutes too.
29	19/12/2019	SIB-II-GGIBPV-GIBPV5-14297	The Superintendency, after a favorable opinion of the Higher Body of the National Financial System (OSFIN), as stated in the official letter No. F-000236, dated December 13, 2019, hereby authorizes Banesco Banco Universal, C.A, to reduce its capital share to the amount of VEF 700,000, currently VES 7.00. This is done by virtue of the redemption of 70,000 preferred shares and to increase it to VEF 700,000, currently VES 7.00, charged to sub-account 361.02 "Restricted Surplus". It is also necessary to modify clause 5 of the Bank's bylaws, according to the approval of the Special Shareholders' Meeting held on September 28, 2016.
30	23/12/2019	SIB-II-GGR-GA-14474	Sudeban authorizes this bank to reduce its capital share to sixty cents bolivars (VES. 0.60), by virtue of the redemption of 6,000 preferred shares, as well as to increase the capital share by paying a dividend in shares, charged to the subaccount 361.02 "Restricted Surplus", amounting to VES 0.60 and the consequent amendment to Article 5 of its Bylaws.
31	27/12/2019	SIB-II-GGIBPV-GIBPV5-14578	The supervisory body granted the requested extension considering the terms explained in the communication sent to SUDEBAN on December 12, 2019. The Bank informed that it is managing the documents required by SUDEBAN through letter SIB-II-GGIBPV-GIBPPV5-13790, dated December 5, 2019, specifically referring to: 1) The reports of historical movement concerning detailed consultation from SICRI and 2) The Notarized Affidavit by which each of the Directors states that they are not involved in the causes of inabilities and prohibitions foreseen in the Decree with Range, Value and Force of the Law on Institutions of the Banking Sector.





# NOTICES BY THE SUDEBAN

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

LETTERS			
VISITS AND INSPECTIONS			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
1	11/07/2019	SIB-DSB-OPCLC-FT-FPADM-07823	Sudeban gives its opinions regarding the Plan of Action and Recommendations issued by the External Auditors, as per official letter No. SIB-DSB-03444, formulated by this Banking Institution in order to correct the findings revealed by the External Auditors' Report, as of December 31, 2018.
2	01/08/2019	SIB-II-GGIBPV-GIBPV5-08608	Sudeban issued the report containing the results of the general inspection conducted at the bank on March 31, 2018. It also includes an update of the figures as of October 31, 2018, aimed at assessing the investments in securities and loan portfolio, to the extent considered necessary by the institution. It also includes the internal policies and controls established for these areas. The purpose is to determine whether these are adequate and allow timely identification, measurement and control of the risks to which the bank is exposed to and their impact on equity, as of October 31, 2018.
3	02/09/2019	SIB-DSB-OPCLC/FT-FPADM-08632	Sudeban made its observations to the communication by which this bank Institution issued addressed the results obtained during the special inspection visit at Bella Vista office (code 0086) located in the state of Zulia.
4	21/08/2019	SIB-II-CCSB-09272	Sudeban requests information to be used during the special inspection visit. This will be conducted in the Customer and Bank User Service Unit and to the Customer and Bank User Defender as well.
5	13/09/2019	SIB-II-CCSB-10262	Sudeban notifies this institution about the authorization of five (05) officials to carry out a special inspection visit to agencies, ticket offices and/or branches (if applicable), located in Venezuela.
6	14/11/2019	SIB-DSB-OPCLC-FT-FPADM-13001	Sudeban has no observations to make regarding the answer issued by the bank in relation to Official Letter SIB-DSB-OPCLC-FT-FPADM-10950, regarding the results obtained in the Special Inspection visit which was carried out to verify the compliance with Circular Letter No. SIB-DSB-UNIF-17666, concerning the use of forms PE-UNIF-001 Client Identification Form for Natural Person and PE-UNIF-002 Client Identification Form for Legal Person.
7	14/11/2019	SIB-DSB-OPCLC-FT-FPADM-13008	Sudeban has no observations regarding the response issued by the bank to Official Letter SIB-DSB-OPCLC-FT-FPADM-08905, concerning the results obtained in the special inspection visit implemented according to article 177 of the Decree with the Range, Value and Force of Law on Banking Sector Institutions.
8	14/11/2019	SIB-DSB-OPCLC-FT-FPADM-12995	Sudeban informs the results obtained in the special inspection visit held at San Fernando de Apure office (code 0423), located in said city, Apure state. The purpose was to verify the existence of banknotes kept in vaults, as well as the destruction of those demonetized bills that make up the monetary system of the Bolívar Fuerte.
9	14/11/2019	SIB-DSB-OPCLC-FT-FPADM-12998	Sudeban in relation to the answer given by the bank to Official Letter SIB-DSB-OPCLC-FT-FPADM-08905, concerning the results obtained in the special inspection visit, held in accordance with article 177 of the Banking Sector Institutions Law, informs that based on the information provided by the private bank, the records were updated.



# NOTICES BY THE SUDEBAN

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

LETTERS			
VISITS AND INSPECTIONS			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
10	14/11/2019	SIB-II-CCSB-12920	Sudeban issues a report on Official Letter No. SIB-II-CCSB-06976, dated June 21, 2019, informing that its officers, as indicated in the attached list, have been authorized to carry out the special inspection on the quality of banking services at the agencies, ticket offices and/or branches of the Bank nationwide.
11	19/12/2019	SIB-II-GGIBPV-GIBPV5-14294	Sudeban gives its opinion in response to the S/N communications received by this body on August 23, October 4 and November 8, 2019, answering letter No. SIB-II-GGIBPV-GIBPV5-08608, dated July 31, 2019, containing the remarks notified to the General Inspectorate with cut-off date of March 31, 2018, and updating the figures to October 31 of the same year.
12	20/12/2019	SIB-DSB-OPCLC-FT-FPADM-14436	The regulatory body responds to the letter sent by the Bank on November 22, 2019, in response to official letter No. SIB-DSB-OPCLC-FT-FPADM-12597, regarding the results obtained by that supervisory body during the special inspection visit at Cumaná Mariño Office (Code 0471) of Banesco Banco Universal, C.A., located in the State of Sucre. This was to assess, at the end of July of this year, the compliance with regulations set out in Resolution No. 119.10 and Resolution 083.18, as well as other circulars about the Prevention and Control of Money Laundering and the Financing of Terrorism and Proliferation of Weapons of Mass Destruction (PCLC/FT-FPADM) issued by that Superintendency.
13	20/12/2019	SIB-DSB-OPCLC-FT-FPADM-14427	Regarding the letter by which this bank answered official letter SIB-DSB-OPCLC-FT-FPADM-08905, regarding the results obtained by this private bank in the special inspection visit, which was held in order to verify the measures adopted to meet the guidelines contained in Circular SIB-DSB-UNIF-17666, by which the use of forms PE-UNIF-001 Customer Identification Form for Natural Persons and PE-UNIF-002 Identification Form for Legal Persons was implemented.  In this regard, the regulatory body reports that based on provided figures, it updated the records maintained in relation to the progress achieved by the bank while updating the pre-existing customer identification cards at the end of October 2019.
14	23/12/2019	SIB-II-CCSB-12248	It contains the results of the special visit at Banesco Banco Universal, C.A., from July to November 2019, as well as the findings concerning the management of the Customer and Bank User Service Unit and the Customer and Bank User Defender, which aimed at reviewing the policies, procedures and internal controls in the Banking Service Quality area.  Sudeban points out that under its perspective the findings contained in the above mentioned report turn out to be recurrent. This proves that the actions implemented by the bank have not allowed to solve them, therefore, official letters SIB-II-CCSB-20346 and SIB-II-CCSB-03987 dated December 20, 2018 and April 10, 2019, are ratified respectively.

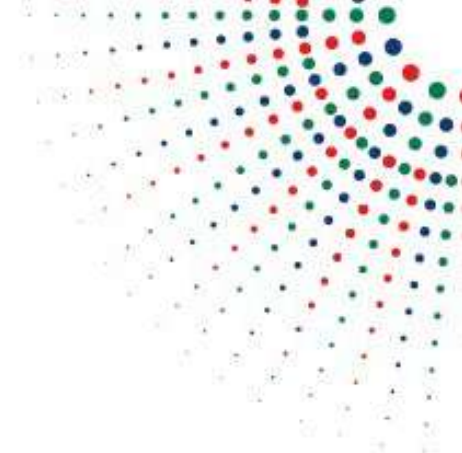
# NOTICES BY THE SUDEBAN

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

LETTERS			
OTHERS			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
1	10/07/2019	SIB-DSB-CJ-PA-07703	Sudeban dismissed the appeal for reconsideration filed by the bank against the administrative proceedings contained in Resolution No. 049.18, by which this regulatory body decided to penalize the bank with a fine equivalent to 2% of its capital. This was based on the fact that Sudeban verified that this banking institution had not placed 3% of the balance of the gross loan portfolio for the months of January, February, March, April, July and August 2017 intended for the microenterprise sector.
2	11/07/2019	SIB-DSB-OPCLC-FT-FPADM-07822	Sudeban has declared in relation to S/N Letter, dated April 1, 2019, informing that due to various contingencies it was not possible to send the file containing the information on the savings and current accounts, certificates of deposit and fixed-term deposits opened by natural and legal persons from March 25 to 29 of this year.
3	12/07/2019	SIB-II-GGIR-GRT-07881	Sudeban authorized to execute the Migration of the IBM I Operating System (V7R1 to V7R3) of the Core Banking service.
4	17/07/2019	SIB-II-GGIBPV-GIBPV5-07946	Sudeban replies the communication filed on March 20, 2019, answering to official letter SIB-II-GGIBPV-GIBPV5-02502, dated February 28, 2019, regarding the request of formalities submitted by the Bank to sell the property constituted by the premises No. 1-4, PH, located in Torre "Canaima", Avenida Samuel Lewis, Bella Vista township, Republic of Panama.
5	17/07/2019	SIB-II-GGIBPV-GIBPV5-07947	Sudeban issues guidelines to be followed by this bank to set up the provision for accrued and unearned interest on securities issued by Petróleo de Venezuela, S.A. (PDVSA) maturing in 2027 and 2037.
6	17/07/2019	SIB-II-GGIR-GRT-07977	Sudeban authorizes the execution of maneuver called " First Simulation of the 2019 Critical Services".
7	18/07/2019	SIB-II-GGIBPV-GIBPV5-08046	Sudeban authorizes the reclassification of the following securities. E.g. DPBS03618-0024, DPBS00324-0018, DPBS03618-0033, DPBS03618-0015 and DPBS03508-0046, recorded as held to maturity in the available-for-sale category.
8	18/07/2019	SIB-II-GGIBPV-GIBPV5-08047	Sudeban gives its opinions on the S/N letter, dated May 3, 2019, by which informs that the bank has undertaken the necessary actions leading to adapt to the parameters set forth in Resolution No. 305.09 "Modify/update the rules to determine the equity ratio on contingency assets and operations, applying risk-based weighting criteria" and No.117.14 Scope of Resolution No. 145.13 regarding the modification of the Accounting Equity Ratio Index.
9	25/07/2019	SIB-DSB-CJ-OD-08228	Sudeban requests a copy of the contracts that this Banking Institution has signed with suppliers of points of sale.
10	01/08/2019	SIB-II-CCSB-08603	Sudeban requests the bank to inform about the current status of Sabana de Mendoza agency (Code 0402), located at Carretera Panamericana, cruce con Avenida Bolívar, Sabana de Mendoza, Sucre Municipality of Trujillo State.

# NOTICES BY THE SUDEBAN

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



LETTERS			
OTHERS			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
11	01/08/2019	SIB-II-GGIBPV-GIBPV5-08610	Sudeban requests information regarding the deficits presented for the coverage of the legal reserve reported by the BCV during fifteen (15) and seventeen (17) days of May and June 2019, respectively.
12	05/08/2019	SIB-II-GGIBPV-GIBPV5-08832	Sudeban gives its opinions on the S/N letter, dated May 3, 2019, by which it informs that the bank has undertaken the necessary actions to be adapted to the parameters set forth in Resolution No. 305.09 "Modify/update the rules to determine the equity ratio on contingency assets and operations, applying risk-based weighting criteria" and No. 117.14 Scope of Resolution No. 145.13 regarding the modification of the Accounting Equity Ratio Index.
13	29/08/2019	SIB-II-GGIR-GSRB-09625	Sudeban gives its opinion in response to letters received on July 25, 2019, answering official letter recorded under nomenclature SIB-11-GGIR-GSRB-07585, dated July 9, 2019, containing the minutes of the Annual Shareholders' Meeting, held on March 26, 2019; specifically in the matter related to the Half-Yearly Independent Auditor's Assurance Report regarding the compliance of Resolutions No. 136.03 and No. 136.15 of the Audited Financial Statements as of December 31, 2018. This includes the compliance commitment of the regulations in force with regard to the risk concerns, which are issued by this Superintendency.
14	29/08/2019	SIB-II-GGIBPV-GIBPV5-09626	Sudeban informs that it has not received the certifications and account statements issued by BCV, JP Morgan Chase Bank, Proyectos Conexus, C.A., Standard Chartered Bank New York and Venezolano de Crédito S.A. Banco Universal, which are reflected as custodians of securities that make up the investment portfolio owned by Banesco Banco Universal, C.A., the Trust and third parties as of the closing of June 2019.
15	09/10/2019	SIB-II-GGR-GA-11226	Sudeban gives its opinion in relation to the letter sent by the Bank on December 22, 2017, which requested authorization for the credit card promotion called "WINNING HAS NO SCHEDULE, BUT HAS A DATE IN YOUR CALENDAR", with the characteristics and conditions indicated in such correspondence. This will take place from February 20, 2018 to May 20, 2018.
16	11/10/2019	SIB-II-CCSB-11298	"SUDEBAN gives its opinion in relation to the S/N Letter received at its office on July 29, 2019, which is remitting the Management Report corresponding to the first-half of 2019, as per provisions of Chapter V, article 56, paragraph e) of Resolution No. 063.15 containing the ""Regulations on the Protection of Users of Financial Services"", dated June 12, 2015.
17	12/10/2019	SIB-II-GGR-GNP-11352	In this regard, once the content of the aforementioned report has been evaluated, the regulatory body has no comments to make."





# NOTICES BY THE SUDEBAN

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

LETTERS			
OTHERS			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
18	15/10/2019	SIB-II-GGR-11499	Sudeban authorizes the implementation of the asset revaluation for VES 16.19 billion
19	28/10/2019	SIB-II-GGIR-GRT-12080	Sudeban gives its considerations on the work schedules regarding the "Commerce to Person (C2P) Interbank Mobile Payment" and "Payments through Biometric Authentication" projects.
20	30/10/2019	SIB-II-GGR-GNP-12223	Sudeban declared that granting an additional and one-time period of five (5) additional banking working days was decided, to submit the adjustments related to the contract signed with supplier Nativa Holding Medios de Pago, S.L.
21	20/11/2019	SIB-II-GGIR-GSRB-13227	Sudeban requests information regarding the deficits presented for the coverage of the legal reserve reported by the Central Bank of Venezuela during January and November 05, 2019, respectively.
22	08/11/2019	SIB-II- CCD-12589	The regulatory body states that after evaluating and analyzing the request for the fixing of percentages with regard to the agricultural portfolio, as well as those regarding its compliance and possible exceptions, the Executive branch through the Ministry of the People's Power for Productive Agriculture and Lands and the Ministry of the People's Power of Economy and Financing, is competent to decide, as per provisions enshrined in Article 55 of the Decree with Range, Value, and Force of the Law on Credit for the Agricultural Sector, published in the Official Gazette of the Bolivarian Republic of Venezuela No. 5.
23	07/11/2019	SIB-II-GGR-GA12495	Sudeban, upon referring to the notice of closure of the External Box Office of Círculo Militar (728), has no objections to make.
24	08/11/2019	SIB-II- CCD -12584	Once provided information regarding directed portfolios has been evaluated and analyzed, the body indicates that, in the Special Report on the Financial Statements, it is observed that the bank and its Mortgage Portfolio reported a balance and a percentage maintained different to what was transmitted through the Comprehensive Financial Information System (SIF) at the closing of June 2019.  Finally, the regulating body urges the bank to take the necessary actions to correct the differences found in the aforementioned managed portfolio and to inform the Board of Directors of the contents of this document, in accordance with the current legal regulations.
25	13/11/2019	SIB-II-GGIBPV-GIBPV5-12822	Sudeban gives its opinion in response to the communications received on July 4 and August 8, 2019, regarding the demand for financing in the interbank market; the exposure of the Liquidity Risk and the coverage of the Legal Reserve before BCV..
26	15/11/2019	SIB-DSB-CJ-OD-13085	Sudeban gives its opinion regarding the communication which contains the new clauses to be included in the model loan and promissory note contracts of Banesco Banco Universal.
27	14/11/2019	SIB-DSB-CJ-OD-13083	Report on the considerations set forth by the regulatory entity for the model loan and promissory note agreements of Banesco Banco Universal, on the occasion of the provisions of Resolution No. 19-09-01 issued by the Central Bank of Venezuela, published in Official Gazette No. 41,742 dated October 21, 2019, which provides that commercial loans in local currency to be granted by banking institutions must be expressed only through the use of the Commercial Credit Value Unit (UVCC).



