

Financial Report 2022

Second Half





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Financial Economic Balance

SECOND HALF 2022

Organizations respond to the challenges and dynamics of the times they live in. This is expressed by the exhibition held in Ciudad Banesco to commemorate the first thirty years of the Brand, with the “30 Years with You” Exhibition. This has been the moment to look back the history of the Bank from its beginnings, the different mergers and the memorable moments of Words for Venezuela, as a single place for reflection and the exchange of ideas.

Similarly, just as in the first half of 2022, we faced the illusion of normality observed from the mass distribution of the vaccines against Covid 19. The second half of the year marked a considerable improvement, not only in the performance of the domestic economy and, therefore, of the indicators of the entire financial system, to which we belong, but also in our dedication to optimize processes and improve the customer's experience.

Returning to activities that were reduced during the pandemic was displaced by the dynamism of the vibrant people and once again, in the streets, the presence of new businesses adapted to the needs of Venezuelans who continue to make their lives in the country. Undoubtedly, the economy has recognized the recessionary conditions caused by the Covid 19 pandemic.

On the occasion of the 30th Anniversary, the authorities and a professional team of Banesco toured the most important cities in the country to meet with Banesco employees and customers in each region.

We were able to observe the scenarios of slight recovery in some areas of the country, like some potentially profitable sectors, and how the popula-

tion has faced, with private resources, the consequences of some external factors and how they can mean a decrease in the quality of services, inputs and other necessary goods.

We then dedicated the second half of 2022 to respond to the requirements and needs of our customers, identified during these regional visits, during which we were able to know: What are our customers most interested in?, What do they need most from their interaction with the Bank?, How can we guarantee their satisfaction every day?, How do we guarantee operational continuity, compliance with laws and regulations, while investing resources in constant innovation to create new applications, products and financial services?, How much risk can we process?.

- In summary, we try to answer the
- most important question: How can
- we be more useful and profitable
- at the same time?

We are also dedicated to think about new digitalization needs and which processes could be robotized, without affecting the quality of service. Reflection on issues such as agility, AI and technological investment ran throughout the period. Meanwhile, Venezuelan economic dynamics were gradually restored, marked by greater complexity at the end of 2022, with a shift in the exchange rate. Inflation, which has become a global threat, as well as other challenges, was reactivated. This redirected attention to reinforcing strategic thinking, investigating how the Venezuelan financial system and, of course, our clients, shareholders and social partners could be further affected.

Financial Economic Balance

SECOND HALF 2022

The reflection aimed at answering today to what we can foresee in the immediate future. Perhaps the greater truth is that we will only be as successful as our customers will become. That was our momentum for the second half of 2022.

For them, our customers, employees, stakeholders, communities, our country, we promote the development and training of our human talent, following the latest trends in knowledge management, oriented towards a culture of high performance and continuous improvement.

Based on the highest national and international legal regulations and standards, we reinforce actions for the Prevention of Money Laundering, Financing of Terrorism and of the Proliferation of Weapons of Mass Destruction (ML/FT/FT/FPADM).

Our Social Responsibility and Sustainability Policy promoted education, health and financial inclusion, contributing Bs. 18.7 million during the second half of 2022, of which 91.24% was directed to our employees and 8.76% to the different initiatives we support through our allies and social partners.

We contribute to the achievement of the Sustainable Development Goals: SDG1, No Poverty; SDG2, Zero Hunger; SDG3, Good Health and Well-Being; SDG4, Quality Education; SDG8, Decent Work and Economic Growth; SDG10, Reduced Inequalities; SDG11, Sustainable Cities and Communities; and SDG17, Partnerships for the Goals.

During the second half of 2022, we certified a group of 4,590 entrepreneurs through Banesco's Microentrepreneur Training Program.

- Through alliances with new institutions
- and our social partners, Banesco's
- Corporate Volunteering maintained
- constant activities during 2022.

During the last six months, we disseminated 214 product and service campaigns, regulatory campaigns, promotions to encourage the use of our points of sale and financial instruments among our customers. We have been accustomed to, and reinforced during this period, targeting Pensioners to stimulate the use of Digital Banking without having to go to the Bank.

We inform our customers about the possibilities of making payments to different institutions or service companies through our portals; the advantages of the new services available for Mobile Banking, such as Pago Móvil C2P, the BanescoToken application, created to generate dynamic keys. In addition, we continue to promote other products and services such as: Banesco VideoBanking (attention to requirements and requests), Payment of Services through BanescOnline (BOL), BanescoMóvil and Multipagos. And the multiple sales days of POS equipment and the versatility of the Service Center of our Commercial Partner, Native.

We maintained constant communication regarding our Banesco Green Account, and its functionalities, both in BanescOnline and in Banca Móvil.

Our Social Networks allowed constant interaction with our clients and the general public, not only to convey our messages, but also to listen to their proposals almost in real time and channel their requirements.

Financial Economic Balance

SECOND HALF 2022

At Banesco we try to know our clients in detail, segmented by type of audience and by archetypes. We work to move almost all services and interactions to the digital realm, meet immediate needs and provide new experiences through cutting-edge technology. We want to build lasting relationships with our customers, we are focused on them and we care about their experience in all our processes, knowing what to offer them and how to relate to them.

We have ensured operational continuity and stability of services with a cost/efficiency balance; we have also driven digital transformation.

- To support the commercial business, we
- certify new POS models with the Public
- Network Connection, which allow the
- business to expand the range of devices
- to offer in its sales process.

We enhanced the Foreign Currency Account, enabling the issuance of bank references, statements and account statements through the Agencies channel, as well as bank references in BOL.

The Retail exchange mechanism was implemented in the BOL, Mobile Banking and Debit Card POS channels, which was very useful for customers, as requested by the regulator.

We guarantee the required availability of critical services and optimal levels of the Bank's technological infrastructure, products and channels to provide a reliable experience to our customers.

In response to the circumstances generated by the pandemic in the macroeconomic environment, we strengthened procedures to monitor risks, suppor-

ted by a set of strategies, a consolidated risk culture, a robust governance structure, processes and tools based on best practices.

Today at Banesco we are aware of the characteristics, threats and opportunities offered by our economic environment. As we celebrate our 30 anniversary, we honor the spirit and entrepreneurial sensibility of our founder, which allows us to be present today with You.

Once again, strategic thinking and sufficient maturity and caution are needed to understand what the real opportunities are. We feel that we can know our customers better; we have the certainty of being backed by up-to-date corporate governance; the resources to investigate the real possibilities for economic and market growth in Venezuela; and faith in our possibilities.

Once again, we must remain vigilant to the behavior of inflation and its consequences on our economy, in order to respond to the needs of our customers, our human talent, our shareholders and our stakeholders.

This accountability exercise, prepared by all areas of the Bank, has a great pedagogical content for those who may be interested, for our Banesco Citizens and our customers.

Our good work and our gratitude are expressed here.

MARCO TULIO ORTEGA VARGAS

EXECUTIVE CHAIRMAN

BANESCO BANCO UNIVERSAL, C.A.



Venezuelan Economy

IN THE SECOND HALF OF 2022

The year 2022 concluded globally with important changes that defined economic, social and political developments. While the relaxation of pandemic countermeasures led to a return to normality in all areas, the last six months of the year saw a general slowdown in demand.

Latin America was no exception, with growth of 3.7% in 2022, according to the Economic Commission for Latin America and the Caribbean (ECLAC), which implies a slight deceleration with respect to the previous year (6.75%), as a result of the unfavorable impact of restrictive monetary policies, limitations on public spending, inflation, damage due to natural disasters, among others. This has led to a drop in consumption and investment, all in an external context of greater deterioration.

Nevertheless, Latin American intra-regional trade experienced an increase in the value of its exports in 2022 (+20%), although at a slower pace than in 2021 (+27.8%), mainly attributable to the rise in international prices (14%), and to a lesser extent, to the expansion of the volume sold (6.3%), with commodity exporting economies benefiting, Venezuela stood out, registering an accumulated growth in total exports of 32.57% during the period January-September 2022 according to the Central Bank of Venezuela (BCV), mainly explained by the greater oil production capacity, reflecting an increase of 27.09% in its aggregate value, accounting for 27.23% of the GDP.

According to the Organization of Petroleum Exporting Countries Monthly Report for January 2023, Venezuela's production increased 23.8% with respect to the previous year, ending 2022 with an average



Foto: Freepik.es

of 716 thousand barrels per day vs. 636 thousand b/d in 2021.

- Merey crude oil price, the Venezuelan reference within the OPEC basket,
- averaged USD 76.96 per barrel in 2022,
- which accounts for an increase of
- 49.58% with respect to 2021.

Venezuela's GDP, at constant prices, recorded punctual growth of 17.45%, 23.30% and 13.22% in the first three quarters of 2022, accumulating during January-September an increase of 17.73%, with respect to the same period of 2021, adding up to five consecutive quarters with favorable results.

Venezuelan Economy

IN THE SECOND HALF OF 2022

Both the public and private sectors experienced increases of 20.03% and 15.55%, respectively.

Coinciding with initial estimates on the economy's performance in 2022, non-oil activities showed positive variations during the first nine months, concluding the period with an accumulated growth of 14.49% and a relative weight of 69.09% of total GDP, as a result of the greater dynamism observed in: Manufacturing (39.61%), Transportation and Warehousing (54.35%), Trade (25.28%), General Government Services (12.08%), Electricity and Water (3.23%) and Communications (0.36%).

- Domestic aggregate demand, on the other hand, reflected a one-off growth of 12.76%, mainly attributable to the recovery of 13.93% in private consumption and 9.48% in public final consumption.

Even though figures are not available at the close of 2022, the economy's performance shows partial positive results, due to more favorable conditions, among which the following stand out:

- A better business environment in the oil activity, given the lesser restrictions, both internal and external, which has contributed to the recovery, still incipient, of PDVSA's production capacity, added to the evolution of international market prices, and the easing of sanctions (license to Chevron, reactivation of wells, shipment of crude oil through ENI and Repsol companies).
- Gradual reestablishment of the average dollar wage in the private sector, which initially led to increased demand, particularly for basic necessities.
- The reopening of international relations, particularly with Colombia and Brazil, has boosted trade in border areas, as well as the activity of other related sectors, generating higher income for the population. There are also great expectations regarding the resumption of operations with Aruba, Bonaire and Curaçao, the possible return of Venezuela to Mercosur, the Andean Community of Nations, among other regional organizations.
- The control of the Covid-19 pandemic worldwide, the continuity of operations and, therefore, the generation of employment, have once again made it possible for remittances to be sent to Latin America, benefiting part of the Venezuelan population that receives them, improving their purchasing power.
- The increased interaction between the government and private business sectors has definitely influenced the country's improved economic performance.