# NOTICES BY THE SUDEBAN

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

LETTERS			
OTHERS			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
28	25/11/2019	SIB-II-GGR-GNP-13341	Sudeban reports about the modification of the Accounting Manual for Banking Institutions, referring to the addition of the accounts for accounting register of the trusted managers of Sovereign Cryptoactives.
29	03/12/2019	SIB-II-GGIR-GRT-13633	<p>Sudeban gives its opinion on the figures contained in the ATM report of November 26, 2019. The number of ATMs installed by this banking institution reached a total of 741 and 12% of them were not working by that date.</p> <p>In this regard, once the respective report has been evaluated, this entity requires a detailed report on the technical and operational reasons for the inoperativeness of the 90 ATMs owned by Banesco. As well as the sending of a schedule that will be executed for the progressive reestablishment of said equipment.</p>
30	04/12/2019	SIB-II-GGR-GIDE-13664	<p>Sudeban gives its opinion on the revision made to the Comprehensive Financial Information System (SIF), as of November 13, 2019, observing that the files that make up Accounting Group P (AT02 "Goods Received in Payment", AT04 "Credit", AT05 "Deposits, obligations with financial institutions and trusts" and AT07 "Guarantees received"); corresponding to October 2019, were not transmitted within the first seven (7) banking business days by following the month to be reported, thus failing to comply with the term foreseen in the Circular SIB-II-GGR-GNP-GIDE-08095, dated May 18, 2018.</p> <p>The Superintendence urges to implement the pertinent actions to subsequently submit through the Comprehensive Financial Information System (SIF) the above mentioned information in the term contained in the prudential regulations in force, without precluding any administrative sanctions that may apply.</p>
31	04/12/2019	SIB-DSB-CJ-OD-13721	Sudeban gives its opinion regarding the letter, dated November 19, 2019, signed by Pedro Luis Quintero Penoth, Executive Director of Credit and Operations of this bank, which includes the model of the Loan Agreement of this Bank, according to provisions of Resolution No. 19-09-01, issued by the Central Bank of Venezuela and published in the Official Gazette of the Bolivarian Republic of Venezuela No. 41. 742 dated October 21, 2019. This Resolution provides that commercial loans in local currency to be granted by Banking Institutions must be expressed only through the use of the Commercial Credit Value Unit (UVCC), all in response to Circular Letter SIB-DSB-CJ-OD-13083 and the official letter SIB-DSB-CJ-OD-13085, both dated November 14, 2019.
32	05/12/2019	SIB-II-GGIBPV-GIBPV5-13789	<p>Sudeban requests information regarding claims settled between October 23 and November 18, 2019.</p> <p>The regulator requires the following documentary support:</p> <ul style="list-style-type: none"> <li>— Copies of the documents or contracts, duly signed by the parties, specifying the financing conditions and the destination of the funds declared by the clients.</li> <li>— Copy of the application form for the above-mentioned loans.</li> <li>— The approval document by the corresponding body.</li> <li>— Report of the assessment of the debtor's economic and financial background and the investment plan, if any.</li> </ul>

# NOTICES BY THE SUDEBAN

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

LETTERS			
OTHERS			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
33	13/12/2019	SIB-II-GGR-GA-14124	Sudeban gives its opinion with respect to the S/N letters, dated March 23, 2018, notifying the closure of the External Ticket Offices indicated below: <ol style="list-style-type: none"> <li>1. External Ticket Office Cervecería Regional Cabimas (0892), located at Avenida Intercomunal, Sector Bello Monte, Galpón Cervecería Regional, Parroquia Ambrosio, Municipality Cabimas, Zulia State.</li> <li>2. External Ticket Office Cervecería Regional Los Haticos (0257), located at Avenida 17-A. Distribuidora Regional, Haticos por arriba, Local Number 112-13, Cristo de Aranza Parish, Maracaibo Municipality, Maracaibo, Zulia State.</li> <li>3. External Ticket Office Cervecería Regional San Félix (1201), located at Avenida Antonio Cisneros, Sector Chirica, Centro Distribución Cervecería Regional, Chirica Parish, Caroní Municipality, San Félix, Bolívar State.</li> </ol>
34	16/12/2019	SIB-II-GGR-GA-14178	Sudeban gives its opinions in relation to the letter submitted to that Superintendency on December 1, 2017, signed by Claudia Cecilia Encina Echeverría, in her capacity as Vice President of Network Channel Agencies of Banesco Banco Universal, C.A, notifying the closure of the External Ticket Office B Express Centro Comercial El Recreo (1078), located in Avenida Casanova, Centro Comercial El Recreo, Level C-1, Sabana Grande, El Recreo Parish, Libertador Municipality, Caracas, Capital District.
35	19/12/2019	SIB-II-CCD-14318	"The regulatory body revealed that Banesco Banco Universal, C.A. did not place three percent (3%) of the gross loan portfolio balance at the end of the previous semester in loans to the microenterprise sector in June 2019.
36	23/12/2019	SIB-II-GGR-GNP-14478	Nevertheless, the regulatory body notes that, having decided to impose corrective and not sanctioning measures, it urges Banesco Banco Universal, C.A. to fully and timely comply in the future with the obligation to allocate the resources required for the microfinancing sector, under the terms set forth in the above-mentioned Fourth Transitional Provision. "
37	27/12/2019	SIB-II-GGIR-GRT-14581	Sudeban informs the aspects to be considered by the Banking Institutions in relation to the Accounting Records of the Commercial Credits framed in the Resolution No. 19-09-01, dated September 5, 2019, issued by the BCV.
38	30/12/2019	SIB-II-GGR-GNP-GIDE-14605	Sudeban authorizes the bank to execute the "Maintenance Window in the BanescOnline Service, Pago Móvil and Banesco Móvil motivated at the end of year 2019", the "Monthly Maintenance Plan for the application of Fix Program Temporary Fix PTF's" and the "Monthly Reset Plan for the Application of ATM Production, during the period January 2020 - December 2020".
39	30/12/2019	SIB-II-GGR-GNP-GIDE-14603	Sudeban notifies that the form and instructions identified with code PM-SIB-137 "Operations with foreign currency from payments received by tour operators, exporters, and for the use of debit or credit cards" is available via extranet banking.
40	30/12/2019	SIB-II-GGR-GNP-GIDE-14604	Sudeban notifies that the form and instructions identified with code PM-SIB-137 "Operations with foreign currency from payments received by tour operators, exporters, and for the use of debit or credit cards" is available via extranet banking.

# NOTICES BY THE SUDEBAN

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

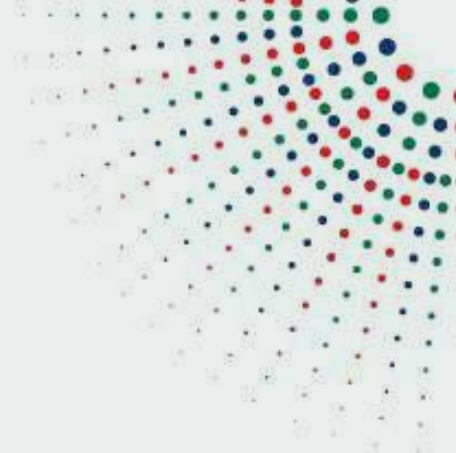
CIRCULARS			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
1	04/07/2019	SIB-II-GG-GNP-07509	Sudeban instructs banking institutions to increase daily limits for point-of-sale (POS) transactions.
2	09/08/2019	SIB-II-GGR-GNP-07639	The entity indicates that the contribution fee for the second half of 2019, to be paid by the private banking institutions, will be made on a bimonthly basis, at the rate of one (1) per thousand of the average assets of the two (2) months prior to the bimonthly payment, whose calculation base will be the sum of the total assets of the two months prior to the bimonthly payment, divided by two (2).
3	14/08/2019	SIB-DSB-CJ-OD-09186	Sudeban releases the annual banking holiday calendar, corresponding to the year 2020, by which the activities of the national banking system will be ruled.
4	23/08/2019	SIB-DSB-CJ-OD-09501	Sudeban informs that by means of official letter No. SIB-DSB-CJ-OD-09494, dated August 23, 2019, suspends for a period of twelve (12) months, counting from August 23, 2019, the registration as supplier of points of sale No. 0013 to company Inversiones Gross, C.A., registered with the Fiscal Information Registry (R.I.F.) No. J-003372986; whose commercial name corresponds to 1000 payments; and, therefore, the commercialization of points of sale during that period.
5	20/09/2019	SIB-II-GGR-GNP-GIDE-10349	Sudeban informs about the modification of the form and instruction PD-SIB-130 "Existence of Money Pieces", on the occasion of the coming into force of the money pieces of denominations: 10,000, 20,000 and 50,000 from May 13, 2019.
6	26/09/2019	SIB-II-GGR-GNP-10696	The regulatory body, as per provisions of paragraph 20 of Article 171 of the Law on Institutions of the Banking Sector, decided to establish the aspects that must be taken into account by banking institutions for the publication of financial statements and indicators on a monthly, quarterly and half-yearly basis as appropriate, referred to in Article 76 of the abovementioned Law.
7	04/10/2019	SIB-II-GGR-GNP-11144	Sudeban in response to official letter No. SNATINTI/GR/DCB-2-259553/2019/E001554, signed by the Collection Manager of the National Integrated Tax Administration Service (SENIAT), which refers to the guidelines to be followed in relation to the Special Taxpayers and also informs that the "Application Programming Interface (API)" is in production since July 15, 2019. The application allows the exchange of information with the SENIAT platform.
8	28/10/2019	SIB-II-GGR-GNP-12161	Sudeban sends the documents published in the banking extranet regarding the aspects to be considered for the accounting records derived from the commercial loans under Resolution No. 19-09-01 dated September 5, 2019.
9	28/10/2019	SIB-II-GGR-GNP-12162	Sudeban issues a circular concerning the necessary technological adaptations in order to identify the communal councils, communes and communities, with the single register of fiscal information with letter "c"
10	13/11/2019	SIB-II-GGR-GNP-12802	Sudeban instructs banking institutions to increase daily limits for point-of-sale (POS) transactions.



# NOTICES BY THE SUDEBAN

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

CIRCULARS			
N°	DATE OF RECEIPT	OFFICIAL LETTER No.	CONTENT
11	27/11/2019	SIB-DSB-CJ-OD-13439	Sudeban grants a period of four (04) hours from the reception of the circular to report the accounts that the legal entities and their shareholders keep in the bank, according to the list sent by the superintendence, in case none of the listed are clients in the same way.
12	27/12/2019	SIB-II-GGR-GNP-14570	To inform about the call made by Sudeban to financial institutions regarding the strict observance of the legal regulations in force on credit portfolios. Specifically, the Resolution contains the bases, conditions, terms and minimum obligatory percentages of the Credit Portfolio destined to the Agricultural Sector during the April 2019 productive cycle, as well as the minimum percentage of the credit portfolio that the Banking Institutions will destine to the granting of microcredits.
13	27/12/2019	SIB-GGIR-GSRB-GGR-GNP-14571	Sudeban informs of its decision to extend the deferral of compliance with the provisions of articles 24 to 31 of Resolution No. 136.15 dated November 11, 2015, which contains the "Rules regarding the adequate comprehensive liquidity risk management of banks".
14	27/12/2019	SIB-II-GGR-GNP-14572	To inform on the deferral of the presentation of the complementary information corresponding to the closing of the second half of 2019, regarding the consolidated and/or combined financial statements prepared in accordance Generally Accepted Accounting Principles; as well as the individual audited half-yearly financial statements for publication adjusted due to inflation.



## RELEVANT'S INFORMATION TO STAKEHOLDERS



# SUMMON

BANESCO BANCO UNIVERSAL, C.A.

Stock Capital BsS.  
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, 2020, 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, 2019.

**SECOND:** Discuss and decide on the allocation to be made to the profits as of December 31st, 2019.

**THIRD:** Set the remuneration of the Chief and Alternate Commissioner, appointed at the Ordinary Shareholders' Meeting held on March 26th, 2019 for the period 2019 - 2021.

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

## Announcement Extraordinary Shareholders' Meeting

By resolution of the Board of Directors and in accordance with the provisions of Articles 11, 12 and 27.2 of the Corporate By-laws, shareholders of Banesco Banco Universal, C.A. are summoned to meet at the Extraordinary Shareholders' Meeting to take place on March 26th, 2020, at 8:30 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:** Appointment of the members of the Board of Directors.

**SECOND:** Appointment of the Internal Auditor

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

## Announcement Extraordinary Shareholders' Meeting

By resolution of the Board of Directors and in accordance with the provisions of Articles 11, 12 and 27.2 of the Corporate By-laws, shareholders of Banesco Banco Universal, C.A. are summoned to meet at the Extraordinary Shareholders' Meeting to take place on March 26th, 2020, at 9:00 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:** Reduce the Bank's Capital Stock as a result of the redemption of all the preferred shares, in accordance with the prospectus for the public offering of preferred shares issued 2008 – I and issued 2008 – II.

**SECOND:** Increase the Capital Stock in the same proportion as a result of the redemption of the preferred shares, through the decree, distribution and payment of dividends in common shares.

**THIRD:** In accordance with the decisions made on the above matters, modify article 5 of the Corporate Bylaws of the Bank regarding the Capital Stock.

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

**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, 2020

RIF: J07013380-5



# CORPORATE GOVERNANCE REPORT

BANESCO BANCO UNIVERSAL, C.A.

BanESCO Banco Universal, C.A., is a banking entity domiciled at the city of Caracas, Bolivarian Republic of Venezuela, authorized to carry out all the operations of financial intermediation and its related services. It has no other limitations than those established in the Decree with Range, Value and Force of Law on Institutions of the Banking Sector.

## Shareholder's Meeting

This instance represents the universality of shareholders and has the supreme management of the company. The meeting takes place in a regular basis, within 90 days following the closing of each half-year, and in a special manner, at the time deemed convenient for the interests of the company by the Board of Directors, or when requested by a group of shareholders representing at least 20% of the capital stock. Its acts and resolutions are bidding for the bank and its shareholders.

The Shareholders' Meeting is in charge of the following: i) To determine the number of Directors who will comprise the Board of Directors; ii) to appoint the members of the Board of Directors and set their remuneration; iii) to designate the Principal and Alternate Commissioners and establish their remuneration; iv) to discuss, approve or modify the Financial Statements submitted to it, in view of the Commissioner's report; v) to issue and amend the Bylaws; vi) to decide on early dissolution, extension, merger with another company, sale of corporate assets, change of corporate purpose, increase, reduction or refund of corporate capital and amendment of the Bylaws in the matters expressed; vii) to decide on the declaration of dividends and the form of payment thereof, for the amount, with the frequency and at the time it deems appropriate, in

accordance with the Law and the Bank's Bylaws; viii) to decide on the establishment of reserves or special reserves submitted for its consideration by the Board of Directors; ix) to hear and decide on any other matter within its competence, in accordance with the Law and the Bank's Bylaws.

## Board of Directors

The Decree with Range, Value and Force of Law on Institutions of the Banking Sector (LIBS) published on Extraordinary Official Gazette No. 6,154, dated November 19, 2014, reprinted on Official Gazette No. 40. 557, dated December 8, 2014, establishes in its article 30 that the Board of Directors must be comprised of no less than seven (7) main directors and their respective alternates; one third of both, main and alternate directors, must be independent directors. This means that they may not be shareholders of the Banking Institution, directly or indirectly.

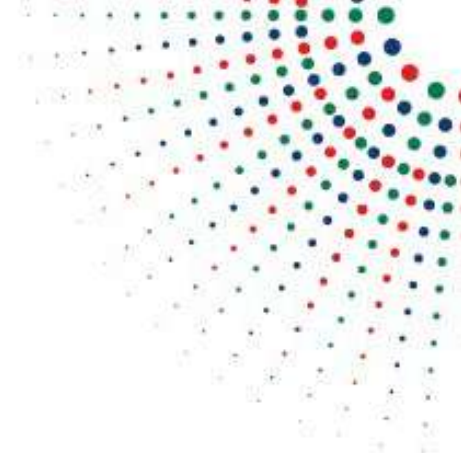
Based on the above, the appointment of the members of the Board of Directors of BanESCO Banco Universal, C.A., is made in accordance with the LISB and other provisions to be issued by the Superintendency of Banking Sector Institutions (Sudeban); for instance, the "Regulations that allow to establish the fulfillment of the requirements of Moral and ethical quality required for the exercise of the banking activity" and with the bank's bylaws.



This governing body is also responsible for identifying the various risks to which the organization is subject, including economic, environmental and social risks. Accordingly, it establishes policies and processes for their management.



# CORPORATE GOVERNANCE REPORT



This governing body is responsible for the general administration of the business and operations, including its Corporate Social Responsibility policy. The Board of Directors is made up of qualified individuals with extensive experience in different areas of the banking business, of recognized solvency and honorability. The Board of Directors is made up of more than 1/3 independent directors and is responsible for the definition and strategic direction of the organization, approving business principles and policies and regulating the autonomy of executive decisions. It also monitors the work of the bank's operating and functional areas, evaluates and compares the business projections and results of each year with those in previous years.

This governing body is also responsible for identifying the various risks to which the organization is subject, including economic, environmental and social risks. Accordingly, it establishes policies and processes for their management. Some of these tasks are carried out along with the Risk Management Committee, whose main function is the comprehensive management of the risks to which the institution is exposed.

## President of the Board of Directors

The President of the Board of Directors exercises the legal representation of the Bank in the broadest sense before all authorities and any other public or private person or entity, and presides over the deliberations at such instance. Its powers include representing the institution, granting contracts, agreements and, in general, all types of documents of any nature on its behalf. The President and the Board of Directors exercise the broadest powers of administration and arrangement of the bank.

## Chief Executive Officer

He is appointed by the Board of Directors and has the functions of the management, daily operation and internal services of the Bank, including the administration and comprehensive management of the businesses related to the banking activity. He is responsible for coordinating the activities and tasks assigned to each of the departments and reports to the Board of Directors on his performance and management.

## Internal Auditor

In accordance with the Decree with Range, Value and Force of Law on Banking Sector Institutions, he is responsible for ensuring that the bank's operations and procedures comply with the Law, prudential regulations, the institution's internal process manuals and the accounting principles approved by the Superintendency of Banking Sector Institutions. Likewise, this official is responsible for supervising the adequate functioning of the internal control systems; ensuring compliance with the resolutions of the Shareholders' Meeting, the Board of Directors and the Superintendency of Banking Sector Institutions; signing the financial statements, jointly with the legal representative and the general accountant; internally coordinating the analysis of the different operations of the Institution and, acting jointly with the Audit Committee, informing the Board of Directors of the results of the different audits carried out in order to improve the processes and be able to correct any gaps that may arise.

## Compliance Official

This is a high official dedicated exclusively to the works of prevention and control of crimes regarding Money Laundering, Financing to Terrorism and Proliferation of Weapons of Mass Destruction (ML/FT/FPWMD). He directly reports to the Board of Directors of Banesco Banco Universal, C.A., and is also in charge of the supervision and control of the Unit of Prevention and Control ML/FT/FPWMD. Additionally, he is authorized to make decisions in the framework of executing attributions, among them, the following: a) promote and supervise the compliance with policies, procedures, provisions and controls related to the Prevention and Control of Money Laundering and Financing of Terrorism and Proliferation of Weapons of Mass Destruction, approved by the Board of Directors of the Obligated Party; b) design together with the Prevention and Control Unit of ML/FT/FPWMD the Annual Operational Plan; c) submit annual and quarterly reports to the President and the Board of Directors of the Bank, which, among other aspects, contain the progress of the Annual Operational Plan, the Annual Training Program on Prevention and Control against these crimes, and its recommendations for the improvement of the adopted procedures; d) send to the National Finan-



# CORPORATE GOVERNANCE REPORT

cial Intelligence Unit (UNIF) the Suspicious Activity Reports deemed necessary, as well as the responses to the requests for information related to the subject matter that other competent authorities require, within the deadlines established by the laws and communications of request for information; e) to maintain institutional relations with this Superintendency/UNIF; as well as with other competent authorities, non-governmental organizations and institutions dedicated to the prevention, repression and control of ML/FT/FPWMD; f) to represent the Institution in conventions, events, forums, committees and official national and international acts related to this matter, when designated by the Board of Directors of the Obligated Party; g) To develop, along with the communications teams, communication strategies aimed at informing and raising awareness among customers and employees on issues related to the subject; h) to be part of the Comprehensive Risk Management Committee of the Banking Institution, exercising the functions assigned to it in the current prudential regulations governing the matter, among others.

## The Corporate Government of Banesco Banco Universal, C.A., establishes in its structure the following:

### Auditing Committee

It is responsible for supervising and verifying the existence of general policies and regulations that ensure compliance with legal provisions, the integrity of financial information, an adequate internal control environment and the monitoring of the management and correction of control deficiencies. It also promotes the independence and adequate performance of the External Auditors and the Internal Audit Function in the Institution.

### Risk Committee

Its main function is the management, identification, measurement and mitigation of the risks to which the Bank is exposed, through a system that includes objectives, policies, and procedures, capacities for identifying, mea-

suring, assessing and monitoring risks. This supports the Board of Directors in strategic planning and reasonably assures the achievement of its objectives.

### Credit Committee

The Board of Directors, reserving the exercise of this attribution, delegated in credit committees the faculty to consider the credit applications to be presented. These committees have defined levels of autonomy, which include: the Central Credit Committee, the Executive Credit Committee, the Credit Delegate Committee, the Regional Credit Committees and the individual autonomies.

### Technology Committee

Its main function is to ensure that technology implementations are aligned with the Bank's strategies and objectives, with a global and horizontal vision of the business, using resources responsibly and identifying and managing risks. It also proposes policies under the main standards in the technology area.

### Committee of Assets and Liabilities (ALCO)

It is the body directly responsible for managing market and liquidity risks (price, interest and exchange rate) and asset adequacy. It periodically analyses the degree of exposure to risks and defines the short- and medium-term financial strategies to deal with the risks assumed in accordance with the foreseeable evolution of the markets. The main objective is to manage the bank's assets and liabilities from a financial, commercial and risk perspective, anticipating market threats and opportunities in order to optimize results and achieve the goals set out in the financial planning.

### Ethics Committee

Its role is to receive, analyze, evaluate and resolve issues that may be damaging to compliance with the rules established in the Banesco Code of Ethics and Conduct. Similarly, it is responsible for encouraging the promotion of the organization's values.

# CORPORATE GOVERNANCE REPORT

## Code of Ethics and Conduct of the Citizen Banesco

This code aims at defining and regulating the ethical values conceived by Banesco. This establishes some behavior patterns, which aims at reinforcing honesty, an essential conduct in all the acts 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 financing.

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

- **Responsibility:** to be responsible in the performance of their activities, implying the entire assuming of competences, functions and tasks entrusted to them. This includes having initiative and being diligent in fulfilling all requirements and demands inherent to their position, making the best use of time, and giving the best to each person.
- **Reliability:** to ensure the compliance with banking secrecy and any other confidential customer information, unless an authority requests certain information within the scope of its powers. The information at its disposal in the exercise of its functions, powers or duties shall not be used for personal gain or for third parties purposes. The employee will also tell the truth in all circumstances, respond sincerely, acknowledge his or her mistakes and ask for help when necessary.
- **Quality:** to maintain a behavior standing out by respect to people's dignity, carrying out each task with the greatest care and doing the best to overcome our clients and users' expectations.
- **Innovation:** to be updated with new technologies, using them appropriately and generating new ways of getting things done, analyzing risks in compliance with the Code of Ethics and Conduct in the Institution.



This code aims at defining and regulating the ethical values conceived by Banesco; this establishes some behavior patterns, which aims at reinforcing honesty, an essential conduct in all the acts of the citizen Banesco

# COMMISSIONER'S REPORT

## SECOND HALF 2019

### BANESCO BANCO UNIVERSAL, C.A.

Half finished at december 31, 2019 • Caracas, March 4th, 2020

In our capacity as Commissioners designated by the Annual Shareholder's Meeting of Banesco, held on March 26, 2019, pursuant to provisions contained in the Bank's bylaws, in the Inter-professional Regulations to the exercise of the Commissioner's function and according to provisions of Article 287, 309 and 311 of the Code of Commerce, we hereby certify the evaluation of the Financial Situation Statement as of December 31, 2019 and the Related Results Statement and Application of Net Results, Changes of Equity and Cash Flux of the ended half-year Furthermore, the Independent Auditor's Report of Lara, Marambo & Asociados (members of Deloitte), issued on February 27, 2020 is also attached, and must be taking into account to be part of this report.

During the ended half year, on December 31, 2019, the following Shareholders' Meeting took place:

General Meeting of Shareholders	Notes	Date
Extraordinary	(1)	August 06th, 2019
Ordinary	(2)	September 26th, 2019
Extraordinary	(3)	September 26th, 2019

- 1. Single Item: A:** Designation of the Members of the Board of Directors.
- 2. Discussed Items: A:** Considering and resolving previous revision of the Report of the Board of Directors and the Statutory Auditors, the approval of the financial statements, issued by independent public accountants, for the six-month period ended from June 30, 2019 to B: Considering and resolving about the destination regarding the profits as of June 30, 2019. C: Reducing the bank's capital share by two bolivars without cents (VES 2.00), as a result of the repurchase of twenty thousand (20,000) preferred shares, in accordance with the public offering prospectus for

preferred shares issued in 2008-1 and 2008-2. D: Increasing in the share capital at two bolivars (VES 2.00) by means of the decree, distribution and payment of dividends in common shares. E.- Based on the decisions made in relation to the above items, article 5 of the Bank's bylaws regarding the capital share shall be modified.

- 3.- Single Item A:** Designation of the members of the Board of Directors.

We participated as Main and Substitute Commissioners to the Annual and Special Shareholders' Meeting, held on September 26, 2019.

### Responsibility by the Administration for the Financial Statements

The Management of Banesco Banco Universal C.A., is responsible for the preparation and reliable presentation of these financial statements, in accordance with the accounting norms established by the Superintendency of Banking Institutions. Also, the Management of Banesco Banco Universal, C.A., is responsible for establishing the internal controls it deems necessary to ensure that such financial statements are free from material misstatement due to fraud or error, selecting and applying appropriate accounting policies, and doing accounting estimates that are reasonable and appropriate in the circumstances.

### The Auditor's Responsibility

The responsibility of independent auditors is to express an opinion on these financial statements based on their audits. Their audits are based on the International Standards on Auditing (ISA). These regulations require the fulfillment of ethical requirements, the planning and execution of verifications to find out a reasonable security if said financial statements. An audit includes the implementation of procedure to obtain evidence related



## COMMISSIONER'S REPORT

to the amounts and revelations contained in the financial statements.

The chosen procedures depend on the auditor's judgment and include assessing the risks of material distortions in the financial statements due to fraud or error. When evaluating risks, the auditor considers the significant internal controls that Banesco Banco Universal, C.A., uses in the preparation and presentation of its financial statements in order to design audit procedures, which are appropriate in the circumstances, but it is not intended to express an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation. The independent auditors consider that the audit evidence obtained during the revision is sufficient, pertinent and provides a reasonable base to support their opinion.

### The Commissioner's Responsibility

We are committed to provide a recommendation about the approval of the financial statements based on our revision. This revision and drafted in accordance with the scope deemed necessary, which is substantially less demanding than an audit made pursuant to the International Standards on Auditing. Thus, its purpose is expressing an opinion in relation to the basic financial statements in general. Our revision included the financial operations contained in the Financial Statements submitted for the consideration of the Meeting: Balance sheet as of December 31, 2019, Results Statement, Changes in Equity and Cash Flow Statement for the term ended on the same date. It also included the review of the minutes of meetings of the Board of Directors and the Risk Committee; Internal Audit Committee, Reports of Internal Audit and Revision for the Prevention and Control of Money Laundering and Financing of Terrorism and Proliferation of Weapons of Mass Destruction, as well as correspondence received and sent from and to the Superintendency of Banking Institutions (SUDEBAN) It is important to emphasize that the

judgments and opinions issued on this report about the financial situation of Banesco Banco Universal C.A., as of December 31, 2019 is essentially based in the review carried out by Lara, Marambio & Asociados (Deloitte Members), the bank's independent auditors, by the same period while the reports were issued on February 27, 2020, which must be taking into account to be part of this report. For instance:

- I. Balance sheets for half years ended at December 31, 2019 and June 30, 2019.
- II. Special Report for the Half Year ended at December 31, 2019.
- III. Combined Financial Statements of the Trusts half years ended December 31 and June 30, 2019.
- IV. Half-yearly Report on the Independent Auditor's Assurance for fulfilling Resolution No. 083.18 issued by the Superintendency of Banking Sector Institutions at December 31, 2019.
- V. Half-yearly Report on the Independent Auditor's Assurance for fulfilling Resolution No. 136.15 issued by the Superintendency of Banking Sector Institutions at December 31, 2019.
- VI. Half-yearly Report on the Independent Auditor's Assurance for fulfilling Resolution No. 136.03 issued by the Superintendency of Banking Sector Institutions at December 31, 2019.
- VII. Report on the Convened Procedures Related to the Financial Information at December 31, 2019.
- VIII. Report on Convened Procedures Regarding Non-Financial Information, specifically related to the provisions of Official Letter No. SIB-II-CCSB-09025, dated March 25, 2014.
- IX. Observation and recommendation memorandum for half year ended December 31, 2019.

In addition, meetings were held with the Bank's directors, accountants and other executives, allowing us to reasonably assume the creation of criteria on which the outcome of our evaluation was based.

# COMMISSIONER'S REPORT

## Recommendation

Based on our audits and the Independent Auditor's opinion, identified above, the Financial Statements present fairly, in all material respects, the financial position of Banesco Banco Universal, C.A, at the end of December 31, 2019, the result of its operations, the movement in the equity accounts and the cash flow for the six-month period then ended, in accordance with the Generally Accepted Accounting Principles established by the Superintendency of Banking Sector Institutions (SUDEBAN) for the Venezuelan banking system, which allows us to recommend its approval.

## Emphasis Paragraph

- The Independent Auditor's Report, Note 2, states that the bank, as a financial institution of the Venezuelan banking sector, prepares its financial statements based on accounting rules and instructions established by the Superintendency of Banking Sector Institutions. These rules differ from some aspects in the Generally Accepted Accounting Principles in Venezuela (VEN-NIF-GE).

## Accounting Base

Banesco Banco Universal, C.A., reports its financial statements, as per the accounting standards established by the Superintendency of Banking Institutions (SUDEBAN), which differ in some respects from Generally Accepted Accounting Principles, as explained in Note 2 to the Financial Statements of the Independent Auditor's Report. The financial statements accompanying the Independent Auditor's report were prepared by the bank's management in order to comply with the standards and practices established by that Superintendency, and not for being shown in accordance with the Generally Accepted Accounting Principles in Venezuela (VEN-NIF GE)

## Revision of the Financial Statements as of December 31, 2019

Based on the Independent Auditor's assessment, the Bank's Financial Statements as of December 31, 2019 and June 30, 2019, we consider to address the following aspects:

- Deposits in the Central Bank of Venezuela and Interbank Operations: according to the Independent Auditor's Report as of December 31, 2019, it was noted that the Bank has overnight obligations with financial institutions in the country for VES 261.35 billion. In the 2019 second half, as a result of the takeover operations and deposits made with the Central Bank of Venezuela and overnight operations jointly with financial institutions in the country, the bank recognized interest income for a total of VES 9.66 billion, recorded in the "Income from deposits in the Central Bank of Venezuela and interbank operations" account under the "Income from investments in securities" heading".
- According to the Independent Auditor's Report, it is observed that public collections generated interest expenses of VES 31.70 billion, recorded under the "Financial Expenses" heading during the second half of 2019.
- According to the Independent Auditor's Report as of December 31, 2019, it was noted that the "Provisions for Taxes" account includes VEF 35.006 billion for income tax provision. In addition, VES 26 billion are included for taxes related to economic activities.
- According to the Independent Auditor's Report, as of December 31, 2019, it is observed that at the Annual Shareholder's Meeting, dated September 26, 2019, which authorized the Board of Directors to decree and pay dividends in cash to common shareholders up to VES 30 billion, charged to the results accumulated at June 30, 2019.
- As of December 31, 2019, the Annual Shareholder's Meeting, dated September 26, 2019, the approval by the Superintendency of Banking Sector Institu-

## COMMISSIONER'S REPORT

tions is awaiting, after a binding opinion from the Higher Body of the National Financial System, for its subsequent submission to the Mercantile Registry Office.

- In the Minutes of the Special Shareholder's Meeting, dated September 26, 2019, the bank's share capital was reduced by twenty thousand (20,000) shares (VES 2) due to the redeeming of preferred shareholders for a value of 0.0001 per share. As a result, they immediately declared dividends in shares for VES 2 (20,000 shares), for a total of VES 12,500 (125,000,000 shares).

### Other matters to be reported

The bank maintains controlling mechanisms in order to supervise the compliance of Article 307 of the Code of Commerce. The bank does not decree or pay dividends to shareholders, but over liquid and collected profits.

The reserves, deposits and corporate funds are reasonable and comply with the provisions of the regulations that govern this matter. Thus, administrators have complied with the duties imposed on them by the Law, the Incorporated Papers - By-laws and the legal framework in force.

Banesco Banco Universal, C.A., has implemented the corresponding audit programs in order to comply with the instructions contained in Circular No. HSB-200-1155, dated February 24, 1984, issued by the Superintendency of Banking Sector Institutions.

In the period under audit, we have not received any complaints from shareholders, nor have we been informed by any of them, of the existence of circumstances, which in our opinion, weaken or have the potential to weaken the financial condition of the institution.

We reviewed the communications received and sent from and to the Superintendency of Banking Sector

Institutions (SUDEBAN) during the semester ended December 31, 2019, as part of our evaluation. In this regard, we highlight the following:

- Official Letter No. SIB-II-GGIBPV-GIBPV5-08608, dated July 31, 2019, whereby the bank received the report containing the results of the General Inspection carried out at the entity with a cut-off date of March 31, 2018, updated to October 31, 2018. This was intended to examine the investments in securities and the loan portfolio, as well as the internal policies and controls established for these areas, leading to evaluate whether they are adequate and allow for the timely identification, measurement and control of the risks to which the Bank is exposed.
- Official Letter No. SIB-II-GGIBPV-GIBPV5-14294, dated December 19, 2019, by which the Regulator issues its considerations to the communications issued by the bank on August 23, October 4 and November 8, 2019, on the occasion of Official Letter No. SIB-II-GGIBPV-GIBPV5-08608 dated July 31, 2019.
- Official Letter No. SIB-DCB-OPCLC-FT-FPMADM-12196, dated October 29, 2019, whereby the Superintendency of Banking Sector Institutions issues considerations to the communication sent by the Bank, by means of which the resolutions of the Annual Shareholder's Meeting were forwarded, among them: Half-Yearly Report on Training to Independent Auditors for complying with Resolution No. 119-10, dated June 30, 2019.
- It is recommended to continue strengthening internal control mechanisms and improving policies and processes to ensure compliance with the provisions contained in the rules governing on this matter, as well as the implementation of activities aimed at considering the recommendations and observations made by the regulatory body and the independent and internal auditors.

# COMMISSIONER'S REPORT

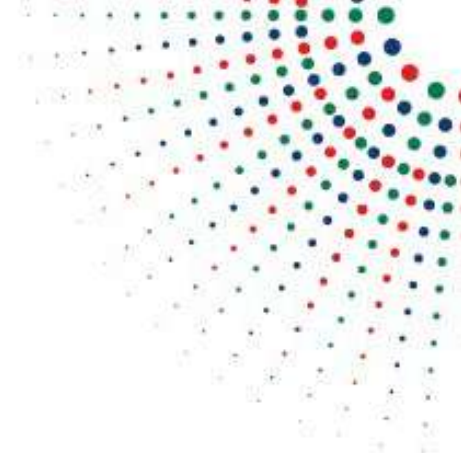
## Assessment on the Compliance of Resolution 083.18

Based on the evaluation made by the Independent Auditors to the compliance with Resolution No. 083.18, corresponding to the Regulations on the Administration and Control of Risks related to Money Laundering and Financing of Terrorism and Proliferation of Weapons of Mass Destruction applied to the Banking Sector, we consider that the following should be mentioned.