Foto: Freepik.es

Venezuelan Economy

IN THE SECOND HALF OF 2022

These considerations, and probably others that will be added in the short term, make us foresee a more hopeful business environment, as well as an increase in the demand for goods and services, given the multiplier effect they could have on regional and sectorial performance, which, in fact, began to be observed by the end of 2021.

It is true that the speeding up of operations in the oil industry will have positive implications for the nation, greater demand, better salaries, jobs, investment by companies linked to the sector; measures are needed to facilitate the financing of other productive activities, which will contribute to the achievement of a more harmonious and sustainable development in the long term.

However, despite the measures implemented to promote greater stability in the main monetary variables, there are still some distortions that make it difficult to obtain them, given their high sensitivity, evidenced in August, when extraordinary payments were made to public sector employees, raising the exchange rate of the dollar, as well as the prices of goods and services, restricting private consumption, whose growth rate was impaired, going from 16.54% in IIQ 2022 to 8.59% in IIIQ 2022. This resulted in an increase of 280.43% in the official exchange rate with respect to 2021, ending 2022 at Bs. 17.49/USD.

According to the latest data published by the BCV, inflation in October 2022 decreased to 6.2%, accumulating 119.4% in the first ten months of 2022,

after registering a significant acceleration of 28.7% in September. However, recently, official sources reported a cumulative inflation rate of 234% at the end of 2022, which is a significant achievement when compared to that observed in 2021 (686.4%), maintaining the downward trend of the last 4 years.

- Monetary liquidity, on the other hand,
- slowed its growth rate (354.16%), lower
- than that observed in the last 5 years,
- given the continuity of the BCV's
- astringent policy, reaching M2 of Bs.
- 18.80 billion at the end of the period
- analyzed, slightly lowering the weight of
- demand deposits to 81.15% in the last
- 12 months.

Total International Reserves decreased by 9.10% with respect to 2021, reaching USD 9,924 million in December 2022, as a result of the application of the foreign exchange intervention policy, in order to slow down the rise in the exchange rate and prevent further depreciation of the national currency.

Although expectations for 2023 are more encouraging, the approval of some laws and reforms is still pending, as well as the implementation of necessary adjustments, expected by economic actors and the population in general, which will most likely contribute to stimulate and strengthen even more the growth already envisioned in Venezuela.

Venezuelan Banking System

IN THE SECOND HALF OF 2022

The Venezuelan banking system ended 2022 with 26 institutions (20 private and 6 public). The Monthly Bulletin of SUDEBAN corresponding to December, reports 2,587 branches nationwide, a staff of 33,838 employees, 2,352 ATMs and 401,624 points of sale.

The institutions that comprise it have shown important signs of resilience in the face of a difficult business environment in recent years, not only characterized by the significant economic contraction, but also by the maintenance of restrictive policies that limit a better performance of their intermediary management, their reason for existing. Additionally, the digital transformation that was already underway in Venezuela due to the Covid-19 pandemic, as well as the investment plans and resources required to bring it to a successful conclusion, were achieved to the full satisfaction of bank users, regulatory agencies and other stakeholders, while maintaining business continuity at all times.

The efforts made have been fruitful, reflected in the evolution of the Gross Value Added of Financial and Insurance Activities during the year 2022, registering a growth of 21.80% during the January-September period, higher than that experienced by non-oil activities as a whole (14.49%).

The above results reaffirm the importance of banking as an essential ally for a greater dynamization of the productive apparatus, reflecting at the end of 2022 very positive management indicators, among which are: year-on-year growth of the loan portfolio (+759.19%) and public deposits (+365.77%), a lower delinquency rate (0.46%) and a higher credit intermediation coefficient (27.55%).



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Total assets of the financial system, on the other hand, experienced a variation of 336.51% during the last twelve months, for an amount as of December 2022 of Bs. 130,421 million, mainly comprised of investments in bonds (52.3%), cash and cash equivalents (27.0%) and loans (9.8%).

The investment portfolio in bonds amounted to Bs. 68.19 billion, reflecting an increase of 291.84% with respect to December 2021, in line with the growth of the exchange rate during 2022, a reference for the valuation of the foreign currency position.

The upward trend in cash and cash equivalents continued during the period analyzed (+372.82%), with a balance of Bs. 35.20 billion, of which 49.93% is in the BCV (Bs. 17.57 billion), far exceeding the proportion recorded in the same period of 2021 (28.21%).

Venezuelan Banking System

IN THE SECOND HALF OF 2022

The net loan portfolio reached Bs. 12.82 billion, increasing its weight within total assets from 5.0% in December 2021 to 9.8% at the end of 2022, which is partly due to the recording of loans in Credit Value Units (CVU), whose valuation is linked to the fluctuation of the exchange rate, and therefore, their amount in local currency does not entirely respond to a higher amount of settled loans.

- There is also a high portfolio
- concentration among the four largest
- private banks (56.77%) and one public
- bank (20.79%), equivalent to 77.55%
- of the amount of loans recorded in
- December 2022.

Among the remaining 21 institutions, only 9 have market shares ranging between 1.00% - 4.99%, the rest have shares below 1%, which makes evident the need for greater flexibility in the measures that hinder access to bank financing in the country; considering also that income from commissions continues to exceed income from credit operations.

At the end of the year, the gross portfolio amounted to Bs. 13,21 billion, showing indicators of efficient management among which we may point out: the lower delinquency rate (0.46%), 2.49 percentage points lower than the average for December 2021; a wide level of coverage for fixed assets (636.97%) and the progressive recovery of the intermediation ratio during the second half of 2022, reaching 27.5% in December, after registering historically low levels in the first quarter of the year, when it remained close to 13%, in accordance with a period of

strict restriction of bank liquidity, in order to contain the depreciation of the bolivar.

As for the portfolio composition by loan destination, 96.13% of the total was concentrated at the end of the year between commercial loans (72.01%), agricultural loans (16.28%) and micro loans (7.84%). The manufacturing activity, which is highly relevant due to its multiplier effect in related sectors, as well as in the generation of direct and indirect employment, only obtained a 0.21% share of the gross portfolio, having to resort to alternative sources of financing, such as the Caracas Stock Exchange, through which approximately USD 40 million were placed in the market during the year, an amount much higher than the USD 15 million of 2021, increasing the proportion of foreign currency securities from 10% to 40%.

With respect to the system liabilities, deposits from the public amounted to Bs. 46.53 billion, equivalent to a variation of 365.77% with respect to the previous year. This was partially a consequence of the valuation of foreign currency deposits according to the exchange rate published by the BCV, which concentrated 57.25% of the funds collected, a higher proportion than that observed in 2021 (31.98%), given the great acceptance of foreign currency accounts by customers, highlighting their flexibility and immediate availability in local currency and, very importantly, the preservation of the value of money, considering the significant slippage of the exchange rate in the second half of 2022.

The equity of the system experienced an increase of 459.91%, reaching Bs. 30.56 billion in December

Venezuelan Banking System

IN THE SECOND HALF OF 2022

2022, consequently improving the indicators that measure its capitalization, Accounting Equity Adequacy Ratio (66.60%) and Risk Weighted Capital Adequacy Ratio (123.82%), which represent increases of 4.82 and 12.69 percentage points, respectively, compared to the same month of 2021.

With respect to the income statement of the banking system during the last fiscal year, the favorable growth rate of financial income (+312.04%) stands out, 86.04% of which was derived from credit operations, mainly attributable to the slight reactivation of intermediation, decreasing the dependence on other operating income, which went from representing 70.92% of total income in the first half of 2022 to 54.45% in the last six months.

- Transformation expenses
- (Bs. 4.56 billion) continue to be
- pressured by inflation, not only due to
- investments in technology, aimed at
- further strengthening the network of
- digital payment methods in the country,
- but also due to the higher salary
- adjustments observed during the
- period.

This is in line with the increase in the cost of basic goods and services, with financial institutions directing a significant amount of resources to improving the quality of life of their employees.



Foto: Freepik.es

We can conclude that the management of the banking system and the institutions that comprise it has been successful, fully facing the multiple challenges of the environment, obtaining a net profit in 2022 of Bs. 2.75 billion, a Result on Average Assets (ROA) of 5.23% and Return on Equity (ROE) of 27.83%, notably improving both indicators. This is consistent with the relaxation of some measures that had been unfavorably impacting the sector's performance: reduced restrictions on bank liquidity, adaptation of foreign currency accounts to the requirements of users, as well as their availability (10%) for granting credits and reduction of the legal reserve in February, from 85% to 73%, all of which allowed increasing the credit offer, and partially meeting the financing needs of the main productive sectors of the country.

Banesco Banco Universal

IN THE SECOND HALF OF 2022

The Bank's total assets amounted to Bs. 7.51 billion in December 2022, experiencing an annual variation of Bs. 6.26 billion (502.0%) and half-yearly variation of Bs. 5.39 billion (255.6%), mainly attributable to the higher amount of cash and cash equivalents (+523.7% vs. December 2021), for a balance of Bs. 4.07 billion and a relative weight of 54.3%, as a result of the legal reserve requirements; followed in importance by the net loan portfolio (26.1% of assets), 5.9 percentage points higher than in the same period of the previous year (20.2%).

There was a significant growth of 676.7% (Bs. 1.74 billion) in gross loans during 2022. Banesco ranked 3rd place in the financial system, with Bs. 2 billion and a market share of 15.15%, having settled 7,704 loans throughout the year, of which 86.3% were managed during the second half.

- Banesco Banco Universal, always
- attentive to the needs of its customers,
- ranking first in the system in financing
- in the vehicle, credit card and
- agricultural portfolios, with market
- shares of 45.30%, 27.40% and 22.08%,
- respectively.

Apart from ranking 2nd in the country in mortgage loans (6.94% share), followed by the commercial portfolio (14.07%) and the microcredit portfolio (9.79%), the bank ranked 3rd in the system in both areas and maintained a portfolio of excellent quality, with a very low level of delinquency (0.0036%), a comfortable coverage for immobilized

portfolio (61.097.57%), above the system average (636.97%), which contributed to the achievement of an intermediation coefficient of 45.18%, higher than the market average by 17.63%.

Counting on the preference of almost 4 million clients, we recorded in December 2022 a balance of Bs. 4.33 billion in deposits from the public (+417.23% vs. December 2021), and a market share of 9.31% (5th place in the system).

It is worth highlighting the significant strengthening of its equity in the last year, closing the period with a total amount of Bs. 2.02 billion (3rd largest private bank in the country), reaching an Accounting Equity Adequacy Ratio of 39.85% and a Capital Adequacy Ratio of 64.70%, in both cases amply exceeding the legally required levels.