- During the second half of 2019, the Annual Operating Plan shows a real progress of 100%, above the expected 75% with respect to the objectives and goals to be executed during this period, which include (i) fulfillment of 100% of the employees expected to be trained in the core areas, (ii) sending bulletins to employees on the Prevention and Control of Money Laundering, Financing of Terrorism and Proliferation of Weapons of Mass Destruction (PCML/FT/FPWMD), (iii) completion of 100% of the customer segmentation project, (iv) the fulfillment in 100% of the activities contemplated in the Compliance Aspects activity, which are related to the extension of the Compliance Officers for Prevention and Control of Money Laundering (RCPC) and review of the specific activities of the Annual Monitoring, Evaluation and Control Plan (PASEC).
- With respect to communication strategies, it was observed, as per the Independent Auditor's Report and Res. No. 083.18, previously described, by the end of December 31, 2019, the issuance of fifty-two (52) information bulletins called "Weekly Bulletin" and "Agencies Network Bulletin", likewise, twelve (12) marquees were published through BanescOnline and Social Networks, aimed at the Bank's customers.
- Within the framework of the development of the activities associated to the technological tools oriented to the optimization of the processes executed by the UPC ML/FT/FPWMD, in relation to the maintenance of the clients Politically Exposed Persons (PEP), it was observed according to the report of the Independent Auditors that the Bank introduced improvements to the process of detecting irregular activities through the analysis of transaction patterns in terms of customer segmentation aspects, under a risk-based approach and parameterized to comply with the Resolution No. 083.18, through Customer Segmentation in Monitor Plus ACRM.
- Inclusion of PEP fields in the customer's identification card, which strengthens the process implemented for detecting and monitoring these PEP customers and their relations. However, we must mention that according to the information provided by the Independent Auditor's report, this project was temporarily suspended, and had an advance of 90% for the second half of 2019, however, for the first half of 2020 the project "Monitoring of PEP Customers and Related" will be reactivated, aimed at optimizing the updating of sheets, through the automation of the process.
- According to the Independent Auditor's Report and Res. No 083.18, dated December 31, 2019, it was found that the UPC ML/FT/FPWMD carried out during the second half of 2019, inspection in 120 agencies nationwide, in which client accounts were reviewed, application of PCML/FT/FPWMD questionnaires, sending of minutes for the closing of found evidence during the checking of files and clients' records.
- Assessment of the Bank's risk (Risk Assessment PCPCML/FT/FPWMD): During the second half of 2016, the UPC ML/FT/FPWMD issued the results concerning its risks analysis, carried out along with the Vice-presidency of Comprehensive Risk Management and the Units responsible for the 81 processes.
- PEP Temporal Solution: It is found in compliance through the procedure initiative that includes the collection of all items related to data of PEP clients and their relations on a sheet attached to the identification client file. During the second half of 2019, there is an advance of 100%.



## COMMISSIONER'S REPORT



- Supervision to the regularization of findings corresponding to the inspections made to agencies during 2019 by the UPC ML/FT/FPWMD: In the second half of 2019, 771 findings were regularized as follows: 85% was completed, while 15%, or 134, is pending.
- During the second half of 2019, the Compliance Officers updated the load of 802 Annual Monitoring, Evaluation and Control Plans (PASEC) in the IGCS 2.0 tool, distributed in 601 PASEC of the agency network and 201 of the Centralized Areas.
- During the second half of 2019, a total of 917 PEPs were added, 415 of them corresponding to new designations through the Official Gazettes, 467 to new identifications through external searches or other channels, and 35 reported by the Agency Network.
- According to the Independent Auditor's Report and Resolution No. 083.18, dated December 31, 2019, revealing one (01) vacancy in the UPC ML/FT/FPWMD. According to the information provided by the Bank's management, during this time an average of three (03) vacant positions were kept in 67 working posts that comprise said unit, which represents a coverage of 97%. As of December 31, 2019, the vacancy in question corresponds to the Manager of Prevention and Control of Risk of ML/FT/FPWMD, a position added to the structure in the UPC ML/FT/FPWMD during the second half of 2019.
- According to the information contained in the Independent Auditor's Assurance Report and Resolution No. 083.18, as of December 31, 2019, it was observed that during the second half of 2019, the Bank updated the Risk Management Policies and Procedures Manual of ML/FT/FPWMD, as stated in the Minutes of the Board of Directors No. 1,468, dated July 8, 2019, in accordance with the provisions of Resolution No. 083.18, as well as the 349 processes impacted by the policies detailed in the manual. In this regard, the changes made to the manual are in line with compliance with the 27 aspects required by Article 37 of the aforementioned Resolution.
- In the second half of 2019, as per the Independent Auditor's Assurance Report Res. 083.18, as of December 31, 2019, it was found that out of the total of alerts received, 57,140 were analyzed in the same period and 3,765 were analyzed in the following month within the five (5) day period established for processing. The Bank's management declared that of the total number of alerts received during the semester, no alerts were pending analysis. Similarly, it stated that the alerts pending analysis as of December 31, 2019, were dealt with within the established deadlines during January 2020. It was also observed that during July and August 2019, alerts received during June 2019 were analyzed.
- According to the Independent Auditor's Assurance Report and Resolution No. 083.18, dated December 31, 2019, it was found that in the PASEC Management, by the end of the 2019 second half, it is within the advance percentages planned by the UPC ML/FT/FPWMD in 100%.
- According to the Independent Auditor's Assurance Report and Resolution No. 083.18, dated December 31, 2019, we observed that during the second half of 2019, the Compliance Officer prepared the Reports on Compliance with the Annual Operating Plan, which are part of the contents of the quarterly reports corresponding to the third and fourth quarters of 2019, which were approved at Board of Directors' meetings, according to Minutes No. 1,472, dated October 30, 2019 and No. 1,476, dated January 28, 2020, respectively. Besides, we observed that on the Managerial Reports of the Official of Compliance and the PCML/FT/FPWMD that said person and the notification of the execution of plans visits to the various agencies of the Bank, verified the customer files and rated the compliance or non-compliance with the requirements, as well as the execution, jointly with the Vice-Presidency of Human Capital, of the Training and Education Plan for the Bank's staff, regarding policies and procedures in related to the ML/FT/FPWMD.



## COMMISSIONER'S REPORT

- Article 30 of Resolution No. 083.18 states that the Compliance Officer shall draw up at least quarterly a "Report on Compliance with the Annual Operating Plan of the PCML/FT/FPWMD", indicating the percentage of compliance with each aspect of its content, and this report shall be part of the annual and quarterly reports that the Compliance Officer shall submit to the Board of Directors.
- Article 31 of Resolution No. 083.18 stipulates that the Bank must adopt a general Code of Ethics, which will include aspects relating to the PC ML/FT/FPWMD and must be known and complied with by all staff, thus making it possible to create a climate of high morale. This will put into practice measures designed to increase the sensitivity of its staff to the effects and risks of said policy by establishing criteria that will enable ethical principles to be placed before the achievement of profit and personal interests. Likewise, Article 32 of the Resolution states that the Code must be approved by the Board of Directors.
- According to the Independent Auditor's Assurance Report and Resolution No. 083.18, as of December 31, 2019, the bank's Code of Ethics was observed, which was approved, according to Minutes of the Board of Directors No. 1,468, dated July 8, 2019.
- Article 36 of Resolution No. 083.18 establishes that the Bank must design policies, rules and procedures to mitigate and control risks in the area of ML/FT/FPWMD, which will be consolidated in a PPAR ML/FT/FPWMD Manual. This must be approved by the Board of Directors.
- According to the Independent Auditor's Assurance Report and Resolution and Res. No. 083.18, as of December 31, 2019, it was observed that they checked the PPAR ML/FT/FPWMD Manual, which was updated and approved by the Board of Directors, according to Minutes No. 1.468, dated July 8, 2019, which contains the policies, rules and procedures to mitigate and control risks in this area. Hence, it is indicated that the Bank complied with the adequacy of said Manual.

### Special Revision Report as of December 31, 2019

Based on the assessment conducted by the Independent Auditors to the bank's loan portfolio, as of December 31, 2019, we highlight the following:

- Commercial loans subject to the measures established by the Central Bank of Venezuela. In accordance with Resolution No. 19-09-01, issued by the Central Bank of Venezuela, published in Official Gazette No. 41,742, dated October 21, 2019, it was established that the credits of commercial portfolio will be expressed in Units of Commercial Credit Value (UVCC). This is the result of dividing the amount in bolivars to be liquidated of the credit granted by the Investment Index in effect for the date, calculated by the BCV by taking into account the variation of the reference exchange rate of the market and published by said body.

This measure excludes active operations related to credit cards, microcredits, commercial loans in installments to be granted to individuals for payroll loans and those aimed at employees and managers of banking institutions, as well as financing corresponding to regimes regulated by special laws.

As of December 31, 2019, the Bank holds VES 13.40 billion in commercial loans subject to the measures established by the Central Bank of Venezuela in Resolution No. 19-09-01.

- In accordance with provisions established by the Superintendency of Banking Sector Institutions As of December 31, 2019, the Bank maintains a generic provision for the loan portfolio of VES 19.35 billion, equivalent to 1% of the capital balance of the loan portfolio, except for the balance of the microcredit portfolio, in which a generic provision of 2% is maintained. In addition, as of December 31, 2019, the Bank, based on its own risk estimates, maintains voluntary generic provisions amounting to VES 1.68 billion for possible losses that may occur in the loan portfolio, according to its performance.

## COMMISSIONER'S REPORT

- In addition, as of December 31, 2019, the Bank maintains a countercyclical provision for VES 14.34 equivalent to 0.75% of the gross loan portfolio, in accordance with Resolution No. 146.13, dated September 10, 2013, issued by the Superintendency of Banking Sector Institutions, which contains the rules related to the counter-cyclical provision.
- As of December 31, 2019, loan portfolio immobilization reached an amount of VES 4.76 million represented by matured and disputed loans, as established by the Superintendency of Banking Sector Institutions. Furthermore, the total fixed assets portfolio accounts for approximately 0.0002% of the gross loan portfolio and 0.001% of the bank's total equity. As of December 31, 2019, the bank has no loans in dispute.
- At December 31, 2019, the coverage margin of the total loan portfolio provision, in relation to the fixed portfolio is 743,403.92% and complying with requirements set forth by the Superintendency of Banking Sector Institutions.
- The provision for income receivable and others is calculated based on the percentage assigned to normal and potential risk credits, as well as for the total accumulated interest on those credits classified as real, high and irrecoverable risk or over 30 days overdue. Likewise, the balances reflected for interest on the securities portfolio that have not been collected thirty (30) days after the date on which the collection should have been made, are to be provided for 100%, in accordance with the provisions of the Accounting Manual for Banking Institutions and the internal policies established by the Bank. Additionally, provisions will be created for other income receivable and others when they are more than 60 days old.
- As of December 31, 2019, the Bank maintains voluntary provisions for uncollectibility of income receivable from investments in securities held to maturity for VES 2.65 billion.



- Based on the review of the loan and provision portfolio, we can indicate that the provisions recorded as of December 31, 2019 are reasonable.
- According to the Independent Auditor's Special Report as of December 31, 2019, the bank does not maintain ballot fee loans or loans to construction companies with temporary occupancy measures, forced acquisition, among others.
- As of December 31, 2019, the bank does not hold any instruments under the heading of "Investments in securities" computable as part of the agricultural portfolio. In addition, it does not maintain agricultural credits restructured accordingly. Decree with the Range, Value and Force of Law on Benefits and Payment Facilities for Agricultural Debts of Strategic Items for Food Security and Sovereignty No. 6,240, dated July 22, 2008.
- As of December 31, 2019, the microcredit portfolio for VES 39.87 billion accounts for 12.79% of the gross loan portfolio held at June 30, 2019.

## COMMISSIONER'S REPORT

- According to the Independent Auditor's Special Report at December 31, 2017, it was showed that the Bank complied with the percentages required at that date for the mandatory drawers and with the internal distribution for portfolios in which the regulators have established new compliance percentages and measurement bases, except for the mortgage portfolio and the internal microcredits distribution. At the date of this report, the regulatory bodies have not established new conditions and percentages of compliance or bases of calculation for the manufacturing and tourism sector portfolios.

Type of Credit	Required		Maintained	
	Bs.	%	Bs.	%
Agricultural	161,174,759,388	20%	709,981,409,495	88.10%
Microcredits	2,239,810,084	3%	39,875,561,030	12.79%
Manufacture	—	—	348,026,839,696	—
Tourism	—	—	3,977,750,758	—
Mortgage	14,932,067,229	20%	946,860	0.001%

- As of December 31, 2019, the Bank maintains a balance of VES 3.97 billion as a portfolio for the tourism sector.
- As of December 31, 2019, the loan portfolio for clients in the manufacturing sector amounted to VES 348.02 billion.

### Securities Investment

- At December 31, 2019, the bank did not make any reclassifications from investments available for sale to trading or to investments held to maturity.
- At December 31, 2019, securities investments held to maturity have unrealized losses for VES 20 corresponding to investments in securities available for sale and reclassified in previous semesters.
- In the second half of 2019, the bank reclassified securities in local currency for a nominal value of VES 17.14 billion, recorded as held to maturity to the available-for-sale securities account.
- As of December 31, 2019, the bank maintains a trust in Banco Exterior, C.A. Banco Universal for a total of VES 1,415. It is associated to the creation of a Social Fund for Contingencies, in compliance with the provisions of the Decree with Range, Value and Force of Law for Institutions in the Banking Sector.

Likewise, this amount is maintained in the "Reserves for other provisions" account, under the "Equity" heading, with a debit to the "Surplus to be applied" account, in accordance with the provisions of Resolution No. 305.11 corresponding to the Regulations on the Social Contingency Fund, issued by the Superintendency of Banking Sector Institutions on November 28, 2011.

- As of December 31, 2019, the Bank recognized VES 3.84 billion in the "Other operating income" account for equity participation of subsidiaries and affiliates. In addition, as of December 31, 2019, an equity participation on the Investments maintained with its subsidiaries and affiliates for VES 1.92 billion in the "Restricted Surplus" account was recorded.
- As of December 31, 2019, the Bank does not maintain provisions for investments in securities and in subsidiaries, affiliates and branches, since these are recorded in accordance with the Accounting Manual for Banking Institutions, either at fair market values, amortized cost, realizable values or at equity values, as applicable, and there is no risk of devaluation. However, as of December 31, 2019, the bank registered its equity interest in Proyecto Conexus, C.A., based on the unaudited financial statements as of October 31, 2019, the last available as of the date of registration. Hence, we have no additional informa-

## COMMISSIONER'S REPORT

tion leading to estimate if there is any indication of depreciation on the value of the investment.

- In addition, as of December 31, 2019, the Bank has bonds held to maturity recorded, at amortized cost, whose fair market value is lower than their book value and they are in default of interest payments. The bank's management has analyzed this situation and has concluded that this effect is temporary and is not permanent.
- As of December 31, 2019, the Bank keeps in the account "Overdue income receivable from investments in securities" VES 24.58 billion (US\$ 528,596), corresponding to interest receivable in foreign currency.
- On June 18 and January 2, 2019, the bank requested to the Superintendency of Banking Sector Institutions the authorization to progressively establish in the "Other assets" item, the provision corresponding to due income receivable for investments in securities chargeable to account 352. 00 "Exchange Gain or Loss from Holding Assets and Liabilities in Foreign Currency", in accordance with provisions of Resolution No. 008.18 of the Norms concerning the application and recording of net profits originated by the effect of updating to the Official Exchange Rate, as per Exchange Agreement No. 39, dated February 8, 2018.
- Subsequently, on July 17, 2019, the Superintendency of Banking Sector Institutions, by means of Official Letter No. SIB-II-GGIBPV-GIBPV5-07947, dated July 17, 2019, authorized the bank to progressively proceed with the establishment within a period of seven (7) months. This period began in June 2019 and ended in December of the same year, under the heading of "Other assets", the provision corresponding to past due income receivable from investments in securities, with a charge to account 352. 00 "Exchange Gain or Loss from Holding Assets and Liabilities in Foreign Currency" on the accumulated balance as of December 31, 2018. As of December 31, 2019, the bank set up the full provision for this

item, over the authorized amount.

- As of December 31, 2019, the Bank maintains a provision of VES 18.43 billion (US\$ 396,447), corresponding to income receivable in foreign currency from securities. In addition, it maintains provisions amounting to VES 159.44 million; VES 2.83 million and VES 146,240.00, for accounts receivable for operations with Credit Card and Debit Card, claims for reimbursement of Financial Transactions Tax (FTT) before National Integrated Service of Customs Administration (SENIAT) and accounts receivable for fraud, respectively, corresponding to 100% of the balances maintained in said accounts, which are up to 360 days old.
- As of December 31, 2019, the Bank maintains VES 6.14 billion (US\$ 132,149), corresponding to income receivable in foreign currency from securities older than 30 days, for which no provisions have been made in accordance with the Accounting Manual for Banking Institutions. This derived into an amount of VES 6.14 billion as of that date.
- In this regard, on December 12, 2019, the bank requested the authorization from the Superintendency of Banking Sector Institutions to establish the corresponding provision under the heading of "Other assets" chargeable to the account 352.00 "Gain or loss from exchange rate fluctuations on holding assets and liabilities in foreign currency". As of this date, the Bank is awaiting a pronouncement from the regulatory body.
- In accordance with the provisions set forth in Article 94 of the Law on Banking Institutions, banks may not grant loans for amounts or quantities exceeding 10% of the Bank's assets to a single natural or legal person or 20% to a group of natural and legal persons, considered as a single subject. These limits will be raised to an additional 10%, if the exceeded amount corresponds to obligations guaranteed by national or foreign banks of recognized solvency, or by adequate guarantees admitted as such by the



## COMMISSIONER'S REPORT

prudential rules issued by the Superintendency of Banking Sector Institutions.

- According to the Independent Auditor's Special Report as of December 31, 2019, it could be observed that the Bank has complied with this regulation, with its permitted limit of VES 90.70 billion and one hundred and VES 181.41 billion, which account for 10% and 20% of its assets, respectively.
- As of December 31, the Bank maintains provisions for cash and cash equivalent amounting to VES 267.66 million corresponding to certain impaired cash items in foreign currency. It also maintains VES 265.89 million corresponding to items in conciliation with cash custodians.
- According to the Independent Auditor's Special Report as of December 31, 2019, it was found that the "Guarantees Given" account is comprised of deposits to public entities in foreign currency for VES 218,86 billion (US\$ 4,706,418). Likewise, in accordance with the regulations established in the Accounting Manual for Banking Institutions, the bank maintains as of December 31, 2019, generic provisions for the debtor contingent accounts on the "Guarantees granted" item for VES 2.18, which are presented in the "Accruals and other liabilities" group.