The Statement of Income of Banesco Banco Universal corresponding to the closing of the second half of the year, records a net income of Bs. 333.6 million (4th position of the financial system), accumulating in the whole year 2022 Bs. 364.6 million, behavior in line with the better performance of the economy in general and more favorable conditions to perform the intermediary function. This led to a significant increase in the number of loans granted, and therefore, to higher income from credit operations, reaching a financial margin in the period July-December 2022 of Bs. 985.6 million, as well as excellent management indicators, such as maintaining a liquidity level (94.1%) above the market average, a Return on Average Assets (ROA) of 12.90% and on Average Equity (ROE) of 82.10%.

Financial Highlights

	First Half 2021	Second Half 2021	First Half 2022	Second Half 2022
(Stated in Million VES)				
Total Assets	722.7	1,247.7	2,112.2	7,510.3
▮ Cash and Due from Banks	374.5	653.7	1,241.3	4,077.4
▮ Security Investments	49.7	63.6	78.7	265.1
▮ Credit Portfolio	125.8	251.8	388.7	1,957.4
▮ Gross Portfolio	128.7	257.7	407.8	2,001.4
Deposits from Clients	380.3	837.6	1,548.1	4,332.2
Total Stockholders' Equity	140.7	104.5	189.1	2,025.1
Net Income	33.1	14.0	31.0	333.6

Ratios (%)				
▮ Loan Portfolio Provisions / Non Accrual Loans	37,766,709.7	897,866.7	133,763.0	61,097.6
▮ Non Accrual Loans / Gross Loan Portfolio	0.0	0.0	0.0	0.00
▮ Net Results / Average Assets *	14.4	6.6	3.9	12.9
▮ Net Results / Average Equity *	61.9	39.4	61.0	82.1
▮ Liquidity	98.5	78.1	80.2	94.1

* Annualized Percentages.



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Statement on Credit Risk Reports

After the upturn in the world economy in 2021, as a result of the relaxation of quarantines put in place to combat the Covid 19 pandemic, the records available for 2022 show a generalized slowdown on a global scale. The appearance of other variants of the Coronavirus, as well as the emergence of the Russia-Ukraine conflict, have triggered new alerts in the world economy, due to the persistence of supply chain disruptions and container shortages, rising energy prices, interest rates and rising inflation.

To respond to the circumstances caused by the pandemic in the current macroeconomic environment, Banesco has reinforced the procedures to monitor credit risk, supported by a set of strategies, a consolidated risk culture, a robust governance structure and processes and tools, among which we highlight the following:

- Generation of frequent and complete portfolio follow-up reports, including client details in terms of classification, economic group, business units, guarantees, past due balances, concentration levels, among others.
- Close monitoring of sectors/customers, supported by a clear segmentation of the same, in order to detect in time changes in the original characteristics of such credits and to ensure the appropriate management of those in which there is a possibility of total or partial loss of the same.

- Monitoring of the risk profile and the factors identified, through, among other internal, competitor and market indicators, which allow anticipating future performance.
- Periodic monitoring of risk appetite, the evolution of its metrics, in particular, taking into account the performance of portfolios under moratorium and its effect on credit provisions.

Considering the above and the recurring evolution of the economic environment, Banesco's main credit risk metrics behaved as described below:

- Exposure to credit risk increased 390.80% with respect to the previous semester, as a result of the increase in the exchange rate, which affected the revaluation of the loan portfolio.
- The non-performing loans ratio ended the second half of 2022 at 0.003%, a level similar to that observed in June 2022, while the banking system recorded a decrease of 0.23 percentage points over the same period, ending December 2022 at 0.46%.
- The coverage ratio for immobilized portfolio closed 2022 at 61,097.57%; the banking system, on the other hand, averaged 636.97%.
- The cumulative cost of risk at December 31, 2022 was 5.70% (291 basis points lower than in the previous six-month period).

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

fourteen (14) credits, that by individual or group risk, in the same monthly period, exceeded five percent (5%) of the bank's equity.

Comparative Financial Statements For The Last Two (2) Years And Application of Net Income



R.I.F. J070133805

Chairman of the Board
Juan Carlos Escotet R.

Main Directors
Juan Carlos Escotet R.
Marco Tulio Ortega V.
Miguel Ángel Marciano C.
Emilio Durán Ceballos
Carlos Eduardo Escotet A.
Carlos Alberto Escotet A.
José Grasso Vecchio

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

External Auditors
Lara Marambio & Asociados (DELOITTE)

December 31, 2022 (Stated in VES)

ASSETS	Diciembre-22	Diciembre-21
CASH AND DUE FROM BANKS	4,077,355,709	653,693,983
Cash	1,279,177,218	184,825,358
Central Bank of Venezuela	2,280,399,989	179,798,026
Local Banks and Other Financial Institutions	5,426,250	2,851,339
Foreign and Correspondent Banks	511,254,678	285,364,045
Head Office and Branches	0	0
Pending Cash Items	1,196,940	881,964
(Provision for Bank Accounts)	-99,366	-26,749
INVESTMENTS IN SECURITIES	265,120,594	63,545,268
Investments in Central Bank	0	0
Investments in Trading Securities	0	0
Investments in Securities Available for Sale	7,202	8,737
Investments in Securities Held to-maturity	56,761,768	9,578,838
Limited Availability Investments	208,351,624	53,957,693
Other Security Investments	0	0
(Provision for Security Investments)	0	0
LOAN PORTFOLIO	1,957,386,333	251,778,429
Outstanding Credits	1,999,492,044	257,676,756
Restructured Credits	1,853,408	0
Past Due Credits	72,066	657
Credits in Litigation	0	0
(Provision for Credit Portfolio)	-44,031,185	-5,898,984
INTEREST AND COMMISSIONS RECEIVABLE	16,381,784	1,508,733
Interest receivable from cash and due from banks	0	0
Interest receivable from security investments	298	389
Interest receivable from credit portfolio	16,172,233	1,444,664
Commissions Receivable	235,327	66,533
Interest Receivable on Other Accounts Receivable	0	0
(Provision for Interest Receivable and Other)	-26,074	-2,853
INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES	3,227,724	1,070,867
Investments in subsidiaries and affiliates	3,227,724	1,070,867
Investments in branches	0	0
Provision for investments in subsidiaries, affiliates and branches	0	0
PROPERTY RECEIVED IN LIEU OF PAYMENT	78,262	4,023
PROPERTY IN USE	363,777,725	23,063,811
OTHER ASSETS	826,982,744	252,992,390
TOTAL ASSETS	7,510,310,875	1,247,657,504

LIABILITIES AND EQUITY	Diciembre-22	Diciembre-21
LIABILITIES	4,332,225,597	837,577,352
DEPOSITS	4,028,278,915	779,809,299
Deposits in Current Accounts	4,028,278,915	779,809,299
Non-Remunerated Checking Accounts	1,682,282,437	427,346,881
Remunerated Checking Accounts	769,430,243	208,919,796
Current accounts under exchange agreement N° 20	0	8,007,647
Demand Deposits and Certificates	114,550,228	15,069,105
Current Accounts Exchange System Free Convertibility	1,462,016,007	120,465,870
Special Funds in Trusts Free Convertibility System	0	0
Other Demand Liabilities	58,040,166	9,677,754
Obligations for Money Desk Operations	0	0
Savings Deposits	245,073,745	47,964,372
Time Deposits	832,771	125,927
Securities Issued by the Institution	0	0
Restricted Deposits from Clients	0	0
Right of Ownership and Participation on Security Investments	0	0
OBLIGATIONS WITH BCV	0	0
DEPOSITS AND OBLIGATIONS WITH BANAVIH	0	4
OTHER FINANCING OBTAINED	168,552,168	34,663,385
Liabilities with local financial institutions up to one year	168,552,168	34,663,385
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
OTHER FINANCIAL OBLIGATIONS	0	0
INTEREST AND COMMISSIONS PAYABLE	594,488	1,056,710
Expenses payable due to deposits from clients	594,488	1,056,710
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	0	0
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
ACCRUALS AND OTHER LIABILITIES	983,845,071	269,876,986
SUBORDINATED DEBT	0	0
OTHER LIABILITIES	0	0
TOTAL LIABILITIES	5,485,217,324	1,143,174,437
OPERATIONAL MANAGEMENT	0	0
STOCKHOLDERS' EQUITY	2,025,093,551	104,483,067
LIABILITIES AND EQUITY	7,510,310,875	1,247,657,504
CONTINGENT DEBTOR ACCOUNTS	92,566,996	2,485,270
TRUST ASSETS	64,005,702	11,924,787
OTHER TRUST ASSIGNMENTS	0	0
DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (HOUSING MUTUAL FUND)	688,663	119,481
OTHER DEBTOR ACCOUNTS (HOUSING MUTUAL FUND)	0	0
OTHER DEBTOR MEMORANDUM ACCOUNTS	23,438,327,813	2,995,892,791
OTHER DEBTOR BOOK ACCOUNTS	0	0
ASSETS OF TRUST ENTITIES FOR OPERATIONS IN SOVEREIGN CRYPTO ASSETS	0	0

Statements of Earnings (Stated in VES)

	Diciembre-22	Diciembre-21		Diciembre-22	Diciembre-21
Financial Revenues	351,009,386	70,312,221	Financial Intermediation Margin	Diciembre-22	Diciembre-21
Revenues from Cash and Cash Equivalents	931,578	316,955	Transformation Expenses	985,620,875	305,765,684
Revenues from Security Investments	18,251,647	2,597	Personnel Expenses	546,568,742	155,364,857
Revenues from Credit Portfolio	331,826,161	69,992,669	Administrative and General Expenses	131,098,090	39,966,507
Revenues from Other Accounts Receivable	0	0		415,470,652	115,398,350
Income from investments in subsidiaries, affiliates and branches	0	0	Gross Operating Margin	439,052,133	150,400,827
Revenues from Head Office and Branches	0	0	Income from Adjudicated Goods	26,480,034	5,769,622
Other Financial Revenues	0	0	Income from Special Programs	0	0
Financial Expenses	53,800,447	15,113,916	Income from Sundry Accounts	5,841,450	40,720
Expenses Due to Deposits from Clients	49,323,803	13,803,740	Expenses Due to Realizable Property	1,053	1,554
Expenses Due to Obligations with BCV	0	0	Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods	0	0
Expenses Due to Obligations with BANAVIH	0	0	Expenses Due to Sundry Accounts	76,238,796	141,242,373
Expenses Due to Other Financing Obtained	4,476,644	1,310,176	Net Operating Margin	395,133,768	14,967,242
Expenses Due to Other Financial Obligations	0	0	Extraordinary Income	0	0
Expenses Due to Subordinated Debt	0	0	Extraordinary Expenses	1,041,333	145,514
Expenses Due to Other Obligations	0	0	Gross Income Before Taxes	394,092,435	14,821,728
Expenses Due to Head Office and Branches	0	0	Income Taxes	60,479,001	811,693
Other Financial Expenses	0	0	NET INCOME	333,613,434	14,010,035
Gross Financial Margin	297,208,939	55,198,305	Application of Net Income		
Income from Recovered Financial Assets	7,217	1,075,989	Legal Reserve	60,999,999	1
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	21,962,646	3,927,443	Statutory Utilities (Board of Directors)	20,016,800	840,600
Provision for Loan Portfolio and Other Accounts Receivable, Losses	21,890,414	3,919,758	Reserve for Other Provisions	0	0
Provision for Cash and Due from Banks	72,232	7,685	Other Capital Reserves	305,000	0
Net Financial Margin	275,253,510	52,346,851	Accumulated Income	252,291,635	13,169,434
Other Operating Income	778,431,472	274,303,597	LOD Contribution	4,053,669	173,175
Other Operating Expenses	68,064,107	20,884,764			

Net Income Distribution		
Legal Reserve	60,999,999	1
Statutory Utilities (Board of Directors)	20,016,800	840,600
Reserve for Other Provisions	0	0
Other Capital Reserves	136,306,717	7,063,061
Restricted Surplus	305,000	0
Surplus to apply	115,984,917	6,106,373
NET INCOME	333,613,434	14,010,035



Report of Demands And Complaints of Customers of The Banking Services

SECOND HALF 2022

January 2023

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 2022, 1,507 complaints and requests were reported, for a total amount of 238,433.09 VES; of which 1,157 were ruled in favor of the client with a reimbursement of 93,409.63 VES.