### Trust

- According to the Independent Auditor's Special Report as of December 31, 2019, it could be observed that availabilities include VES 26.50 billion, which correspond to deposits in special remunerated accounts opened for each trustor of the Bank. Those generated interest at an annual rate of 0.20% for the second half of 2019. As a result of these operations, during the second half of 2019, the Bank's trust recorded VES 14.80 million as interest income in the "Income from availabilities" account.
- Other availabilities also include balances in remunerated and non-remunerated current accounts in

dollars for VES 11.25 billion (US\$ 242,043) for the closing of the second half of 2019, with remunerated current accounts maintaining an average rate of return of 0.50% for the second half of 2019. As a result of the US\$ operation at December 31, 2019, the bank's trust recorded VES 1.19 million as interest income in the "Income from availabilities" account.

- During the second half of 2019, the bank's trust made a settlement for US\$ 2,981,244. Consequently, in July 2019, the bank paid VES 25.44 billion for exchange rate fluctuations in the "Accumulated Results" account.
- The bank's trust has focused its investment operations mainly on debt securities and bonds guaranteed by the Venezuelan government, obligations with financial institutions in the country and abroad, and capital securities issued by Venezuelan companies.
- As of December 31, 2019, investments in securities show a focus on securities guaranteed by the State and public entities of 0.09%, whilst non-financial institutions in the country maintain 1.19%, for the closing of the second half of 2019 over the total investment portfolio. The remaining investments in securities correspond mainly to bonds issued by foreign financial institutions that account for 94.42% by the closing of said period. Furthermore, as of December 31, 2019, interbank operations with financial institutions in the country account for 4.30% of the investment portfolio.
- During the second half of 2019, the bank's trust registered VES 12.84 million as interest income in the "Financial Income" account.
- As of December 31, 2019, the bank's trust recognized VES 2.41 billion as income from the amortization of discounts on investments in securities, recorded under "Financial income". In addition, during the second half of 2019, the bank's trust registered VES 7,124, as expenses for the amortization of premiums on securities investment, presented under the heading of "Financial Expenses".



## COMMISSIONER'S REPORT

- As of December 31, 2019, the bank's trust maintains VES 1.42, for interests and income receivable corresponding to investments in securities, presented under the heading of "Interest and commissions receivable".
- As of December 31, 2019, the bank held investment trusts in Banco Nacional de Vivienda y Hábitat (BANAVIH) for VES 13.28 billion resulting from the unused resources of the deposits under the Law on the Housing and Habitat Benefit System.

### Legal Bank Reserve

- According to the Independent Auditor's Special Report as of December 31, 2019, it was noted that the Central Bank of Venezuela (BCV) issued Resolution No. 19-04-02, dated April 11, 2019, published in Official Gazette No. 41620, dated April 25, 2019, which modifies the percentages established in Article 7, regarding situations in which the requested legal reserve is not maintained, keeping 57% of it over the total amount of the Net Obligation Reserve Base and 100% of the marginal balance; repealing Resolution No. 19-01-05, dated January 28, 2019.
- Subsequently, the BCV issued Resolution No. 19-09-02, dated September 5, 2019, published in Official Gazette No. 41,742 dated October 21, 2019, which states in Article 7 that banking institutions that present a reserve deficit equal to or less than the initial Global Deficit must pay the Central Bank of Venezuela an annual interest rate of 126% on the amount of reserve deficit. Likewise, the banking institutions that present a legal reserve deficit greater than the Initial Global Deficit will pay the Central Bank of Venezuela a complementary financial cost on the additional amount not covered, which will be calculated daily by the Central Bank of Venezuela, according to the formula detailed in the mentioned regulations; repealing Resolution No. 19-04-02 dated April 11, 2019. In addition, the Central Bank of Venezuela through a Letter issued on November 15, 2019, reported that for the calculation of the initial global deficit referred

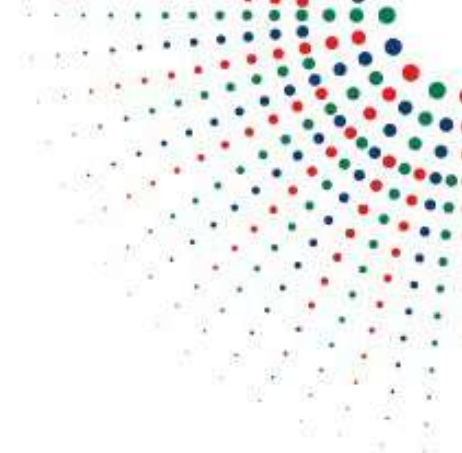
to in Resolution No. 19-09-02, in the terms provided in Article 7, the greatest amount presented by each banking institution will be considered and corresponding to the sum of the legal reserve deficit plus the injection balance, on October 25 and November 18, 2019.

- In this regard, as of December 31, 2019, the balance of the "Central Bank of Venezuela" account includes VES 5.74 trillion corresponding to the balance of the legal reserve in local currency. Likewise, as of December 31, 2019, the bank maintains at the current account of the Central Bank of Venezuela excess funds for VES 244.52 billion.
- Moreover, during the second half of 2019, the bank recorded 79.26 billion in the "Miscellaneous Operating Expenses" account, for financial cost on deficit balances in legal reserve operations in accordance with regulations in force.

### Exchange Operations

- In accordance with the provisions of Exchange Agreement No. 1, universal and micro-financial banks governed by the Decree with Range, Value and Force of Law on Banking Sector Institutions, may receive funds in foreign currency. In this regard, as of December 31, 2019, the bank maintains VES 103.02 billion (US\$ 2,215,345), in the "Banks and Foreign Correspondents" account, corresponding to customers' deposits in foreign currency.
- Furthermore, by means of Resolution No. 19-05-01, dated May 2, 2019, issued by the Central Bank of Venezuela and published in Official Gazette No. 41,624, dated May 2, 2019, the banking institutions authorized to proceed as exchange operators, may agree on operations through their exchange tables, between clients of the institution, or in inter-bank operations, both with individuals and corporations.
- By means of Resolution No. 19-09-03, dated September 5, 2019, published in Official Gazette No. 41,742, dated October 21, 2019, the Central Bank

## COMMISSIONER'S REPORT



of Venezuela may automatically carry out foreign currency sales operations with universal and micro-financial banks by debiting the single account held by the respective banking institutions at the BCV for the amount in bolivars equivalent to the executed exchange operation. Similarly, the total position in foreign currency sold to banking institutions must be applied to purchase/sale operations of foreign currencies included in the Exchange Market System, directly addressed to their clients in the private sector excluding those who are part of the banking and stock market sectors, using the exchange rate applied by the Central Bank of Venezuela for the exchange intervention, which may be equal or lower than the exchange rate established in Article 9 of Exchange Agreement No. 1. In this regard, the methodology to be followed was established in the event that the banking institutions do not manage to apply all the foreign currency sold that was liquidated by the Central Bank of Venezuela, as a result of the exchange intervention, as per provisions of Article 2 of said Resolution and repealing Resolution No. 19-05-03 dated May 23, 2019. During the second half of 2019, the bank recorded VES 5.15 billion in the "Miscellaneous Operating Expenses", in the "Several Operating Expenses" account.

- As of December 31, 2019, the bank maintains VES 56.99 billion (EUR 1,093,900), in the "Central Bank of Venezuela" account for exchange rate intervention. Likewise, it maintains VES 1.02 billion, in the "Cash" account for retail operations.
- Besides, in accordance with current regulations and the provisions of the Accounting Manual for Banking Institutions, the exchange rate fluctuation generated by these operations will be recorded in the account "Exchange rate gain or loss from holding and selling foreign currency under the Free Convertibility Exchange Market System" under the heading "Adjustments to Equity". In this regard, as of December 31, 2019, the bank maintains a record of VES 111.66 billion due to net losses caused by fluctuations in the official exchange rate.

### **Limits for the granting of consumption credits equivalent to 20% of the gross credit portfolio**

- According to the Independent Auditor's Special Report, dated December 31, 2019, it was observed that on November 12, 2019, the Superintendency of Banking Sector Institutions, through Resolution No. 060.19, which contains the Regulations for Increasing the Limit for Financing through Credit Cards granted by banking institutions, set the minimum limits of 20,000 tax units, equivalent to VES 1,000,000 and a maximum of 200,000 tax units or VES 10,000,000, respectively. In this regard, we note that the Bank does not maintain financing in excess of 200,000 tax units, in accordance with the provisions of said Resolution. Likewise, in accordance with the provisions of article 4 of said Resolution, this minimum amount is determined by the bank taking into account the solvency and payment capacity of customers. For this reason, as of December 31, 2019, financing through credit cards is maintained for amounts less than 20,000 tax units
- Consequently, at December 31, 2019, the bank maintains a balance for credit cards amounting to VES 80.11 billion, accounting for 4.19% of the total gross loan portfolio at that date, reaching to VES 1.913 trillion. Thus, provisions contained in number 1 of Article 97 of the Banking Sector Institutions Law are met.

### **Half-yearly Report on the Management Advanced by the Risk Committee**

- According to the Independent Auditor's Half-Yearly Assurance Report on Compliance with Resolution No. 136. 03, corresponding to the Rules for an Adequate Comprehensive Risk Management, issued by the Superintendency of Banking Sector Institutions, at December 31, 2019, it was observed that as per provisions of Article 8 and Letter No. SIB-II-GGR-GNP-06118, sent by the Superintendency of Banking Sector Institutions on February 24, 2015, the Bank sent the abovementioned report on January

# COMMISSIONER'S REPORT

13, 2020, to the Regulatory Entity, specifying the commitment related to VPAIR implementation. At December 31, 2019, the Advance Management Matrix revealed 100% compliance..

## Reports Presentation by the Internal Audit Unit to the Risks Committee

- According to Independent Auditor's Half-Yearly Assurance Report on Compliance with Resolution No. 136. 03, corresponding to the Standards for a Comprehensive Risk Management, issued by the Superintendency of Banking Sector Institutions, at December 31, 2019, it was found that in Minutes No. 165 of the Risk Committee, dated July 30, 2019, the presentation of the Internal Audit Report "Monitoring on the processes of the Unit for Comprehensive Risk Management" reported the Committee about the results obtained during the process of closing gaps, the strategies adopted by the Vice-presidency of Comprehensive Risk Management in order to mitigate those risks detected and reported during the second half of 2018, as well as the results obtained by the Internal Audit Banking in the first half of 2019 about the regulating compliance set forth in Article 10 of Resolution No. 136.03.

## Convened Procedures related to the revision of the Customer Defense Report and Banking User of Banesco Banco Universal, C.A.

We obtained the communications received and sent by the Superintendency of Banking Sector Institutions in the area of complaints, customer service, quality assurance and banking service during the second half of 2019.

### Special Inspection Visits

On August 21, 2019, through Official Letter No. SIB-II-CCSB-09272, the Superintendency of Banking Sector Institutions remitted to the Bank the requests for information that will be used during the Special Inspection Visits to be carried out in the Customer and Bank User Service Unit and to the Customer and Bank User De-

fender. This aimed at evaluating the compliance with Resolutions No. 063.15 and No. 119.10 dated June 12, 2015 and March 9, 2010, respectively. As of the report date, Resolution No. 119.10 has been abrogated.

In addition, on September 12, 2019, by means of Official Letter No. SIB-II-CCSB-10262, the Superintendency of Banking Sector Institutions authorized five (5) officials to conduct the Special Inspection Visit to be carried out at agencies, ticket offices and/or branches (if applicable), located in the country in the second half of 2019.

## Results obtained at Special Inspection Visits from July to November 2019 and to the Management of the Customer and Bank User Service Unit and the Customer and Bank User Defender.

By means of Official Letter No. SIB-II-CCSB-12248, dated December 18, 2019, the Superintendency of Banking Sector Institutions remitted to the Bank the reports containing the results obtained in the Special Inspection Visits from July to November 2019, as well as to the Management of the Customer and Bank User Service Unit and the Customer and Bank User Defender. In this regard, the Regulatory Entity points out that under its consideration, the findings contained in the aforementioned report are recurrent, which shows that the actions implemented by the Bank have not allowed them to solve them.

The Customer and Bank User Defender, in his report for the second half of 2019, proposed the following to the Board of Directors:

- a) Customer information campaign on risk in the use of social networks and their impact on fraudulent negotiations:

The bank was recommended to carry out a campaign on the risks posed by this type of transaction and to direct customers to confirm the recipient's identity in light of the increased number of requests

## COMMISSIONER'S REPORT

for reconsideration of requirements inherent to “Transactions Rejected for Unfulfilled Trading”, in which it is observed that customers have been victims of scams, that were committed by people whose identities were usurped on social networks.

In this regard, the bank has deployed an educational campaign through its social networks and website, alerting customers about this modality. It has been active since October 2019 and it is published periodically on the Bank's information channels.

b) Attention to the inherent requirements associated with Banesco Pago Móvil

Banesco Banco Universal, C.A., is in the process of optimizing the attention of requirements related to the application Banesco Pago Móvil, thereby making a modification in the completion date.

Improvements in the Comprehensive Requirements System were reported, which allow customers to report monetary incidents separately from service incidents, called “*Problemas con Pago Móvil / Technical failures, device or web*” and “*Inconvenientes con Pago Móvil / Pagos Realizados*”. This encompasses the main needs

of the client and allows our entity to eliminate duplication of requirements.

Based on the above, we strongly recommend that the shareholders approve the financial statements of Banesco Banco Universal, C.A., corresponding to the half year ended December 31, 2019, presented by the Board of Directors, as well as the management of the administrators of the Banking Institution for the term ended on said date. Thus, we urge the implementation of those recommendations set forth in the reports issued by the independent auditors, as well as the observations and instructions issued by the Superintendency of Banking Sector Institutions through letters and circulars issued in the exercise of its legal powers of regulation and control.



**Emilio A. Ladera M.**  
Main Commissioner  
C.P.C. 56.653



**Antonio Lobo Zambrano**  
Alternate Commissioner  
C.P.C. 9.431



# CORPORATE MANAGEMENT REPORT

SECOND HALF 2019

## ○ ○ ○ HUMAN CAPITAL

### Training and Talent Development

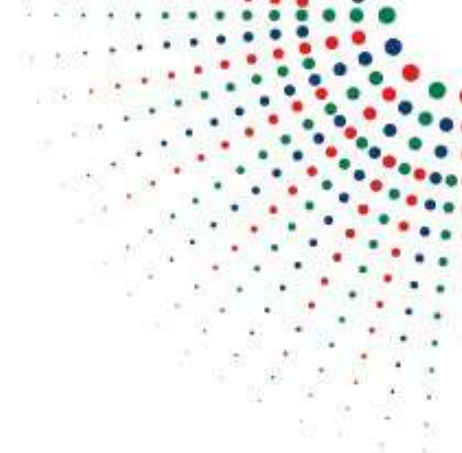
This process is systematically oriented, planned and permanent in organizational learning and in the latest trends in knowledge management. It is always searching for new methodological strategies to generate our human talent learning. In 2019, we develop experiences aimed at generating the technical and professional improvement of Citizen Banesco, so that may efficiently perform functions producing high quality results and framing our most important initiatives in:

- ▶ Training activities focused on key business areas such as: Credit, Sales, Business Processes, Project Management, Financial Logistics, as well as in strengthening the Leadership and Management Skills in teamwork associated with Leadership, Innovation, Service Orientation. In compliance with regulations, we provide banking knowledge activities associated with Specializations in Prevention of Money Laundering and Financing of Terrorism, according to sensitive risk areas, as well as actions related to Occupational Health and Safety.
- ▶ The positioning of Banesco Virtual Learning (AVB) in our Banesco Citizens, in compliance with the strategy defined for continuous and specialized training, executing 275,866 academic hours, at the end of 2019.
- ▶ We keep at the disposal of all Banesco citizens nationwide, through our SAP Cloud Platform, innovative learning, experiences that have enabled 29,770 effective participations in various subjects: Regulatory, Customer Experience, Occupational Health and Safety, Reinforcement of technical knowledge, among others.
- ▶ In relation to specialized training on site, we highlight those actions linked to the reinforcement of regulatory banking knowledge by 52.7% stand out; in addition, it is one of our most important priorities to consolidate key technical knowledge by 39.5%, allowing the achievement of organizational objectives, which is resulting in an investment of 47,210 hours of training and generating 9,879 effective participations.
- ▶ We executed internal training programs that enabled the strengthening of high technical knowledge for key business areas such as: Advanced Banesco Internal Audit Program (PABAI), Advanced Program PCML/FT/FPWMD Program and the Advanced Project Management Program.
- ▶ We conceptualized our Professional Growth Routes for the areas of Specialized Banking, Regulatory Compliance, Technology and Processes, Credit, Operations and Finance.
- ▶ We ensure the accompaniment in the optimal development of our targeted talents. In this regard, we analyzed the background regarding their training and finding the lines of interest in order to manage actions linked to professional development. As a matter of fact, specialized programs and several programs addressing to this segment have been presented to the Issues Committee/Operational Activity of Procurement for their approval.
- ▶ In the framework of strengthening the banking knowledge, in terms of Prevention against Money Laundering, Financing of Terrorism and Proliferation of Weapons of Mass Destructions (PCML/FT/FPWMD), we successfully managed the attention of 2,058 collaborators on site. Furthermore, we design and offer to our responsible compliance employees a learning community where we guarantee the publication of the last tendencies and news. Based on what we planned, we manage the virtual updating courses.





# CORPORATE MANAGEMENT REPORT



- In addition, we trained 25 new brigade members, in order to strengthen this group of collaborators. Also, we included at on site activities workshops regarding First Aid, Evacuation and Eviction, Use and Handling of Fire Extinguishers to the entire population of Banesco Brigade members.
- We expanded the Virtual Training Portfolio by adding 25 Modules, and the most important of which are: Credit Macroprocesses, Credit to Productive Activity, Means and Service of Payment, Corporate Finance Program, Banesco Advanced Program for Internal Auditors; among others, as well as regulatory compliance with the provisions of the Occupational Health and Safety framework. Besides, one of the most important updates in terms of Prevention against Money Laundering. Additionally, we prepare current and high profile content for all Banesco citizens.
- We actively participate in the legal requirements by supporting the training of 136 INCES apprentices, focused on their successful professional development.
- Inspired by the philosophy of learning organizations, we have developed our Internal Recognition Program, in which 60 employees from various Vice-Presidencies participated, successfully carrying out 864 hours of training to other internal areas of the Organization.

All these training and education activities led us to achieve the following results in 2019:



- 319,389 man/hours invested in Training and Development actions. 43,523 man/hours went on classroom training and 275,866 man/hours on virtual training.
- 9,879 participations for on-site training activities.
- 29,770 effective participations using the virtual mode.

## Organizational Environment and Culture Management

Our actions are oriented to strengthen the organizational culture based on values, on the premise of building, along with our collaborators, a citizenship that emphasizes Quality, Reliability, Innovation and Responsibility in the management we carry out, as well as High Performance, especially to our Clients.

We work together with the leaders, promoting proximity, dialogue and the establishment of trustworthy relationships, based on transparency, through conferences and meetings at national level both in the agency network and headquarters. Furthermore, we also encourage the behavior of our employees based on our Code of Ethics and on the principles of coexistence, through group dynamics, participation and play, which stimulate the construction of Banesco Citizenship.

With regard to Climate Management and Engagement, we carry out activities aimed at strengthening the bond or commitment of Banesco Citizens with the bank. These are focused on accompanying our employees' main needs, whether they are emotional, teamwork, innovative and transformational, or those related to change management. Likewise, we rely on the quarterly measurements of engagement, from which our plans for accompanying the different units of the organization are derived.

These strategies, both in culture, climate and engagement, are permanently accompanied by a communication plan to offer and reinforce messages of support to the banking management and the employees' welfare.

# CORPORATE MANAGEMENT REPORT

## Life Quality

During the second half of 2019, sports, recreational, cultural and volunteer activities were developed as part of the Life Quality Plan. In this way, we managed to contribute to improving workers' quality of life and motivate them to make better use of their free time, providing spaces for reconciliation between the work and personal lives of Banesco citizens and their families. Some of the activities carried out include the following:

- ▮ **Fitness activities, constant training in different disciplines. For instance:** These are held in Caracas and include dancing therapy, yoga, softball, and running club.
- ▮ **Family Activities:** During the second half of 2019, family days were held in the Metropolitan area, and more than 1,460 employees participated.

## Cultural Activities

- ▮ **Presentation of Theater Plays:** this one was held in Caracas, along with 114 participations. At the same time, the display "A Christmas Gift" was presented and 190 people participated.
- ▮ **Workshops on Venezuelan four-stringed guitar and Choir:** this activity was carried out in Caracas thanks to the strategic alliance with the Simón Bolívar System of Orchestras, with over 540 participations. Singing and four-stringed guitar classes allowing presentations in different events inside and outside the organization.

## Volunteering Activities

Some of the most relevant activities held during the second half of 2019 were:

- ▮ Participation in the World Beach Day, held in September, in which companies join the care of the environment, with the support of 15 volunteers in the state of Vargas.
- ▮ At an internal level, we had volunteers for Corporate Social Responsibility activities in benefit of our Social Part-

ners (Fe y Alegría School - Children's Orthopedic - Santo Domingo Foundation), recreational activities, theater, face painting and music with our choir. Additionally, they participated in different events within the Organization as a protocol (Awards for years of service - Fundana Auction) and in food days at a logistic level, contributing to the comprehensive welfare of our collaborators (in Caracas and in the main cities in the interior).

## Personnel Services

- ▮ **Funerary Services:** The organization, together with the Savings Bank, signed a contract for funeral services, which established monthly coverage, to contribute to the costs of funeral services and cremation of the family group, throughout the country: Holder (Bank Employee), Spouse, Father and Mother (no age limit); Children, up to 30 years of age; Unmarried siblings up to 30 years of age, in the absence of children (maximum 3 siblings). In the second half of 2019, the current coverage was updated and notified.
- ▮ **Contributions and Legal Obligations:** The collective labor agreement and the legal regulations in force establish the contractual and legal benefits, which Banesco must comply with, during the second half of the year the payment of statutory profits, in order to guarantee of social benefits, contribution for cashiers and the benefit of toys was made.
- ▮ **Credit Cards:** Banesco, in the search for the well-being of its employees and their families, carried out two massive processes during the second half of 2019, increase the limit and allocation of "My First Credit Card" for employees with more than 3 months' seniority in the bank.
- ▮ **Health Insurance:** During the second half of 2019, the coverage of the health policy was reviewed twice. In both cases, the coverage in the HSM and Extreme Contingencies policies were increased. In November 2019, the renewal process was carried out so each collaborator had the opportunity to choose the plan that best suited his or her family group.

# CORPORATE MANAGEMENT REPORT

## ○○○ CORPORATE SOCIAL RESPONSIBILITY

On one hand, in the second half of 2019, health and educational projects were our main external social investment. For this reason, we keep supporting the work of our social allies and partners' work, as the most efficient way to help the most vulnerable people. During this time, our social investment totaled VES 1.25 billion.

On the other hand, we invested VES 20.70 billion to strengthen our employees' quality of life and their relatives, by means of the subsidy to the dining service of Ciudad Banesco, as well as the medical service or support in the event of severe diseases and aid to the funerary and health insurance, among others.

In relation to the main initiatives conducted during the second half of 2019 by our partners and social allies, we highlight the following:

### Participative Budget

By the end of this year, we donated a total of VES 47.5 million under the item Participative Budget in the Metropolitan Area of Caracas and other 7 states: Mérida, Táchira, Zulia, Lara, Carabobo, Nueva Esparta, and Anzoátegui.

The winning projects were mainly addressed to the improvement of infrastructure and supply purchasing in the area of health and education for children and adolescents.

The presentation of the projects and the selection of the winning ones were done virtually in most of the states, thanks to the support of the Banesco Citizens of the agencies in these entities.

### Micro-entrepreneurship Training Program

In a strategic alliance with the University Institute of Management and Technology (IUGT), FundAcción Social, the Venezuelan Association of Catholic Schools (AVEC), and the Association for the Promotion of Catholic Educational Institution APEP, we have managed to deliver our Micro-entrepreneurship Training Program in the states of Aragua, Barinas, Carabobo, Distrito Capital, Lara, Mona-



gas, Miranda, Sucre, Nueva Esparta, Portuguesa, Táchira, La Guaira and Zulia.

We certify more than 1,700 women and 950 men, between 18 and 65 years old, mostly high school graduates, technicians and Venezuelan university students and businesses operating over a year.

We advanced the pre-production stage of our Virtual Micro-entrepreneur Training Program in partnership with the IUGT in order to carry out distance training from the second quarter of 2020 and thus increase its scope.

The Banesco Micro-entrepreneurship Training Program celebrated its eleventh anniversary with 60,393 entrepreneurs skilled with necessary tools to shape your business idea, strengthen your ventures and take them to the next level. Thanks to the knowledge imparted and useful experiences in the fields of management, administration and the use of new technologies, entrepreneurs and micro-entrepreneurs that took the program, have had the possibility of enhancing its productive capacity and opportunities in the Venezuelan market.

As every year, in 2019 the contents of the administrative module were updated for its adaptation to the new conditions in the country and addition of topics such as: Pricing Strategies, Pricing Training, Inventory Management, Story Telling and Social Entrepreneurship. Similarly, the Technology Module was joined by the Office topics for entrepreneurs, Social Networks for Entrepreneurs, Photo Product, Email Marketing and Means of Payment.



# CORPORATE MANAGEMENT REPORT

## Banesco Publishing Fund

During the second half of 2019, we added five titles to our Banesco Publishing Fund, in addition to participating in events that allowed us to spread the new publications which are available to everyone in our Banesco Digital Library, free of charge.

► **Common Features, Venezuelan Poetry Antology of the 20th Century:** This co-sponsorship with the Spanish company Editorial Pretextos is a collection of 87 Venezuelan poets compiled by Antonio López Ortega, Gina Saraceni and Miguel Gómez.

► **Tiburones Tenaces**, is the tenth work, which belongs to the collection Patrimonio of the Banesco Digital Library. Its 400 pages narrate the history of one of the most beloved baseball teams by Venezuelan fans since the founding of the team by Pedro Padrón Panza, its most important feats and the renowned ballplayers who have formed its ranks. Its authors are: Javier González y Carlos Figueroa Ruiz.

► **70 Años de Crónicas Culturales**, is the last book of the Collection Journalism of the Banesco Digital Library. This meticulously work was written by Carlos Ortiz, Book Curator and Sergio Dahbar, Editor. This book gathers a selection of 46 chronic texts published during the last 70 years. This pays tribute to journalist Pablo Antillano Calcaño, with the addition of four chronicles written by him. He passed away in February 2019, and was a pioneer in contemporary cultural chronicling and has bequeathed emblematic texts to Venezuelan journalism.

► **4th Rafael Cadenas Poetry Competition**, in alliance with Foundation La Poeteca, we accompany this annual contest, which pays tribute to Master Rafael Cadenas to support the emerging talent of young Venezuelan creators and encourage their reading and dissemination.

► **Nuevo País de la Fotografía**, is the last book of Los Rostros Del Futuro Collection of Banesco Publishing Fund, which includes 35 books. This book gathers the work of 25 professional young photographers born from 1980 onwards, representing a generation that is very solid, mature, and cosmopolitan, which is making its way on its own soil and at the same time in different regions, winning awards and prizes.



## Places for Institutional Spreading

Participation in the 4th **Western Book Fair**, with a Stand that promoted the Banesco Digital Library, it's easy and friendly platform and Banesco's Corporate Social Responsibility initiatives.

During this book fair, we participated with the presentation of the Book entitled **70 años de Crónicas Culturales** and a gathering about our books dedicated to the Venezuelan Baseball, written by Javier González and Carlos Figueroa Ruz

Participation in the 19th Venamcham Conference **Negotiation and Dialogue: Tips for Coexistence**

We participated with a stand where we could offer the visitors information about our Social Responsibility initiatives and our Banesco Digital Library.

## Scholarship Program

During this second half, we are continuing to support the young students of Universidad Católica Andrés Bello, Margarita University and Monteávila University through Banesco Scholarship Program. Our support allows maintaining 148 scholarships, which cover around 80% and 100% of the enrollment fee in the degrees of: Laws, Communication Studies, Engineering (Systems, Telecom, Industrial, Civil and I.T.), Modern Languages, Accounting, Arts, Business Management, Literature and Psychology.

# CORPORATE MANAGEMENT REPORT

## Banesco Corporate Volunteering

In the second half, Banesco Volunteers participated in various social activities that contributed added value to the day-to-day work of the organization's employees.

- ▮ Visit to High School Colegio Madre Rafols
- ▮ Participation at the Fundana auction
- ▮ Visit to shelter Fundación Santo Domingo
- ▮ Cleaning at beach Playa Escondida on the World Beach Day

Finally, we submitted our corporate social responsibility management to the Global Reporting Initiative (GRI) and received the endorsement of that organization with the *Materiality Disclosures* award.



## MARKETING AND INNOVATION

### Our clients have been informed about the new site “Mis Solicitudes Banesco”

In October 2019, we launched the campaign Mis Solicitudes Banesco, in which we announced our site, where customers can update their data and customer files digitally.



This campaign was launched through mass media (TV and radio commercials), as well as digital media (Social Networks, Mailing, SMS, Banners and other sites) and Banesco.com.

We accompanied our clients by publishing on our YouTube channel the video “Follow These Tips”. We supported them by detailing information of interest for the correct update of their data, which was very well received.

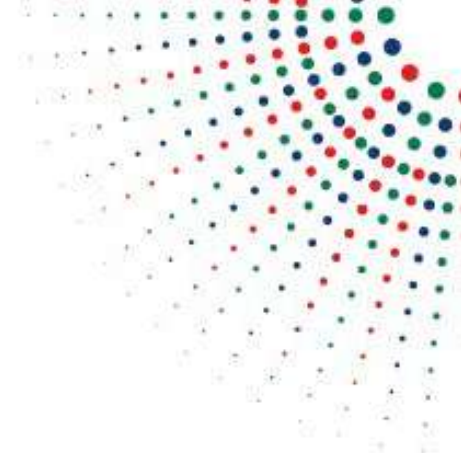
### We held meetings with some winning clients of the Permanent Awarded Ticket Program

With two announcements addressed to the winners of Awarded Tickets in August and December. We entertained our clients, with a large attendance, who during the event let us know their stories and experiences with the permanent program, allowing the recording of video testimonials that we included in the deployment of our digital campaign Winners Banesco.

### We offer a new way for making payments to our clients

On September 3, the campaign to notify the availability of the Banesco Pago Móvil service in its new BanescoOnline channel through “PagoMóvil Ahora en tu Computador” began. This focused on highlighting the benefits of the service through the multi-channels offered to customers,





# CORPORATE MANAGEMENT REPORT

with a clean and simplistic graphic concept, thus boosting transactions from BanescOnline. Additionally, we maintained a digital organic media deployment.

## We continue fostering the PCML/FT/FPWMD campaign

During the second half of 2019, we continued our ongoing campaign to prevent Money Laundering, Financing of Terrorism and Proliferation of Weapons of Mass Destruction. We did so through our social networks and our website Banesco.com. Thus, we reinforce our clients' knowledge on Prevention.

In July 2019, Resolution 083.18 came into force, thus replacing Resolution 119-10, whereby we carried out an information display aimed at highlighting the most important and innovative aspects of the new Resolution.

We maintained the deployment of the campaign through the monthly publication of a banner, a marquee on our Banesco.com portal, the sending of a poster published on the regulatory screens located in our agency network, and we managed the momentum and scope of the campaign content through our social networks.



## We keep permanent contact with pensioners

We maintain permanent communication with the Venezuelan Social Security Service (IVSS) beneficiaries, in order to continue the process of education in the use of Digital Banking and to inform them of the dates when their pensions will be paid out.

During the second half, we deployed a monthly campaign on Banesco.com and Social Networks, informing each of the pension payment dates, as well as promoting the benefits available to pensioners when using Banesco digital banking.

## Paying your Digitel bills!

Last December 2019 we informed our internal and external clients about the launch of this new service and its benefits. Natural Clients will be able to make their postpaid Digitel bill payments quickly and securely through direct debit.

## We boost the collection through Movistar payment!

Social Networks and Banesco.com promoted the Movistar recharge for prepaid customers and the payment of their bill for postpaid customers in November. The graphs were based on cell phone and home phone payments.

# CORPORATE MANAGEMENT REPORT

We encourage customers to make their payments or recharge the Movistar service through BanescOnline and BanescoMóvil. The campaign was on the air for two weeks, with a good reception in Social Networks.

## We launched a massive campaign to foster DirecTV Payment

In December, the digital deployment of the DirecTV campaign was carried out, promoting the payment of the service through BanescOnline's Multipayments option. The communication highlighted the payment schedule for this service and the facility provided by Banesco Digital Banking. For this release, the image was refreshed, making it more dynamic and simple for customers.



## We reinforce the mailbox "Listen to all our customers"

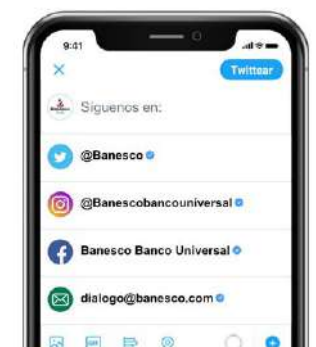
In September 2019, this Mailbox Campaign was refreshed, reminding all our customers about our mailbox es-cucha@banesco.com. When writing to this mailbox, it is possible to report irregular and suspicious situations related to Banesco Banco Universal.



## SOCIAL NETWORKS

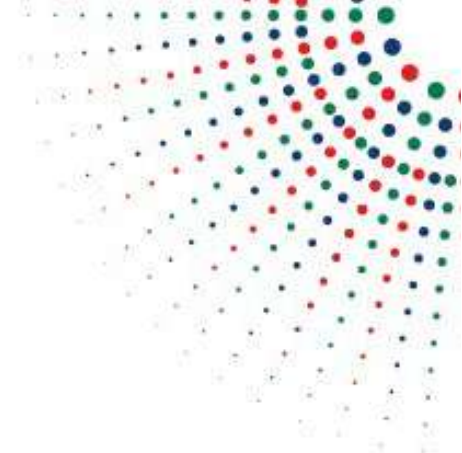
At the end of December 2019, our social networks had a community of more than 1,466,400 followers on our official Twitter, Facebook, Instagram, YouTube and LinkedIn accounts, an increase of 7.67% compared to December 2018. This is an important channel for us to communicate with our clients and the public in general, not only to transmit to convey our messages, but also to listen to their approaches almost in real time.

During the last semester, 14,726 cases referring to products and services were dealt with through social networks; for a total of 31,084 cases in 2019. Regarding the cases attended to, 31.38% corresponded to requests from Banesco's clients, while 68.62% were queries about products and services.



As for our presence in social networks, @Banesco is still the social network of choice for users, with more than 725,570 followers as of December 2019. In addition to serving as a link for queries and requirements, it provides relevant information on personal finance, entrepreneurship, technology, anniversaries, history, sports, business, energy and news about the Bank's products, services or promotions.

On Facebook, Banesco had over 264,900 followers, while on Instagram reached 189,000 followers. Videos on YouTube channel "Banesco in Pictures" channel have registered more than 5.1 million views, in addition to 12,522 subscribers. By the end of December 2019, the Banesco Blog had received more than 8.34 billion visits. On this site, in addition to corporate information on products and its Corporate Social Responsibility policy, the institution has exclusive content prepared by renowned journalists.



# CORPORATE MANAGEMENT REPORT

## SEGMENT MANAGEMENT

Regarding deposits from the public, a market share of 16.58% was obtained, thus occupying the 2nd position of the whole system (1st among the private ones), as a result of reaching a volume of VES 7.46 billion, accounting for a growth of 441% with respect to the first half of 2019.

53,409 new accounts were created during the second half of 2019, which accounts for an increase of 17% when compared to the first half. Furthermore, 9% (5,058) corresponds to legal entities and 91% (48,351) to natural persons.