When evaluating the attention times of the claims and requirements reported by customers / users in the second half of 2022, 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 100.00%.

TABLE 1: SUMMARY OF COMPLAINTS AND REQUESTS REPORTED BY STATUS

Managed						In Process		Level of Compliance in the Service Supply
Admissible				Not Admissibles				
Report Month	No. of Complaints	Claim Amount (VES)	Reimbursed Amount (VES)	No. of Complaints	Claim Amount (VES)	No. of Complaints	Claim Amount (VES)	
► July	106	3,522	3,407	31	11,523	20	675	100.00 %
► August	167	7,574	7,254	33	4,957	19	17,073	100.00 %
► September	179	10,240	9,659	34	15,313	15	555	100.00 %
► October	161	12,734	12,479	24	10,072	29	6,844	100.00 %
► November	267	29,085	28,770	30	9,665	29	29,993	100.00 %
► December	277	33,395	31,841	58	27,129	28	8,083	100.00 %
Total II Half	1,157	96,550	93,410	210	78,659	140	63,224	100.00 %

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
► July	3	213	148	14,152	6	1,355	—	—	—	—
► August	3	592	216	29,012	—	—	—	—	—	—
► September	4	392	224	25,716	—	—	—	—	—	—
► October	2	321	212	29,329	—	—	—	—	—	—
► November	2	602	323	67,061	1	1,080	—	—	—	—
► December	3	913	355	65,752	—	—	—	—	5	1,943
Total II Half	17	3,033	1,478	231,022	7	2,435	0	0	5	1,943

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).

Client and Bank User Defender

The Banking Customer and Bank User Defender is an official appointed by the Banking Institution to review, process and resolve complaints, as well as claims filed by customers and users derived from banking practices and actions considered inappropriate or not resolved in time by the Banking Customer and Bank User Service Unit. The Defender is a formal body which is objective and independent in nature and has complete autonomy in terms of the criteria and guidelines to be applied.

At the end of the second half of 2022, the Banking Customer and User Defender handled 761 cases. From this number, 176 proposals were admitted for a total of Bs. 113,461.

The declined cases (585) were duly answered, explaining the reason for not admitting the request. These cases were forwarded to the Customer Service Unit, which follows up on them until they are closed.

The main requirements addressed were:

- Inconveniences with BanescOnline / Payments Made.
- Inconveniences with Pago Móvil (P2P) / Payments Made.
- Wrong transfer.
- Failed or Duplicate Purchase at Point of Sale with Maestro Banesco Card.
- Immediate Credit to Other Banks.
- Banesco Banco Universal, C.A., responsible with its customers and stakeholders, has a section on its website dedicated to the Banesco Client and User Defender, in which interested parties will find all the necessary information to submit formalities to this body.



Capital Adequacy Ratio

Pursuant to provisions of Resolution 305.09, dated July 9, 2009, published in Official Gazette No. 39,230 of July 29, 2009, the following principles and procedures are established in order to calculate the capital adequacy ratio:

CAPITAL ADEQUACY RATIO:

This is calculated by dividing the amount of Accounting Equity plus Operating Management by the Value of Total Assets. The ratio when multiplied by one hundred (100), will not be less than nine percent (9%), as published in Official Gazette No. 40,509, dated October 01, 2014.

Likewise, through Circulars SIB-II-GGR-GNP-10189, dated April 07, 2016 and SIB-II-GGR-GNP-24974, dated November 22, 2017, the Superintendency of Banking Institutions (SUDEBAN) grants regulatory exception to determine the Accounting Capital Adequacy Index”, provided for in Article 6 of said Resolution No. 305.09, in the following terms:

SIB-II-GGR-GNP-10189 (DATED APRIL 07, 2016)

a) Exclude from Total Assets, as defined in Article 2 of the aforementioned Resolution, the balance of the following items:

- Bonds and debentures issued by the Central Bank of Venezuela
- Deposits in the Central Bank of Venezuela
- Available funds from the bank in the Central Bank of Venezuela (Including the legal reserve)
- Bonds and debentures issued by the stated owned company Petróleos de Venezuela, S.A. (PDVSA).

b) Include in the accounting capital, in accordance with the definition set forth in the aforementioned Article 2, the amount corresponding to:

- Generic provision for loan and microloan portfolio
- Countercyclical provision for loan and microloan portfolio

The amount to be included for the aforementioned provisions will be the amount corresponding to the percentages established in the regulations issued by the Superintendency for this purpose.

SIB-II-GGR-GNP-12738 (DATED APRIL 27, 2016)

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

The sum to be included for the aforementioned provisions will be the amount corresponding to the percentages established in the regulations issued by the Superintendency for this purpose.

RESOLUTION NO. 025.17 (DATED MARCH 28, 2017)

The “Rules Regarding the Application of the Revaluation of Assets in Banking Institutions” were established whereby the Superintendency of Banking Institutions instructs that the amount of the Revaluation “may not exceed the total Primary Capital (Level I) of the Institution considering the parameters established in the Rule that regulates the calculation of the Total Capital Adequacy Ratio. Likewise, Art. 6 states that recording the amount of assets revaluation under Assets will be made in the accounts and subaccounts established in the Accounting Manual for Banking Institutions, with a balancing entry in the account 351.00 Equity caption “Adjustment for Revaluation of Assets”.

Capital Adequacy Ratio

TOTAL EQUITY ADEQUACY RATIO (LEVEL I)

Is the ratio of Primary Equity (Level I) to the total amount of assets and contingent operations weighted by risk levels. This shall be no less than 6%.

TOTAL EQUITY ADEQUACY RATIO

Consists of the sum of the value of Primary Equity (Level I) plus Supplementary Equity (Level II), divided by the total amount of assets and contingent operations, weighted by risk levels. The quotient, when multiplied by one hundred (100), shall not be less than twelve percent (12%).

According to the proposed arrangement and based on the results obtained in December 2022 and June 2022, the percentages achieved are:

Description	Dec. 2022	Jun. 2022
Capital Adequacy Ratio	39.85%	11.97%
Total Capital Adequacy Ratio	64.70%	23.54%
Tier 1 Capital Adequacy Ratio	57.16%	23.54%

Participation in The Country's Production Sector

AT DECEMBER 31, 2022

The largest participation of the Credit Portfolio is found in the Agricultural, Fishing and Forestry Sector with 34.43%; followed by the Wholesale and Retail Trade, Restaurants and Hotels sector, with a proportion of 31.21%, and closing with 27.92% the Manufacturing Industries.

Economic Activities	Outstanding	Restructured	Past to Due	In Litigation	Total	% Composition
► Agriculture, Fishing and Forest	689,021,163	—	—	—	689,021,163	34.43%
► Hydrocarbons and Mining Exploitation	25,657	—	—	—	25,657	0.00%
► Manufacturing Industry	558,849,745	—	—	—	558,849,745	27.92%
► Electricity, Gas and Water	210,589	—	—	—	210,589	0.01%
► Construction	21,845,531	—	3,797	—	21,849,328	1.09%
► Trade, Restaurants and Hotels	622,695,668	1,853,408	37,406	—	624,586,481	31.21%
► Transport, Storage and Communications	13,423,697	—	—	—	13,423,697	0.67%
► Financial Establishments, Real State and Services Provided to Companies	90,142,234	—	30,267	—	90,172,501	4.51%
► Community, Social and Personal Services	3,277,762	—	596	—	3,278,358	0.16%
Portfolio (VES)	1,999,492,045	1,853,408	72,066	0	2,001,417,519	100.00%

Electronic Channels And Bank Agencies

As of December 2022 close, Banesco had a wide network of physical and electronic distribution channels whereby the Bank offers a wide range of products and services:

- 202 Service Points (Agencies, Banesco Express).
- 134,596 Points of Sale.
- 409 ATMs (158 Monofunctional y 241 Multifunctional).



External Auditor's Report

The financial statements of the Bank corresponding to the second half of 2022, 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. 22	Jun. 22	Dec. 21	Jun. 21
1. Equity				
► Equity + Operative Management / Total Assets	39.85 %	11.97 %	10.31 %	25.32 %
► Non-Productive Assets / Equity + Operative Management)	242.99 %	837.50 %	869.23 %	381.07 %
2. Assets Quality				
► Loan Portfolio Provisions / Gross Loan Portfolio	2.20 %	4.68 %	2.29 %	2.24 %
► Non Accrual Loans / Gross Loan Portfolio	0.00 %	0.00 %	0.00 %	0.00 %
3. Management*				
► Personnel Expenses + Operative Expenses / Average Productive Assets	97.20 %	130.37 %	96.80 %	67.63 %
► Personnel Expenses + Operative Expenses / Financial Income	192.20 %	442.78 %	138.67 %	67.80 %
4. Earnings *				
► Net Results / Average Assets	12.90 %	3.93 %	6.63 %	14.35 %
► Net Results / Average Equity	82.10 %	61.00 %	39.39 %	61.92 %
5. Liquidity				
► Availability / Customer Funds	94.12 %	80.18 %	78.05 %	98.48 %
► Availability + Investment in Securities / Customer Funds	94.12 %	80.18 %	78.05 %	98.48 %

* Annualized, calculated based on average balance

Internal Auditor's Report on The Internal Control of Banesco Banco Universal, C.A.