Efforts were made to maintain credit support to customers, even though the measure of legal reserve affected cash flows. In the loan portfolio, a market share of 18.3% was achieved, with a total portfolio of VES 1.91 billion and an absolute growth of VES 1.60 billion with respect to the previous half year, mainly driven by the agricultural portfolio, which accounted for 41.39% of the total variation.

Within the framework of Resolution 083-18, the management of updating data and files on high-risk customers was continued, keeping the Know Your Customer Policy in force, confirming the information provided in each contact made, through visits and interviews that allow the most up-to-date information to be obtained. This resolution in its second chapter sets out the "Risk Management Policies for ML/FT derived from customers" and Article 53 refers to "(...) the implementation of appropriate measures and controls to mitigate risks in potential or new customers", emphasizing that at a greater level of risk more detailed or strict methods shall be used, including contact with or visit to the customer as one of them. In this regard, Banesco carried out a total of 139,130 reports and/or customer interviews during the second half of 2019 in compliance with this resolution.

By the end of the second half of 2019, 96.4% of our clients are using digital banking, and we are continuously working to provide a better experience with increasingly secure and reliable electronic channels to carry out their operations.

## DIGITAL AND ELECTRONIC CHANNELS AND AGENCY NETWORK

During the second half of 2019, over 2.02 billion transactions were carried out by our customers through the service channels offered by Banesco. This accounts for a decrease of 55% in relation to 2018 since a participation by the end of December and through digital and electronic channels of 99.6% was shown.

### Agency Channel

For the second half of 2019, Banesco has 325 Service Points, handling 5.9 million transactions, which accounts for a 42% decrease compared to the end of the same period in 2018. This was achieved by leveraging the process of referring transactions to more efficient channels.

### E-Banking Channel

In fact, BanescOnline, during the second half of 2019, recorded an average of 2.4 million active customers on a monthly basis, accounting for 53% of the bank's total active customers.

### Pago Móvil Channel (P2P)

At the second half, the channel reached more than 2.45 million members and 98 million transactions. In September, the use of P2P payment through the website was activated.

### Banking Call Center Channel

During the second half of 2019, the Banesco Call Center answered a total of 20.76 million calls, 97.43% were attended automatically through the IVR (20.22 million calls) and only 2.57% (533,000 calls) were attended by telephone agents.

### ATMs

Banesco closed December with an installed operational pool of 608 ATMs in the country (252 Mono-functional and 356 Multifunctional). These processed more than 15.8 million operations during the second half of 2019.





# CORPORATE MANAGEMENT REPORT

## MEANS AND PAYMENT SERVICES

In the second half, Collection and Payment Services registered a 251.28% growth compared to the second half of 2018, driven by the growth of P2P Payment electronic transactions.

The transactional volume of Collection and Payment Services recorded an increase of 19,945.28% in this period, with respect to the second half of 2018. The increase in the volume of P2P and Payment to Suppliers stands out.

## DEBIT AND CREDIT CARDS

### Credit Card Issuance Business

The credit card business at the end of the second half of 2019 had a 36% variation in sales with respect to the first half. Additionally, the market share of the credit card portfolio at the end of December was 12.20%. The default rate was 0.016%, less than in the previous period.

Extra credit product (Purchases and Cash) grew 470% compared to the first half of 2019 and has no default at the end of 2019.

During the second half, we implemented card issuance and maintenance initiatives in order to support our customers' consumption needs according to their payment capacity.

### Debit Card Issuance Business

Banescó Debit Cards recorded a 382.43% increase in sales compared to the first half of 2019. This shows that the Point of Sale is the most used channel by customers. This growth is leveraged by the customer portfolio, a high percentage of acceptance of 92.10% and constant

adjustments of the maximum amounts for Point of Sale transactions. This has allowed us to keep the service offer above the market and to strengthen our customers' preference.

Regarding pensioners, 77.33% of our customers use an active debit card, which allows them to: mobilize the sum of their pension in all stores with a point of sale, make withdrawals at ATMs and at the ticket office with the same card, sign up for BanescóOnline and use the telephone banking services.

### Promotion and Alliances

The Commercial Alliances seek to strengthen the Banescó - Client loyalty relationship, providing them with exclusive benefits that they may enjoy according to their needs and preferences.

### Awarded Ticket Program

In the second half, over 9,000 prizes were awarded to cardholders who used their credit and debit cards through refunds of the purchase amount.

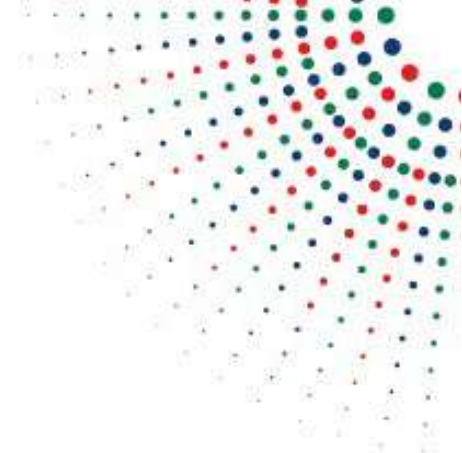
In August and December, an event was held to recognize a group of winning cardholders, in which they told their experiences, which are available on Banescó.com and social networks as well.

### Purchasing Business

► **Total of Active POS (Physical and Virtual):** 139,911

The Banescó purchasing business in the second half of 2019 processed more than 689 million transactions, maintaining its leadership among the top banks in the country, given the availability of service, and a robust commercial settlement process.

Banescó implemented a membership plan for different business segments, guaranteeing the quality of the commercial portfolio through certified providers, which offer services and equipment to meet our commercial clients' needs for simple and positive payment experiences.



# CORPORATE MANAGEMENT REPORT

## COMPETITIVE INTELLIGENCE

Beyond maintaining a sustainable advantage over competitors, Banesco is in its path for discovering new ways to create, deliver and achieve value is the new strategic challenge that all banks face.

Walking this path necessarily leads to the implementation of high impact actions such as the Customer Experience. This strategy aims to achieve the highest standards of competitiveness based on the management of the customer's perceptions, when interacting rationally, physically, emotionally and/or psychologically with any part of the organization. The main reason for this perspective is that this insight affects customer behavior and generates memories that drive customer loyalty and impact the economic value of companies.

In accordance with this vision, during the second half of 2019, we carried out the measurement of the Market Net Promotor Score (Benchmark). This is a mechanism by which we get into the customer's voice, his or her opinion about the brand, the service he or she receives, his or her expectations and level of preference, not only of Banesco but also of the country's main banks. As a result of this monitoring, we have identified valuable information that has served as a reference for decision-making and the design of products and services from a fundamentally client-centered perspective. The aim is to guarantee a Banesco customer experience that attracts links, builds loyalty and consolidates a relationship that is not only satisfactory but also profitable for the organization.

Likewise, we maintained the measurement of the relational Net Promoter Score of the different channels provided by the bank for this half year, offering a general vision of how our customers feel about the experience with every one of them.

Meanwhile, within the framework of this strategy, we continue to accompany the Human Capital team in strengthening a management model based on employee experience. This provides value to the organization and also

permits us to combine, with a global vision, the customer experience, starting with the experience given to the employees themselves. A key factor in this effort is the monthly measurement of the Net Promotor Score Employee, which monitors the recommendation level of Banesco as a workplace.

Deepening the client's understanding and how they relate to the organization, the Customer Journey analysis was added to the Points of Sale. This methodology, which follows the path taken by a client when using our services, has allowed us to monitor behavior, needs and problems during each point of contact and to identify valuable elements to focus on in order to specify improvements.

As part of the studies that feed the knowledge about the customer experience with our services, we conducted two Mystery Shopper in our agencies during the half-year. This is a study by which we monitor and evaluate the standards and processes of care provided at these important points of interaction with clients.

With regard to the development and evolution of Customer Intelligence, we continue to focus on efficiency. We will close 2019 with a significant number of active customers. From a behavioral point of view, our clients prefer to make use of our digital channels, such as BanescoOnline, Pago Móvil (P2P), Banesco Móvil, POS and ATM. At Banesco, the shift towards the digital transformation has led us to have a significant number of digital clients, accounting for 76% so far.

### **Relational and Experiencing Marketing**

The personalization of our communications about products and services is a key factor in the management of Relational Marketing. This is allowing a better loyalty and experience for our customers, adding the value expected by them.

This is how, through our Outbound Marketing, we have been able to reach a significant number of our clients in the second half of the year by sending millions of personalized emails, with substantial opening rates, which today exceed international standards.





# CORPORATE MANAGEMENT REPORT

## I.T. AND PROCESSES OF BUSINESS AND OPERATIONS

In Information Technology, Processes, Operations and Project Office, we aim to deliver solutions, new information technologies and optimized processes that meet the needs of the business and support the development of its objectives, ensuring continuity and stability of services and providing a higher customer experience.

### Processes

In relation to processes, we continue with the analysis of light structures, which allow the increase of productivity in the different banking areas, while stimulating internal competition and facilitating teamwork.

Similarly, we continue with the Process Custody program, which allows us to guarantee the knowledge and compliance of the organization's processes in its different areas. The improvements detected in each Custody study are managed through a gap closure plan for each assessed area.

Process optimization, which is part of our regular work, has been carried out according to a work plan and each process analysis has allowed us to improve performance, mitigate audit gaps, improve costs associated with the process in order to ensure efficiency and effectiveness in the performance of each area.

### Project Offices

We began the process of implementing new Project Management methodologies within the framework of agility. We started by introducing practices in selected projects, such as the adaptation of work places for the team, the use of Kanban Control Panels and the execution of daily monitoring. We carried out the training plan of the agile framework called Scrum. This plan, in alignment with the design process of Design Thinking solutions, brings us closer to the digital transformation where the organization is heading.



Moreover, we took actions to keep the projects within the established work plan (increasingly threatened by the environment). This included more expeditious review processes and activation of change controls, openness and methodological flexibility in selected projects characterized by challenging delivery times, all key actions to respond to the current environment.

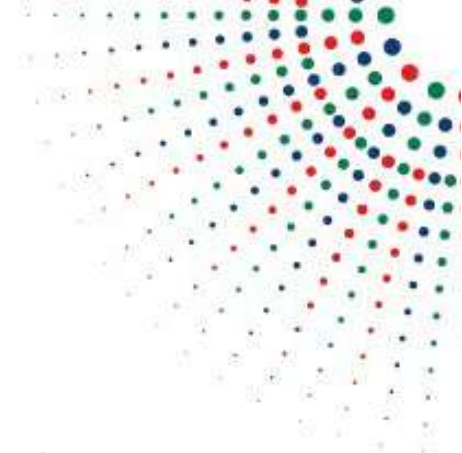
The effectiveness of the mentioned actions is translated and evidenced in the satisfactory results of the Portfolio Performance indicators. The achievement of the goals established in the execution and completion of projects and requirements in the period is thus maintained.

### Applications Development and Maintenance

Regarding Application Development and Maintenance, we work on technological solutions aligned with the business strategy which led us to the implementation of services, such as the processing of the Digital Post-Payment collection in the BanescOnline channel.

We continue to support the effective management of cash and use of our virtual channels. We implemented the functionality of Pago Móvil through BanescOnline. In addition, we increased the availability of transfer and payment services through BOL, P2P and P2P Web channels, with dynamic schedule and 24-hour availability, on holidays and banking days, and we achieved the stabilization of the P2P service as well.

# CORPORATE MANAGEMENT REPORT



In the framework of regulatory compliance, we comply with all requests made by the various government agencies, along with the regulatory projects of the franchises, in the established times.

## Technology References

At the Vice-presidency of Technology Operations, we ensure high levels of availability of the bank's services, products and channels, under optimal security and reliability conditions, providing a single experience to our clients, with quality and profitability criteria.

By means of continuous process improvement plans (preventive and corrective actions), system health, renewal, reuse and replacement due to obsolescence in the different layers, the Technology Operations area was able to obtain the expected levels in the platforms that support the Bank's services, products and channels.

The most important performed tasks were: the optimization of physical space in the Data Center, the recovery of disk storage capacities through actions of reuse, optimization and debugging of capacities for the IT platforms. The practice of Software Asset Management (SAM) was also implemented and costs related to the licensing expenses of the Organization were optimized, the new Cisco DWDM solution was installed. This is to support the demands of obsolescence, vegetative and operational growth of the bank's critical services.



## COMPREHENSIVE RISK MANAGEMENT

Achieving excellence in risk management is a major focus at Banesco Banco Universal. To be able to maintain strong controls, but at the same time not act as obstacles, in order to achieve sustainable development, in an environment characterized by constant transformation, reformulation and creation of new products and more restrictive regulatory requirements for the development of financial intermediation, has been the main challenge faced by the institution.

In this regard, the risk function is based on the following pillars, taking into account the recommendations of regulatory bodies and best practices, without detriment to strategic planning:

**The risk appetite fixation**, by calculating the levels and typologies to be assumed, will balance the risk-return elements accepted by the shareholders.

**The risk must be managed by the generating units**, which will foster the management risk towards an advanced model.

**Acting proactively in the risk management**, through the constant review and monitoring of exposures, evaluation of both new and existing products, and the accompaniment associated with this analysis.

**The provision of methodologies in relation to risk calculation** are adapted to the new requirements in the environment for an efficient monitoring in the risk appetite fixation.

**Consolidating the risk culture** in order to ensure the achievement of a consistent answer before similar risks. This requires constant training in Risk Culture, a commitment adopted by Banesco, which has established it as a fundamental strategy in its enactment activities.

# CORPORATE MANAGEMENT REPORT

## Operational Risk

Banesco defines operational risk, following the Basel guidelines, as well as the Venezuelan regulations, as the possible financial impact on the organization, resulting from weaknesses, inadequacies or internal processes failures, people and systems, or by external events.

Banesco's priority in this area is to identify, quantify, evaluate and mitigate risk hotspots, regardless of whether or not losses have occurred.

Following this guideline, during the second half of 2019 risk maps were drawn up for 10 core areas of the organization (Operations, Credit, Agencies, Procurement, Cards, Human Capital, Treasury, Accounting, Channels and Collections and Recoveries).

Banesco has followed a risk management and control model, based on the three lines of defense, which have formed a vital element in ensuring that risk levels remain within the established thresholds and thus control the Bank's exposures.

In order to strengthen the risk culture, as the key that allows Banesco to counteract the changes in the environment, the new demands of customers and to maintain positions in the different segments in which the institution participates, during the second half of 2019, different training sessions were held: induction of new staff in risk matters to generate awareness of risk management, training in credit risk for the sales team and specialized training in Operational Risk to the Human Capital, Regulatory Compliance, UPCLC/FT/FPADM and Communications areas, to reinforce daily activities.

Additionally, the bank has developed through different communication channels, the issuance of bulletins, wallpapers and specialized forums, which cover general knowledge of operational risks, to all the bank's employees at any level.

For calculating the economic capital for operational risk, the advanced method for measuring expected and unexpected loss is used, based mainly on the database of internal events.

## Risk Credit

Credit risk arises from the possibility of losses occurring as a result of customer and/or counterparty default on the stipulated contract.

Banesco's priority is to analyze the client's ability to meet its contractual obligations. This involves assessing the client's credit quality, risk operations, solvency and profitability in relation to the risks taken.

As a recurrent activity, credit risk models are periodically monitored and assessed, evaluating, among other aspects, the suitability of their use, their predictive capacity, correct performance and level of disaggregation.

During the second half of 2019, two new models were designed for risk management in the credit card product. The first one is oriented to the evaluation in the granting of the product; the second one is aimed at the follow-up of credit performance through the generation of early alerts



Banesco's priority in this area is to identify, quantify, evaluate and mitigate risk hotspots, regardless of whether or not losses have occurred.



# CORPORATE MANAGEMENT REPORT

for the application of a differentiated collection management per customer according to their risk level.

The expected losses of the loan portfolio have remained stable despite the changing environment and the slow-down in the country's economic activity. Given the continuous monitoring process of the customers, it is possible to detect preventively the deterioration of their payment capacity, the strengthening of the criteria for granting and maintaining loans and the formulation and development of training plans in credit analysis, aimed at the sales areas, for adequate decision making.

In the analysis of the portfolio, the evolution of the variation of the overdue balance is controlled in a permanent and systematic way, in order to react to the deterioration observed in the evolution of the levels of non-performing loans.

Likewise, the indicators are monitored in base and stress scenarios, seeking to anticipate factors that could increase risk exposure in unforeseen situations, such as the estimation of expected losses and economic capital for credit risk, as well as the estimation of the limits and thresholds of the Institution's general exposure.



## Market Risk

The risk arises from the possibility of losses in the value of the positions held (assets and liabilities) as a result of variations in the risk factors (interest rate, exchange rate, inflation rate) and the volatility of each one of them, as well as from the liquidity risk of the different products in the operations carried out by Banesco Banco Universal.

Market risk remained low during the second half of 2019, in line with previous half-yearly closures due to the non-existence of public debt issuance. This has been reflected in the Value at Risk (VaR) of the trading and sales portfolio, which at the end of 2019 accounted for only 0.0038% of the bank's assets.

Regular analysis and back-testing of the market VaR is also carried out by comparing the predicted measurements with the actual loss results obtained during the established time horizon. This makes it possible to detect deviations in the calculation model. In addition to the test of the number of exceptions, precision tests are performed on the estimates to ensure unbiased estimates of the worst potential loss of the investment portfolio, obtaining consistent results with the specific assumptions of each test.

With regard to structural risk, Banesco Banco Universal has a financial margin sensitivity model to determine the consequences of movements in interest rates for a given period of time, although these scenarios are currently very unlikely, due to the regulation of minimum passive rates and maximum active rates issued by the BCV.

The liquidity trend over the last six months continued to be marked by the establishment of the 100% marginal reserve requirement by the BCV, which limits the capacity to grant loans and adversely affects the cash flow mismatches of all the country's institutions. Banesco is not exempt from this reality, so in monitoring the metrics, both regulatory and those included in the risk appetite framework, it has developed strategies included in the Contingency Plan in order to cover short-term liquidity needs.