SECOND HALF 2022

I. Introduction

Pursuant to provisions of article number 28 of the Decree with Rank, Value and Force of Law of the Partial Reform of the Banking Sector Institutions Law (LISB), published in Special Official Gazette Number 6,154, dated November 9, 2014, reprinted in Special Official Gazette Number 40,557, dated December 08, 2014; as well as all corresponding regulations issued by the Superintendency of Banking Sector Institutions (hereinafter, SUDEBAN), published in the Official Gazette Number 40,484, dated August 27, 2014, articles 1 and 16 of Resolution 064.14 "General Rules on the Internal Audit Unit of Banking Sector Institutions", we present the summary of the management, work performed and activities carried out by the Internal Audit Unit at Banesco Banco Universal, during the term between July 1, 2022 and December 31, 2022, for the presentation and consideration of the Audit Committee and the Board of Directors.

Banesco Banco Universal, C.A., has a defined and functioning Internal Audit Unit, which performs its assurance and consulting functions in an independent and objective manner, for which it has the necessary powers and resources to plan and execute its activities, and to timely report the results obtained in the evaluation of the effectiveness of the risk management, control and governance processes. Its purpose is to improve and protect the value of the Organization, delivering high quality products with a proactive and continuous improvement approach.

The Vice President of Internal Auditing has been assigned the role of Internal Auditor, as established in Resolution 064.14 "General Norms Related to the Internal Auditing Unit of the Banking Sector Insti-

tutions", which reports functionally and administratively to the Board of Directors of Banesco Banco Universal, C.A.

The Unit is created according to provisions of Resolution 064.14, with personnel assigned who meet the appropriate requirements, competence, knowledge and experience to adequately perform their duties.

A Manual, establishing the principles, policies, standards and procedures related to the Internal Audit function, has been formalized and is being used, adjusted to the sensible regulations and standards in force at the national level, to international standards and best practices, and to the policies and standards established internally in the Organization. From time to time, or if there are significant regulatory or functional changes, they are submitted for consideration by the Audit Committee, and its approval is recommended to the Board of Directors.

II. Criterion for the Functioning of the Internal Audit Unit

The Internal Audit Unit applies a risk-based approach through across-cutting analysis of the value chain of the processes evaluated.

Regarding its activities development, the Internal Audit Unit applies the following criteria:

- The structure and operation of the Internal Audit Unit is, in accordance with Resolution 064.14 "General Standards for the Internal Auditing Unit of Banking Sector Institutions".
- For the underwriting function, the rules established by SUDEBAN are considered, as well as

Internal Auditor's Report on The Internal Control of Banesco Banco Universal, C.A.

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all the regulations in force governing the banking activity.

- The International Framework for Professional Practice (IFPPA), which establishes the principles and standards for the practice of the Internal Audit function, is used as a reference.
- Assurance is performed in the first and second line processes according to the schedule established in the Audit Plan.
- The Internal Audit Operating Plan is evaluated by the Audit Committee, which recommends its presentation to the Board of Directors for formal approval.
- Monthly reports are prepared for the Audit Committee and the Board of Directors concerning the progress in the execution of the Operating Plan and the results obtained in the completed audits.
- Continuous reporting is kept to the Comprehensive Risk Management Unit about the observations derived from the evaluation of processes and units that involve direct or indirect generation of risks, including a half-yearly report to the Risk Committee.
- Audit tests are applied for the evaluation of significant exposures and verification of the effectiveness of the Internal Control Environment. The purpose is to evaluate whether risk are adequately managed, contributing to the continuous improvement of the processes.
- Mitigation and control strategies defined by the areas responsible for the management of identified risks are followed up and each strategy im-

plemented is verified, ensuring the closure of the assurance cycle.

III. Scope and Coverage of Internal Audit Unit Management

In the second half of 2022, a total of forty-four (44) assurance evaluations were performed on business, operational and support processes, the results of which were timely reported to the responsible areas, the Audit Committee and the Board of Directors. The scope included the following:

1. General Internal Control Aspects

- Rating of the effectiveness within the internal control environment by evaluating the different factors that involve the updating, application, operation and effectiveness of the control activities included in the processes, the comprehensive risk management framework, the efficiency and productivity of the resources, and the corporate governance structure.
- Review and verification of compliance with the legal provisions that regulate the banking activity and, in particular, the provisions of the Decree with Rank, Value and Force of Law for the Partial Reform of the Banking Sector Institutions Law (LISB), other resolutions, circulars and official notices issued by SUDEBAN, including other regulations in force related to the banking activity applicable to the reviewed activities.
- Follow-up and validation of the documentation and supports that evidence the correct implementation within the established deadlines of action plans programmed by the responsible parties. The purpose is to address the internal

Internal Auditor's Report on The Internal Control of Banesco Banco Universal, C.A.

SECOND HALF 2022

control findings and observations identified therein.

- Timely attention to certifications and statements requested by SUDEBAN, other official agencies, the Audit Committee and the Board of Directors.

2. Risk Management

- Evaluation of compliance with Resolution 136.03 "Standards for Adequate Comprehensive Risk Management", including the validation of the organizational structure contemplated in the regulations, and the design of methodologies to identify, measure, control, monitor and value the Organization's risks.
- Assessment of the effectiveness of the Comprehensive Risk Management processes for closing the gaps identified in internal reviews, external audits and regulatory inspections.

3. Prevention and Control of LC/FT/FPADM

- Execution of audits planned for the period in the "Annual Evaluation and Control Program", in accordance with provisions of Resolution 083.18 Rules for the Administration and Control of Risks Related to Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction Applicable to Banking Sector Institutions", evaluating the processes of Risk Management, Regulatory Reporting and Gap Closure Management.
- Evaluation of the "Know Your Customer" Policy, by verifying the controls established for the registration of data and the creation of files of customers who open financial accounts in local and foreign currency.

4. Information Technology, Data Security and Continuity

- Validation of compliance with Resolution No. 641.10 "Rules governing the Use of Electronic Banking Services" corresponding to Circular 01907.
- Inspection to the Main Computing Center for the evaluation of the physical and logical security controls.
- Evaluation of the technological platforms of BanescOnline (BOL), BanescOnline Empresas (BOLE), Banesco Móvil and Pago Móvil.
- Inspection and evaluation of the Computing Center.

5. Credit

- Evaluation of the processes of application, analysis, documentation, settlement and control of the loan portfolio.
- Matching of the credit portfolio and Credit Cards of the Published Balance Sheet vs. the Accounting Gains.
- Validation of compliance with the mortgage collateral release process and accounting reconciliation.
- Settlement and control of stand-by guarantees in foreign currency.

6. Treasury

- Validation of the accounting records and balances of the Company's own and third parties' securities in local and foreign currency, as well as the reasonableness and accuracy of the items "Investments in Securities" and "Investments in

Internal Auditor's Report on The Internal Control of Banesco Banco Universal, C.A.

SECOND HALF 2022

Subsidiaries, Affiliates and Branches” in accordance with provisions of the Decree with Rank, Value and Force of Law for the Partial Reform of the Banking Sector Institutions Law (LISB), and the Accounting Manual for Banking Institutions issued by SUDEBAN.

- Evaluation of compliance with Resolution 136.15 “Standards for Appropriate Comprehensive Liquidity Risk Management”, including validation of the organizational structure provided for in the regulations, as well as the design and execution of liquidity risk management and administration processes”.
- Validation of the completeness and integrity of the information reported in the Transmittal Files (TA) and forms corresponding to AT09, AT10, AT11, AT33, Exchange Intervention Form, Exchange Desk Form, Foreign Currency Position Form.
- Evaluation of the application process, analysis and settlement of foreign currency bonds.

7. Available Funds

- Cash in local and foreign currency in the main vault and agencies to validate the reasonableness of the balances of the accounting records with respect to the physical cash in custody.
- Evaluation of cash management processes in local and foreign currency in agencies.

8. Collections

- Validate the conformity of balances between the accounting auxiliaries and the balances presented in the balance sheet, as well as the consistency and completeness of the transactions carried

out through the foreign currency products of the Green Account and Cash Custody.

- Evaluate the adequate accounting record of Retail and Bureau of Change Transactions carried out under the modalities of Purchase and Sale ME, and the reasonableness of the accounting auxiliaries compared with the balances presented in the balance sheet.

9. Financial Statements

- Review of the Financial Statements in accordance with the provisions of the Decree with Rank, Value and Force of Law of Institutions of the Banking Sector, in order to verify the reasonableness of the accounts that make up the financial statements and ensure that they are presented in a consistent manner and in accordance with the criteria established by the Superintendency and other prudential regulations, verifying the Bank's financial indicators that allow evaluating the economic, financial and equity situation.
- Assessment of the determination regarding the Total Equity Adequacy Ratio and the Accounting Capital Adequacy Ratio, in accordance with provisions of Resolution 004.18 “Temporary Measures to Determine the Ratio of Capital to Assets and Contingent Operations, Applying Risk-Based Weighting Criteria”.
- Monitoring of liquidity indicators and compliance with the actions contained in the Liquidity Risk Contingency Plan, in accordance with Resolution No. 20-03-01 “Rules Governing the Constitution of the Reserve Requirement” of the Central Bank of Venezuela (BCV).

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- Verification of the application of provisions contained in the Accounting Manual for Financial Institutions of SUDEBAN, in the balances that comprise the figures reported in Banesco's financial statements.
- Validation of the reasonableness of the accounts and auxiliary accounting records that compose the captions "Deposits" (211) and "Other Assets" (180).

10. Corporate Governance

- Validate compliance with policies, standards, norms and procedures associated with good corporate governance practices and verify the proper functioning of the governance bodies formally established in accordance with their regulations.
- Verification of the completeness and integrity of the information contained in the Board of Directors minutes, the voucher book and supporting submissions.
- Compliance with the provisions of Resolution 063.11 (Shareholders' Meetings).

11. Equity

- Validation of the reasonableness of the Share Capital and Capital Reserve, the Equity Adjustments and the variations due to Exchange Fluctuation.

12. Other Aspects

- Review and validation of the information contained in the Minutes of the Communications Committee and the Responsibility and Sustainability

Committee, as well as the reconciliation of the Social Balance Sheet with the auxiliary of the Social Partners.

IV. Internal Control Assessment Results

As a result of the execution of the Annual Operating Plan, and in compliance with the principles of objectivity and independence that define the Internal Audit practice, during the assurance evaluations carried out to the processes of Banesco Banco Universal, C.A., in the second half of 2022, the following was observed:

- Operational processes in accordance with the strategies and guidelines defined by Senior Management, with the necessary human, technological and material resources, and seeking their efficient use.
- Adequate decision making and a reliable and transparent disclosure of information to its Board of Directors, shareholders, employees, customers, competent authorities and the general public (all stakeholders), which requires information systems of sufficient quality, security and timeliness.
- Formal processes of identification, evaluation and monitoring of risks, to maintain effective control and reduction of losses, through adequate risk management.
- Continuous process evaluation practices to verify the functioning of controls and take corrective actions in a timely and effective manner when required.
- Compliance with the regulatory framework in force, with the internal policies and standards esta-

Internal Auditor's Report on The Internal Control of Banesco Banco Universal, C.A.