# PROPOSAL TO DECREE AND PAID DIVIDENDS

BANESCO BANCO UNIVERSAL

Caracas, March 5, 2020

**Proposals Presented by The Board of Directors For  
The Consideration And Decision of The Regular General  
Meeting of Shareholders Called For March 26,  
2020, to Decree And Pay Shares Dividends, Approved  
in Session No. 1,477 Dated February 27, 2020.**

## **Dividends in Shares**

If the redemption of all the preferred shares (16,902,800) is approved, in accordance with the prospectus for the public offering of preferred shares, issue 2008-I and issue 2008-II, and in order to maintain the Bank's share capital, will propose the Extraordinary Shareholders' Meeting to decree and pay a dividend in shares, for Bs. 1,690.28, through the issuance of SIXTEEN MILLION NINE HUNDRED AND TWO THOUSAND EIGHT HUNDRED (16,902,800) new common shares.

If this proposal is approved, the Board of Directors will determine the opportunity to pay the dividends in shares, with prior authorization from the Superintendency of Institutions of the Banking Sector.

**José Grasso**

Executive President

# BALANCE SHEET

## ASSETS

Stated in Million VES

	Dec. 19	Jun. 19	Dec. 18	Jun. 18
<b>CASH AND DUE FROM BANKS</b>	<b>7,400,370</b>	<b>1,378,135</b>	<b>103,099</b>	<b>2,307</b>
Cash	451,632	74,070	7,740	21
Central Bank of Venezuela	6,048,598	1,051,557	73,521	2,165
Local Banks and Other Financial Institutions	39,145	5,622	645	8
Foreign Banks	710,740	228,537	17,240	24
Head Office and Branches	0	0	0	0
Pending Cash Items	150,788	18,393	3,952	90
(Provision for Bank Accounts)	-534	-45	0	0
<b>INVESTMENTS SECURITIES</b>	<b>1,091,680</b>	<b>115,537</b>	<b>29,177</b>	<b>61</b>
Investments in Central Bank	261,351	0	0	0
Investments in Trading Securities	0	0	0	0
Investments in Securities Available for Sale	19,819	389	123	3
Investments in Securities Held to-maturity	74,219	9,697	19,138	20
Limited Availability Investments	736,248	105,412	9,870	18
Other Security Investments	43	39	45	20
(Provision for Security Investments)	0	0	0	0
<b>LOAN PORTFOLIO</b>	<b>1,877,681</b>	<b>305,890</b>	<b>73,279</b>	<b>2,242</b>
Outstanding Credits	1,913,068	311,771	74,660	2,288
Restructured Credits	0	0	0	0
Past Due Credits	5	4	0	0
Credits in Litigation	0	0	0	0
Provision for Credit Portfolio	-35,392	-5,886	-1,381	-46
<b>INTEREST AND COMMISSIONS RECEIVABLE</b>	<b>39,917</b>	<b>8,762</b>	<b>1,075</b>	<b>17</b>
Interest receivable from cash and due from banks	0	0	0	0
Interest receivable from security investments	4,175	386	437	1
Interest receivable from credit portfolio	37,765	8,179	621	16
Commissions Receivable	642	199	17	1
Interest Receivable on Other Accounts Receivable	0	0	0	0
Provision for Interest Receivable and Other	-2,665	-2	0	0
<b>INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES</b>	<b>5,176</b>	<b>1,330</b>	<b>32</b>	<b>0</b>
Investments in subsidiaries and affiliates	5,176	1,330	32	0
Investments in branches	0	0	0	0
Provision for investments in subsidiaries, affiliates and branches	0	0	0	0
<b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>PROPERTY IN USE</b>	<b>264,077</b>	<b>18,781</b>	<b>5,334</b>	<b>15</b>
<b>OTHER ASSETS</b>	<b>987,887</b>	<b>217,365</b>	<b>10,717</b>	<b>220</b>
<b>TOTAL ASSETS</b>	<b>11,666,789</b>	<b>2,045,800</b>	<b>222,713</b>	<b>4,863</b>



# BALANCE SHEET

## LIABILITIES

Stated in Million VES

	Dec. 19	Jun. 19	Dec. 18	Jun. 18
<b>DEPOSITS FROM CLIENTS</b>	<b>7,465,597</b>	<b>1,378,726</b>	<b>159,075</b>	<b>4,247</b>
Deposits in Current Accounts	6,991,270	1,293,846	150,654	4,082
Non-Remunerated Checking Accounts	4,509,544	800,394	105,894	2,696
Remunerated Checking Accounts	2,231,614	441,886	43,134	1,293
Current accounts under exchange agreement n° 20	103,023	15,250	1,446	3
Demand Deposits and Certificates	27,499	14,018	180	91
Current Accounts Exchange System Free Convertibility	119,590	22,298	0	0
Special Funds in Trusts Free Convertibility System	0	0	0	0
Other Demand Obligations	66,162	12,139	959	13
Obligations for Money Desk Operations	0	0	0	0
Savings Deposits	406,757	72,604	7,446	136
Time Deposits	1,408	137	16	16
Securities Issued by the Institution	0	0	0	0
Restricted Deposits from Clients	0	0	0	0
Right of Ownership and Participation on Security Investments	0	0	0	0
<b>OBLIGATIONS WITH BCV</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>DEPOSITS AND OBLIGATIONS WITH BANAVIH</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER FINANCING OBTAINED</b>	<b>664,007</b>	<b>108,495</b>	<b>7,597</b>	<b>122</b>
Liabilities with local financial institutions up to one year	664,007	108,495	7,597	122
Liabilities with local financial institutions more than one year	0	0	0	0
Liabilities with foreign financial institutions up to one year	0	0	0	0
Liabilities with foreign financial institutions more than one year	0	0	0	0
Other Liabilities up to one year	0	0	0	0
Other Liabilities more than one year	0	0	0	0
<b>OTHER FINANCIAL OBLIGATIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>INTEREST AND COMMISSIONS PAYABLE</b>	<b>1,348</b>	<b>543</b>	<b>1</b>	<b>0</b>
Expenses payable due to deposits from clients	1,195	154	1	0
Expenses payable due to obligations with BCV	0	0	0	0
Expenses payable due to deposits and liabilities with BANAVIH	0	0	0	0
Expenses payable due to other financing obtained	154	277	0	0
Expenses payable due to other financial obligations	0	111	0	0
Expenses payable due to obligations convertible to capital	0	0	0	0
Expenses payable due to subordinated debt	0	0	0	0
<b>ACCRUALS AND OTHER LIABILITIES</b>	<b>2,628,691</b>	<b>331,036</b>	<b>37,495</b>	<b>307</b>
<b>SUBORDINATED DEBT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>10,759,691</b>	<b>1,818,801</b>	<b>204,167</b>	<b>4,676</b>
<b>STOCKHOLDERS' EQUITY</b>				
<b>CAPITAL STOCK</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Capital Paid-in	0	0	0	0
<b>PAID-IN SURPLUS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>UNCAPITALIZED EQUITY CONTRIBUTIONS</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>65</b>
<b>CAPITAL RESERVES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EQUITY ADJUSTMENTS</b>	<b>675,231</b>	<b>140,911</b>	<b>14,109</b>	<b>30</b>
<b>ACCUMULATED INCOME</b>	<b>229,780</b>	<b>85,099</b>	<b>3,611</b>	<b>92</b>
<b>NON-REALIZED GAIN OR (LOSS) ON AVAILABLE FOR SALE SECURITY INVESTMENTS</b>	<b>1,285</b>	<b>189</b>	<b>26</b>	<b>0</b>
<b>TREASURY STOCK</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>907,097</b>	<b>227,000</b>	<b>18,546</b>	<b>187</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>11,666,789</b>	<b>2,045,800</b>	<b>222,713</b>	<b>4,863</b>
<b>CONTINGENT DEBTOR ACCOUNTS</b>	<b>270,046</b>	<b>64,158</b>	<b>7,840</b>	<b>346</b>
<b>TRUST ASSETS</b>	<b>331,059</b>	<b>66,134</b>	<b>6,120</b>	<b>15</b>
<b>OTHER TRUST ASSIGNMENTS</b>	<b>11</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (HOUSING MUTUAL FUND)</b>	<b>13,324</b>	<b>1,747</b>	<b>78</b>	<b>2</b>
<b>OTHER DEBTOR ACCOUNTS (HOUSING MUTUAL FUND)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER DEBTOR MEMORANDUM ACCOUNTS</b>	<b>54,436,960</b>	<b>8,176,773</b>	<b>1,884,867</b>	<b>4,467</b>
<b>OTHER DEBTOR BOOK ACCOUNTS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## STATEMENTS OF EARNINGS

Stated in Million VES

	Dec. 19	Jun. 19	Dec. 18	Jun. 18
<b>FINANCIAL REVENUES</b>	<b>425,419</b>	<b>61,084</b>	<b>4,457</b>	<b>140</b>
Revenues from Cash and Cash Equivalents	5,503	1,290	18	0
Revenues from Security Investments	18,760	3,957	277	1
Revenues from Credit Portfolio	401,155	55,837	4,162	139
Revenues from Other Accounts Receivable	0	0	0	0
Revenues from Investments in Subsidiaries, Affiliates and Branches	0	0	0	0
Revenues from Head Office and Branches	0	0	0	0
Other Financial Revenues	0	0	0	0
<b>FINANCIAL EXPENSES</b>	<b>58,883</b>	<b>11,206</b>	<b>132</b>	<b>3</b>
Expenses Due to Deposits from Clients	31,708	4,349	127	3
Expenses Due to Obligaciones with BCV	0	0	0	0
Expenses Due to Deposits and Obligations with BANAVIH	0	0	0	0
Expenses Due to Other Financing Obtained	25,371	5,068	0	0
Expenses Due to Other Financial Obligations	1,805	1,789	5	0
Expenses Due to Subordinated Debt	0	0	0	0
Underlying Obligations	0	0	0	0
Expenses Due to Head Office and Branches	0	0	0	0
Other Financial Expenses	0	0	0	0
<b>GROSS FINANCIAL MARGIN</b>	<b>366,535</b>	<b>49,878</b>	<b>4,325</b>	<b>137</b>
<b>INCOME FROM RECOVERED FINANCIAL ASSETS</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>EXPENSES FOR UNCOLLECTIBLE AND IMPAIRED FINANCIAL ASSETS</b>	<b>32,666</b>	<b>4,570</b>	<b>1,336</b>	<b>44</b>
Uncollectible Loans and Other Accounts Receivable	32,177	4,508	1,336	44
Provision for Cash and Due from Banks	489	61	0	0
<b>NET FINANCIAL MARGIN</b>	<b>333,875</b>	<b>45,309</b>	<b>2,990</b>	<b>92</b>
Other Operating Income	966,752	183,742	7,028	95
Other Operating Expenses	217,408	17,244	1,009	16
<b>FINANCIAL INTERMEDIATION MARGIN</b>	<b>1,083,219</b>	<b>211,807</b>	<b>9,008</b>	<b>172</b>
<b>TRANSFORMATION EXPENSES</b>	<b>721,174</b>	<b>97,551</b>	<b>3,567</b>	<b>47</b>
Personnel Expenses	204,682	28,183	1,259	24
Administrative and General Expenses	496,529	66,160	2,224	21
Contributions to Deposit Guarantee and Bank Protection Fund	9,305	1,129	31	2
Contributions to Superintendency of Banks and Other Financial Institutions	10,658	2,079	54	0
<b>GROSS OPERATING MARGIN</b>	<b>362,045</b>	<b>114,257</b>	<b>5,441</b>	<b>125</b>
Income from Adjudicated Goods	0	0	0	0
Income from Special Programs	0	0	0	0
Income from Sundry Accounts	99	18	4	0
Expenses Due to Realizable Property	0	0	0	0
Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods	0	0	0	0
Expenses Due to Sundry Accounts	151,345	20,362	662	15
<b>NET OPERATING MARGIN</b>	<b>210,799</b>	<b>93,912</b>	<b>4,782</b>	<b>109</b>
Extraordinary Income	0	0	0	0
Extraordinary Expenses	762	150	1	0
<b>GROSS INCOME BEFORE TAXES</b>	<b>210,038</b>	<b>93,762</b>	<b>4,781</b>	<b>109</b>
Income Taxes	56,122	7,072	1,153	20
<b>NET INCOME</b>	<b>153,916</b>	<b>86,690</b>	<b>3,628</b>	<b>89</b>
<b>APPLICATION OF NET INCOME</b>				
Legal Reserve	0	0	0	0
Statutory Utilities	9,235	5,201	109	3
Other Capital Reserves	0	0	0	0
<b>ACCUMULATED INCOME</b>	<b>144,681</b>	<b>81,489</b>	<b>3,519</b>	<b>86</b>
<b>OTHER ACCOUNTS</b>				
LOSEP Contribution	2,191	960	50	1
Third-Party Investments	0	0	0	0
Monthly Agriculture Credit Portfolio	253,625	1,114	3,373	157
Accumulated Agriculture Credit Portfolio	709,981	47,163	9,975	347
Public Sector Deposits	326,928	110,575	3,613	55
Micro-Credits	39,876	1,260	4,489	71
Credits to the Segment of Tourism in accordance to law in force	3,978	1,878	5	2
Mortgages according to the Special Law for the Protection of the Housing Loan Debtor	0	0	0	0
Accounting Capital Adequacy Ratio (%)	17.04	24.08	15.80	8.91
Manufacturing Loans	348,027	1,004	2,204	15



	Dec. 19	Jun. 19	Dec. 18	Jun. 18
<b>TRUST</b>	<b>45,001</b>	<b>4,921</b>	<b>347</b>	<b>5</b>
<b>HERITAGE TRUST</b>	<b>13,355</b>	<b>618</b>	<b>82</b>	<b>1</b>
Individuals	2	0	0	0
Corporative Entities	13,161	585	81	1
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	0	0	0	0
Descentralized Entities and Other Entities with Special Regime	191	32	1	0
<b>GUARANTEE TRUSTS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Individuals	0	0	0	0
Corporative Entities	0	0	0	0
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	0	0	0	0
Descentralized Entities and Other Entities with Special Regime	0	0	0	0
<b>MANAGEMENT TRUSTS</b>	<b>31,646</b>	<b>4,304</b>	<b>265</b>	<b>4</b>
Individuals	1	0	0	0
Corporative Entities	15,139	2,407	72	2
Central Administration	4,079	47	7	0
Public, State, Municipal and Central Administrations	266	65	1	0
Descentralized Entities and Other Entities with Special Regime	12,162	1,784	185	2
<b>FEATURES MIXED TRUSTS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Individuals	0	0	0	0
Corporative Entities	0	0	0	0
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	0	0	0	0
Descentralized Entities and Other Entities with Special Regime	0	0	0	0
<b>OTHER TRUSTS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Individuals	0	0	0	0
Corporative Entities	0	0	0	0
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	0	0	0	0
Descentralized Entities and Other Entities with Special Regime	0	0	0	0



## SOCIAL BALANCE ACCUMULATED 1998 - DECEMBER 2019

Stated in VES at December 31, 2019

DESCRIPTION	2019	Accumulated 1998 - December 2019
<b>SOCIAL INVESTMENT</b>		
<b>Application Banesco Resources</b>	<b>28,391,155,164.10</b>	<b>28,533,252,762.27</b>
Fe y Alegría	7,778,500.00	7,803,385.81
Microentrepreneurs Training Program	2,113,861.30	2,160,922.91
Simón Bolívar Music Foundation	15,916,000.00	15,964,530.30
Association of Venezuelan Catholic Education (AVEC)	6,182,948.00	6,188,140.50
Social Undertaking Project with the IESA	—	929.99
Universities and Other Institutions	621,035,293.10	621,999,916.94
Banesco Long Scholarships Life	—	2,025.40
Other Education Institutes and Organizations	—	5,107.54
Venezuelan Foundation against Child Paralysis	6,000,000.00	6,002,650.47
Other Health and Medical Care Organizations	60,054,320.00	60,080,561.17
FUNDANA	83,943,421.70	83,952,093.74
Civil Association Don Bosco Houses Network	50,000,000.00	50,007,130.02
Salesian Ladies Civil Association	5,008,022.01	5,012,372.29
Attendance to the childhood and people with special necessities	5,710,500.00	5,715,000.95
Toys donation to the communities	—	34.17
Editorial Projects	96,443,560.00	96,460,349.42
Other Contributions	24,850,558.00	24,851,576.44
Solidarity (Capital and Regional)	—	61.29
Events for the Community	292,066,406.46	292,848,954.08
Investment in works in Colinas de Bello Monte	—	23.06
Mayoralties, Regional Governments and Other	—	141.71
Community Participative Budget	45,000,000.00	45,031,073.71
<b>Non-Contractual Social Benefits for Banesco Employees</b>	<b>26,810,572,300.73</b>	<b>26,950,663,028.17</b>
Dining Subvention	18,856,837,266.72	18,979,284,029.39
Medical Service	234,824,628.03	235,950,314.82
Parking Subsidy	—	577.32
Medical Assistance for Extreme Diseases	872,867,459.81	873,513,652.42
Unsecured Loans for Housing	(4.10)	669.81
Transportation between offices	164,947,500.00	165,361,971.08
Housing sales between employees	—	1.31
Collective Agreement	6,681,095,450.27	6,696,551,812.02
<b>Corporate Volunteering Contribution</b>	<b>70,157,402.09</b>	<b>70,180,681.47</b>
Capacitación y Formación del Voluntariado	(0.00)	11,562.60
Proyectos Especiales	—	0.30
Talleres de Formación Complementaria	—	0.06
Voluntariado Costo Horas/Hombre	781,291.29	792,976.53
Monto ejecutado del presupuesto de Logística del Voluntariado	69,376,110.80	69,376,141.97
<b>Aplication of Article 96 (LOCTISEP)</b>	<b>—</b>	<b>336.12</b>
<b>TOTAL SOCIAL INVESTMENT</b>	<b>28,391,155,164.10</b>	<b>28,533,253,098.40</b>
<b>TOTAL SOCIAL INVESTMENT MORE COMMITMENTS CONTRACTED</b>	<b>28,391,155,164.10</b>	<b>28,533,253,098.40</b>



**President**  
Juan Carlos Escotet R.

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

Emilio Durán Ceballos  
María Josefina Fernández M.