SECOND HALF 2022

blished by the Board of Directors and the Executive Management.

- Risk awareness, adequate corporate governance and continuous and timely monitoring.
- Formal procedures for ongoing monitoring of the action plans defined to correct the identified gaps and reinforce the control environment, allowing an adequate risk management.
- Timely attention to the recommendations and instructions made by the regulatory entities in their various visits and inspection, providing explanations deemed appropriate and designing action plans to normalise the abovementioned remarks.

V. Conclusion

Based on the results obtained in the execution of the Audit Plan during the second half of 2022, it is evident that the evaluated processes include policies, standards and procedures that facilitate the efficient

execution of operations, and enable a reasonable management of inherent risks, with an adequate preventive management of the relevant events.

- In view of the foregoing, it is concluded
- that Banesco Banco Universal, C.A.,
- maintains an Internal Control
- environment that is adequate to its
- characteristics and dimensions.

In addition, it is deemed necessary that the units responsible for the design, implementation, execution, follow-up and control of the business, operational and support processes, maintain and reinforce the strategies for the evaluation and continuous improvement of the Internal Control environment. This will allow the timely identification and management of emerging risks resulting from changes that may occur in the different factors of internal and external origin that affect the Organization.



Letters From The Sudeban

REGARDING PROVISIONS, OBSERVATIONS, RECOMMENDATIONS OR INITIATIVES
ON THE OPERATION OF THE INSTITUTION • 2022 SECOND HALF YEAR

SHAREHOLDER'S MEETINGS	
DATE OF RECEIPT	OFFICIAL LETTERS
8/17/2022	SIB-II-GGIBPV-GIBPV6-05651: Sudeban gives its opinion on the information submitted by the Bank on the occasion of the Special Meeting of Shareholders held on 03/28/2022.
8/17/2022	SIB-II-GGIBPV-GIBPV6-05652: Sudeban gives its opinion on the letters dated 03/29/2022 and 04/07/2022, whereby the Bank responds to Official Letter No. SIB-II-GGIBPV-GIBPV5-01636.
8/19/2022	SIB-II-GGIBPV-GIBPV6-05902: Sudeban authorizes to take the necessary steps before the corresponding Mercantile Registry Office for the registration of the Minutes of the Special Meeting of Shareholders held on 09/24/2020.
09/07/2022	SIB-II-GGIBPV-GIBPV6-06513: Sudeban gives its opinion on the Certified Minutes of the Special General Shareholders' Meeting held on 05/31/2022.
9/14/2022	SIB-DSB-OPCLC-06766: Sudeban gives its opinion on the Half-Yearly Limited Assurance Report on compliance with Resolution No. 083.18.
9/22/2022	SIB-II-GGIBPV-GIBPV6-06971: Sudeban gives its opinion on the Notice and Minutes of the Special Meeting of Shareholders to be held on 09/27/2022.
22/09/2022	SIB-II-GGIBPV-GIBPV6-06970: Sudeban gives its opinion on the requirements consigned on the occasion of the Annual General Meeting of Shareholders to be held on 09/27/2022.
03/10/2022	SIB-II-GGR-GA-07249: Sudeban gives its opinion on the request for authorization to increase the share capital and amend the Company's Bylaws, as approved at the Special Meeting of Shareholders held on 05/31/2022.
12/02/2022	SIB-II-GGIR-GSRB-08867: Sudeban submits observations to the Half-Yearly Auditors' Attestation Reports regarding compliance with Resolutions No. 136.03 "Standards for an Appropriate Comprehensive Risk Management" and 136.15 "Standards for an Appropriate Comprehensive Liquidity Risk Management of Banks", corresponding to the audited Financial Statements as of 12/31/2021.
12/02/2022	SIB-II-GGIR-GSRB-08859: Sudeban submits observations to the Half-Yearly Auditors' Attestation Reports regarding compliance with Resolutions No. 136.03 "Standards for an Appropriate Comprehensive Risk Management" and 136.15 "Standards for an Appropriate Comprehensive Liquidity Risk Management of Banks", corresponding to the audited Financial Statements as of 06/30/2022.

Letters From The Sudeban

REGARDING PROVISIONS, OBSERVATIONS, RECOMMENDATIONS OR INITIATIVES
ON THE OPERATION OF THE INSTITUTION • 2022 SECOND HALF YEAR

SHAREHOLDER'S MEETINGS	
DATE OF RECEIPT	OFFICIAL LETTERS
12/16/2022	SIB-II-GGR-GA-09306: SUDEBAN authorizes the increase of the Bank's share capital through the issuance of new shares, as agreed at the Special Meeting of Shareholders held on 05/31/2022.
12/16/2022	SIB-II-GGR-GA-09308: SUDEBAN authorizes the increase of the Bank's share capital through the issuance of new shares, as agreed at the Special Meeting of Shareholders held on 08/31/2022.
12/16/2022	SIB-II-GGR-GA-09309: SUDEBAN authorizes the increase of the Bank's share capital through the issuance of new shares, as agreed at the Annual Meeting of Shareholders held on 03/28/2022.
12/16/2022	SIB-II-GGR-GA-09305: SUDEBAN authorizes the increase of the Bank's share capital through the issuance of new shares, as agreed at the Special Meeting of Shareholders held on 02/21/2018.
12/21/2022	SIB-II-GGIBPV-GIBPV-09478: Sudeban gives its opinion in relation to the requirements submitted on the occasion of the Special Meeting of Shareholders held on 09/27/2022.
12/29/2022	SIB-DSB-OPCLC-09747: Sudeban gives its opinion on the letter dated 10/14/2022, whereby the Bank responds to Official Letter No. SIB-DSB-OPCLC-06766.

Letters From The Sudeban

REGARDING PROVISIONS, OBSERVATIONS, RECOMMENDATIONS OR INITIATIVES
ON THE OPERATION OF THE INSTITUTION • 2022 SECOND HALF YEAR

INSPECTION VISITS	
DATE OF RECEIPT	OFFICIAL LETTERS
07/08/2022	SIB-II-GGIBPV-GIBPV5-04160: Sudeban notifies the addition of new officers within the framework of the General Inspection that is being conducted at the Bank.
08/02/2022	SIB-II-CCSB-05144: Sudeban informs the officials that have been authorized to conduct the Special Inspection in matters of Banking Service Quality.
05/08/2022	SIB-II-GGIBPV-GIBPV6-05377: Sudeban notifies the addition of new officers within the framework of the General Inspection that is being conducted at the Bank.
04/10/2022	SIB-II-CCSB-07331: Sudeban requests information that will be used during the Special Inspection Visit, to be carried out at the Customer and Bank User Service Unit, and the Bank Customer and Bank User Defender.
15/12/2022	SIB-DSB-OPCLC-09296: Sudeban notifies the credentials of the Officers authorized to conduct the Special Inspection Visit on PCLC/FT/FPADM matters.

OTHERS	
DATE OF RECEIPT	OFFICIAL LETTERS
12/07/2022	SIB-DSB-CJ-PA-04379: Sudeban urges the Bank to strictly comply with Circular SIB-DSB-CJ-OD-09359, regarding security standards and procedures to prevent the commission of robberies, thefts, frauds and related crimes, as well as to provide the information requested by the Regulatory Entity within the deadlines established for such purpose.
07/08/2022	SIB-II-GGIBPV-GIBPV5-05040: Sudeban authorizes Banesco to record in the Statement of Profit and Loss the net credit balance in account 352.00 "Gain or Loss from Exchange Rate Fluctuations for holding Assets and Liabilities in Foreign Currency".
08/01/2022	SIB-II-GGR-GA-05113: Sudeban requests modifications to the "Awarded Permanent Mobile Payment Promotion".
01/08/2022	SIB-II-GGR-GA-05125: Sudeban requires further information in order to issue a pronouncement regarding the request for authorization to close the Los Niveles Agency (0073).
08/09/2022	SIB-DSB-CJ-OD-05435: Sudeban requests the Bank to provide information related to the savings plan of the employees of Ente Nacional del Gas (ENAGAS).

Letters From The Sudeban

REGARDING PROVISIONS, OBSERVATIONS, RECOMMENDATIONS OR INITIATIVES
ON THE OPERATION OF THE INSTITUTION • 2022 SECOND HALF YEAR

OTHERS	
DATE OF RECEIPT	OFFICIAL LETTERS
08/17/2022	SIB-II-CCSB-05629: Sudeban gives its opinion in relation to the Management Report on the Protection of Financial Services Users corresponding to the second half of 2021.
08/30/2022	SIB-DSB-CJ-PA-06207: Sudeban dismissed the Appeal for Reconsideration filed by the Bank against the administrative act contained in official letter SIB-II-GGR-GA-10288, whereby the closing of the Parque Caracas Agency (0224) La Candelaria was not authorized.
08/31/2022	SIB-II-CCSB-06251: Sudeban informs the aspects that will be verified in the corrective actions taken by the Bank to solve the findings obtained by the Regulatory Entity from the Special Inspection on Banking Quality and Service performed during 2021, and requests a report regarding the operability of the network of agencies and branches nationwide.
09/20/2022	SIB-II-GGIR-GRT-06871: Sudeban authorizes the execution of the upgrade of the AIX-IBM Operating System Service Pack 7.1 to 7.2 Production and Contingency, on the equipment that supports the IST Switch application.
10/03/2022	SIB-II-GGR-GA-07248: Sudeban requires further information related to the authorization requests for the closing of the following agencies: Aeropuerto Maiquetía (0797), Galerías (0980) and Ciudad Ojeda (0984).
10/05/2022	SIB-II-GGIBPV-GIBPV6-07374: Sudeban authorizes the Bank to record uncollected income in "Other recording accounts" sub-heading 819.99 and to book the income once payment is received.
10/06/2022	SIB-II-GGR-GA-07414: Sudeban gives its opinion on the general conditions regarding the financial product named "Cuenta Verde Banesco" (Banesco Green Account).
10/21/2022	SIB-II-GGR-GA-07728: Sudeban issues considerations and requires additional information on the closure of the agencies, business centers and external ticket offices mentioned in the above mentioned announcement.
10/21/2022	SIB-II-CCD-07767: Sudeban urges the bank to comply with the obligation to allocate all the resources required for the operation of the microfinance sector.
10/26/2022	SIB-DSB-OPCLC-07849: Sudeban informs the results obtained in the off-site validation conducted by the Risk Management area of the OPCLC/FT/FPADM for the Risk Subfactor "Products and Services for 2022".
10/26/2022	SIB-II-GGIBPV-GIBPV6-07855: Sudeban authorizes the revaluation of the administrative headquarters "Ciudad Banesco".
11/10/2022	SIB-II-CCD-08253: Sudeban gives its opinion on the information disclosed in the Financial Statements and Special Report at the close of the first half of the year 2022 (Single National Productive Portfolio and Microcredit Portfolio).

Letters From The Sudeban

REGARDING PROVISIONS, OBSERVATIONS, RECOMMENDATIONS OR INITIATIVES
ON THE OPERATION OF THE INSTITUTION • 2022 SECOND HALF YEAR

OTHERS	
DATE OF RECEIPT	OFFICIAL LETTERS
11/11/2022	SIB-II-CCSB-08277: Sudeban informs that no observations have been made to the Management Report corresponding to the first half of 2022, referred to Resolution 063.15 containing the "Norms related to the Protection of Users of Financial Services".
11/18/2022	SIB-DSB-OPCLC-08498: Sudeban informs the results of the Extra Situ validation performed by the Risk Management Area of the OPCLC of that Agency to the Bank's "Annual Risk Level Assessment" applicable to 2022.
11/22/2022	SIB-DSB-CJ-PA-08561: Sudeban decided to terminate the Administrative Sanctioning Proceeding for the alleged breach of Circular SIB-DSB-CJ-OD-00240, related to submitting to the Regulatory Entity thirty (30) banking business days prior to the offering of new products, instruments or services in the National Banking System, or modifications of banking products previously authorized by said Entity, the documentation indicated in the aforementioned administrative action.
12/02/2022	SIB-II-GGR-GA-08855: Sudeban authorizes the execution of the "Permanent Awarded Mobile Payment Promotion" during the remaining period of 2022.
12/05/2022	SIB-II-GGR-GA-08967: Sudeban authorizes the financial service "MoneyGram International Remittance Reception".
12/20/2022	SIB-DSB-OPCLC-09440: Sudeban has no objection to the letter dated 05/12/2022, whereby the Bank responds to Official Letter No. SIB-DSB-OPCLC-07849, regarding the "Annual Risk Assessment" prepared by the UPCLC/FT/FPADM, applicable to 2022.
21/21/2022	SIB-II-GGIR-GRT-09537: Sudeban authorizes the maneuvers: "Monthly Maintenance Plan for the Fix Application (Program Temporary Fix PTF's) and "Monthly Restart Plan for the Open2 ATM2 application" during the period January - December 2023.
22/12/2022	SIB-DSB-OPCLC-09569: Sudeban issues considerations on the occasion of the arguments presented by the Bank, in relation to the results of the Extra Situ validation conducted by the Risk Management Area to the Annual Risk Level Assessment applicable to the year 2022.
12/28/2022	SIB-II-GGIR-GRT-09736: Sudeban authorizes the Bank to carry out the maneuver called: Maintenance Window in the Mobile Payment Service (P2P), Banesco Móvil and BanescOnline for 2022.
12/28//2022	SIB-II-GGIR-GRT-09739: Sudeban authorizes the Bank to implement the "Monthly Restart Plan for the Application of Automated Teller Machines (ATMs) in the production environment from January to December 2023".

Letters From The Sudeban

REGARDING PROVISIONS, OBSERVATIONS, RECOMMENDATIONS OR INITIATIVES
ON THE OPERATION OF THE INSTITUTION • 2022 SECOND HALF YEAR

OTHERS	
DATE OF RECEIPT	CIRCULARS
08/08/2022	SIB-II-GGR-GNP-05394: Sudeban resolved to extend the period of application of the regulatory exception for the filing of Form "A" Balance Sheet for Publication, established in Chapter V "Financial Statements" of the Accounting Manual for Banking Institutions.
08/09/2022	SIB-II-GGR-GNP-05445: Sudeban amends Resolution No. 524.10, which contains the "Rules for unifying the information displayed on the screens of ATMs or electronic teller machines for use by customers and users of the banking system".
02/11/2022	SIB-II-GGR-GNP-CCD-05550: Sudeban issues Circular No. SIB-II-DSB-CJ-OD-01817 regarding the percentage that institutions must allocate to the Single National Productive Portfolio.
08/11/2022	SIB-II-GGR-GNP-05551: Sudeban informs the requirements for the granting of financing to promote and develop enterprises of natural persons.
11/08/2022	SIB-II-GGIR-GRT-GGR-GNP-05552: Sudeban instructs to comply with the guidelines on the opening of Digital Accounts and the acceptance of Electronic Contracts.
9/20/2012	SIB-II-GGR-GNP-GIDE-06859: Sudeban informs on the repeal of the Monthly Transmission of Files through the SICRI Banking Extranet.
9/27/2022	SIB-DSB-CJ-OD-07073: Sudeban informs that Sociedad Mercantil Pideyummy, S.A. is not authorized to carry out activities of the Financial Technology Institutions of the Banking Sector (ITFB), nor of the companies issuing or administering credit, debit, prepaid and other financing or electronic payment cards.
10/03/2022	SIB-DSB-CJ-OD-07266: Sudeban informs that Corporación de Servicios Integrales de Atención Telefónica (C.S.I.A.T) C.A. (Turicoin) is not authorized to carry out activities of the Financial Technology Institutions of the Banking Sector (ITFB), nor of the issuing or managing companies of credit, debit, prepaid and other financing or electronic payment cards.
05/10/2022	SIB-II-GGR-GNP-GIDE-07303: Sudeban notifies that the Technical Specifications Manual for the AT41 "Cash" Transmission File of the SIF is now available via the Banking Extranet.
05/10/2022	SIB-II-GGR-GNP-GIDE-07304: Sudeban notifies that the Technical Specifications Manual AT43 Operability of Agencies and Offices for Public Attention of the SIF is now available via the Banking Extranet.

Letters From The Sudeban

REGARDING PROVISIONS, OBSERVATIONS, RECOMMENDATIONS OR INITIATIVES
ON THE OPERATION OF THE INSTITUTION • 2022 SECOND HALF YEAR

OTHERS	
DATE OF RECEIPT	CIRCULARS
10/27/2022	SIB-DSB-CJ-CNTF-07293: Sudeban informs that it revoked the registration granted to Inversora Cabi-soavia, C.A. to operate as a Point of Sale Provider.
10/28/2022	SIB-DSB-CJ-OD-03017: Sudeban informs the calendar of national holiday for the year 2023.
11/10/2022	SIB-DSB-CJ-CNTF-07291: Sudeban informs that it revoked the registration granted to Ecotelve, C.A. to operate as a Point of Sale Provider.
11/10/2022	SIB-DSB-CJ-OD-08227: Sudeban informs the details of the account for the donation of financial resources for the support and recovery of the population of Las Tejerías.
11/11/2022	SIB-DSB-CJ-OD-08305: Sudeban instructs the Banking Institutions to refrain from participating in the "Insurance Banking" operations described in the Insurance Activity Law.
11/22/2022	SIB-II-GGR-GNP-08559: Sudeban issues Update to Circular SIB-II-GGR-GNP-12162 related to the technological adaptations necessary to identify community councils, communes and communities, with the single tax information registry with the letter "C".
11/24/2022	SIB-II-GGR-GNP-GIDE-08618: Sudeban informs the modification of the form PD-SIB-136 "Detail of liquidated credits" with its respective Instructions.
11/25/2022	SIB-DSB-CJ-OD-08697: Sudeban instructs to strictly comply with the terms stipulated in the Official Notice issued by the Authority on 03/11/2022, which establishes the maximum limits of commissions, fees and/or surcharges that may be charged for the operations and activities expressly referenced therein.
11/30/2022	SIB-DSB-CJ-OD-08773: Guidelines applicable to the Point of Sale Suppliers Registry, and to the prior authorization of changes in the shareholding composition.
12/01/2022	SIB-II-GGR-GNP-08823: Sudeban informs on the accounting treatment to be carried out by banking institutions that make donations for the support and recovery of the population of Las Tejerías.
12/02/2022	SIB-DSB-CJ-OD-08829: Sudeban suspended for a period of 90 banking days the registration of Servicios Rapidpago, C.A. as a Point of Sale Provider.

Letters From The Sudeban

REGARDING PROVISIONS, OBSERVATIONS, RECOMMENDATIONS OR INITIATIVES
ON THE OPERATION OF THE INSTITUTION • 2022 SECOND HALF YEAR

OTHERS	
DATE OF RECEIPT	CIRCULARS
12/05/2022	SIB-DSB-CJ-OD-08927: Sudeban suspended the commercialization of new Points of Sale by Ubii Pagos, C.A. for a period of 90 banking days.
12/08/2022	SIB-DSB-CJ-OD-09126: Sudeban informs about the requirements for the opening and annual update of authorized signatures of the accounts of the Educational Councils.
12/16/2022	SIB-II-GGR-GNP-09187: Sudeban informs on the payment of the contribution fee to be made by private sector banking institutions subject to the supervision and control of that Agency.
12/28/2022	SIB-II-GGIR-GSRB-GGR-GNP-09646: SUDEBAN informs that it decided to extend the deferral of compliance with the provisions of articles 24 to 31 of Resolution No. 136.15 dated November 11, 2015, containing the "Rules regarding the adequate comprehensive liquidity risk management of banks".



Relevants Information to Stakeholders



Summons

BANESCO BANCO UNIVERSAL, C.A.

SUBSCRIBED AND PAID CAPITAL
BS. 61,000,000.00

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 27, 2023, at 8:00 a.m., in the Fernando Crespo Suárez Auditorium, 3rd floor of the Ciudad Banesco Building, located in Main Avenue of Bello Monte, between Lincoln Street and Sorbona Street, 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 31, 2022.

SECOND: Discuss and decide on the allocation to be made to the profits as of December 31, 2022.

THIRD: Consider and resolve the remuneration applicable for the year 2023 of the Main Commissioner and his Alternate, appointed at the Ordinary Shareholders' Meeting held on March 28, 2022.

FOURTH: Consider and resolve on the advisability of increasing the Bank's capital stock through the decree, distribution and payment of dividends in shares.

FIFTH: In accordance with what was decided in the previous point, amend article 5 of the Bank's Bylaws, relating to share capital.

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 the Main Floor, Quadrant "B" of the "Ciudad Banesco" Building.

Caracas, March 02, 2023

RIF: J07013380-5

ANNOUNCEMENT EXTRAORDINARY 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 Extraordinary Shareholders' Meeting to take place on March 27, 2023, at 8:30 a.m., in the Fernando Crespo Suárez Auditorium, 3rd floor of the Ciudad Banesco Building, located in Main Avenue of Bello Monte, between Lincoln Street and Sorbona Street, in the City of Caracas, for the purpose of addressing the following matters:

SINGLE: Appointment of the Bank's Board of Directors.

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 the Main Floor, Quadrant "B" of the "Ciudad Banesco" Building.

Caracas, March 02, 2023

RIF: J07013380-5



Corporate Governance

BANESCO BANCO UNIVERSAL, C.A.

BanESCO Banco Universal, C.A., is a banking institution domiciled in the city of Caracas, Bolivarian Republic of Venezuela, authorized to perform all financial intermediation operations and related services, with no limitations other than those established in the Decree with Rank, Value and Force of Law of Institutions of the Banking Sector..

Organizational Structure of Banesco Banco Universal

Bodies and Mechanisms of the Corporate Governance System

The banking corporate governance structure derives from the Bank's bylaws, the Banking Sector Institutions Law, the Code of Commerce, the regulations issued by the Superintendency of Banking Sector Institutions and the decisions made by the Board of Directors, aligned with current trends in order to apply best practices.

The Bank maintains a governance structure composed of the Shareholders' Meeting, the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer, the Thematic Committees (Management and Executive), the different Executive Divisions of the Bank, as well as the Compliance Officer and the Internal Auditor.

Shareholder's Meetings

This represents the universality of shareholders and has the supreme management of the company. It is convened on an ordinary basis, within 90 days following the close of each half year, and on an extraordinary basis, at such time as the Board of Directors deems convenient to the interests of the company. It may be held at request of a group of shareholders



accounting for at least 20% of the share capital. Its acts and resolutions are binding for the Bank and all shareholders.

The Shareholders' Meeting shall have the following powers, among others: (i) Determine the number of Directors that will make up the Board of Directors; (ii) Appoint the members of the Board of Directors and fix their remuneration; (iii) Appoint the Main Commissioner and his Alternate and fix their remuneration; (iv) Discuss, approve or modify the Financial Statements submitted to it, in view of the Commissioner's report; v) To issue and amend the Company's Bylaws; vi) To decide on the early dissolution, extension, merger with another company, sale of corporate assets, change of corporate purpose, increase, reduction or reinstatement of capital stock and amendment of the Bylaws in the aforementioned matters; vii) To decide on the declaration of dividends and the form of payment thereof,

Corporate Governance

BANESCO BANCO UNIVERSAL, C.A.

in the amount, with the frequency and at the time it deems convenient, in accordance with the Law and the Bank's Bylaws; viii) To decide on the creation of reserves or special sections submitted for its consideration by the Board of Directors; ix) As well as, to know and decide on any other matter within its competence, in accordance with the Law and the Company's Bylaws.

Board of Directors

This governing body is responsible for the general management of the business and operations, including its Corporate Social Responsibility policy. The Board of Directors is made up of qualified individuals, with broad experience in different areas of the banking business, with recognized solvency and honesty. It is responsible for the definition and strategic guidance of the Organization, approves business principles and policies and regulates the autonomy of executive decisions. In addition, it monitors the Bank's operational and functional areas, evaluates and compares the business projections and results of each fiscal year compared to those of previous years.

- The appointment of the members of the
- Board of Directors of Banesco Banco
- Universal, C.A., is made in accordance
- with the Banking Institutions Law (LISB)
- and other provisions issued by the
- Superintendency of Banking Institutions
- (Sudeban) and the Bank's bylaws.

This governance body is also responsible for knowing and approving the policies for managing the various risks to which the Organization is subject, including economic, environmental and social risks, after reviewing the reports and analyses carried out by the Risk Unit and the Risk Steering Committee.

Chairman of the Board of Directors

The Chairman of the Board of Directors exercises the broadest legal representation of the Bank before all authorities and any other public or private persons or entities. Said official presides over the deliberations held by the Board of Directors. Absences of the President shall be covered by the Vice-President of the Board of Directors.

Chief Executive Officer

This official is appointed by the Board of Directors and is responsible for the daily management and operation of the Bank and its internal services, and must report periodically to the Board of Directors on the financial situation of the Company and the results of its operations. Additionally, such official must comply with and perform such other duties as may be assigned by the Board of Directors.

General Manager

It is the executive body reporting to the Executive Presidency that accompanies it in the management, supervision and integral operation of the Bank.

Executive Committee

This is the executive body responsible for ensuring compliance with the policies, strategies, standards,

Corporate Governance

BANESCO BANCO UNIVERSAL, C.A.

procedures and guidelines established and approved by the Board of Directors. In addition, it operates by delegation from this authority. The Committee is responsible for ensuring the correct execution of the Bank's goals; the approval of the most relevant issues related to the administration of movable and immovable assets; the follow-up and control of business plans and their financial results; the approval of new products, services and channels and improvements in their functionalities, seeking continuous improvement of processes; the definition of policies for the prevention of financial crimes, information security and business continuity. Likewise, the necessary actions must be taken by this official in order to promote the corporate culture and identity and define strategies for the development of the Brand under a scheme of responsibility and sustainability.

Compliance Officer

This is an official that reports to dedicated the Board of Directors exclusively to the prevention and control of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction (ML/FT/FT/FPADM), in charge of the supervision and control of the ML/FT/FT/FPADM Prevention and Control Unit. The main functions of this official are the following: a) Promote and supervise the compliance with the policies, procedures, provisions and controls related to the Prevention and Control of Money Laundering and Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction, as approved by the Board of Directors of the Regulated Entity; b) Design together with the Unit for the Prevention and Control of ML/FT/FPADM the Annual Operating Plan; c) Submit annual and quarterly reports to the



Board of Directors of the Bank, which among other aspects contain the progress of the Annual Operational Plan, the Annual Training Program on ML/FT/FPADM Prevention and Control, its recommendations for the improvement of the adopted procedures; d) Send to the National Financial Intelligence Unit (UNIF) the Suspicious Activity Reports deemed necessary, as well as the answers to the requests for information related to the matter that this and other competent authorities require, within the terms established by the laws and communications requesting information; e) 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 LCFT/FPADM; f) Develop communication strategies aimed at informing and raising awareness among customers and employees on issues related to the subject matter, among others.

Corporate Governance

BANESCO BANCO UNIVERSAL, C.A.

Internal Auditor

This officer is responsible for ensuring that the Bank's operations and procedures adhere to the Law, prudential regulations, the Institution's internal process manuals and the accounting principles approved by the Superintendency of Banking Sector Institutions. Additionally, this official is in charge of overseeing the proper functioning of the internal control systems; ensuring compliance with the resolutions of the Annual General Meeting of Shareholders, the Board of Directors and the Superintendency of Banking Institutions; signing the financial statements, jointly with the legal representative and the general accountant; internally coordinating the analysis of the Institution's different operations and, acting jointly with the Audit Committee, reporting to the Board of Directors on the results of the different audits performed in order to improve the processes and be able to correct any breach that may arise. The responsibilities are established in the Decree with Rank, Value and Force of Law of Institutions of the Banking Sector and other provisions of sub-legal rank issued by the authority.

Thematic Directive Committees

These are the bodies supporting the exercise of the responsibilities of the Board of Directors. Their purpose is to promote compliance with corporate policies and the transparency of the business managed by management.

Liabilities and Assets Committee

This body is directly responsible for the management of market and liquidity risks (price, interest and exchange rate) together with capital adequacy.

It periodically analyzes the degree of exposure to risks and defines short and medium-term financial strategies for 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 compliance with the goals set forth in the financial planning.

Audit Committee

The Audit Committee is responsible for monitoring the efficiency of the Internal Control System based on the results obtained in internal and external audits, reporting and giving opinions on the reports, audits and inspections carried out and verifying that the observations made have been resolved.

- The information provided by the Audit
- Committee promotes the internal
- control culture in the Organization
- and contributes to improving the
- management and efficiency of
- operations, as well as strengthening
- policies, standards and procedures
- in line with the current regulatory
- framework.

The Audit Committee is derived from the Bank's Bylaws, the Banking Sector Institutions Law, and the Regulations issued by the Superintendency of Banking Institutions (Sudeban). Its structure complies with current regulations and international best practices, allowing for transparent management based on the highest professional and ethical princi-

Corporate Governance

BANESCO BANCO UNIVERSAL, C.A.

ples that frame the relationship with shareholders, clients, employees and other stakeholders of the Institution.

Central Credit Committee

The objective of this committee covers the following aspects:

- Decide on credit applications submitted thereto, according to the levels of autonomy authorized by the Board of Directors, pursuant to the applicable regulations in this matter.
- Resolve on credit applications, approval and release of credit guarantees.
- Resolve on proposals for renegotiations regarding any terms and conditions of approved credits. The renegotiation includes, but is not limited to, modifications to approved conditions regarding: payment terms, interest rates, extensions for loan amortization, substitution, addition or release of guarantees and any other aspect related to the loans approved by this committee. Additionally, a monthly report of credit approvals, according to the levels of autonomy, is presented to the Board of Directors.

Designation and Remuneration Committee

This is a supporting body for the management of the Board of Directors and is responsible for advising on the selection, appointment and remuneration of its members, apart from developing the strategic management approach to executive human talent, in

terms of compensation, development and succession.

Risk Committee

Its main function is to manage, identify, measure and mitigate the risks to which the Bank is exposed, through a system that includes objectives, policies, procedures, risk identification, measurement, valuation and monitoring capabilities, which support the Board of Directors in strategic planning and reasonably ensure the achievement of its objectives.

Technology Committee

Its main function is to ensure that technological 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 area of technology.

Projects and Investment Committee

Its main objective is to manage the Bank's comprehensive process of projects and investments and procurement, from the formation of the portfolio to the completion of the projects, ensuring the strategic direction, execution and the promise of value of the investment portfolio, as well as the formulation of the budget to the contracting of goods and services, ensuring the efficiency levels of spending, as well as the selection of the best option offered in the market, in order to achieve the objectives of the Organization.

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HALF FINISHED AT DECEMBER 31, 2022 • CARACAS, MARCH 03, 2023

To the Shareholders and Board of Directors of Banesco Banco Universal, C.A.:

In our capacity as Commissioners, appointed at the Annual General Meeting of Shareholders, held on March 27, 2022, in accordance with provisions of the Bylaws of the Institution, the Interprofessional Rules for the exercise of the Commissioner's function and pursuant to provisions of Sections 287, 309 and 311 of the Code of Commerce, we hereby inform that we have audited the Financial Status Statement, as of December 31, 2022, and the related Statements on Income and Application of Net Income, Changes in Shareholders' Equity and Cash Flows for the six-month period then ended. These are attached to the report drafted by the Independent Auditors Lara, Marambio & Asociados (Members of Deloitte), issued on February 28, 2023, which should be considered as essentially part of this report for all corresponding purposes.

Banking Management and Corporate Governance Responsibilities concerning the financial statements

The Management of Banesco Banco Universal, C.A., is responsible for the preparation and fair presentation of these financial statements, in accordance with accounting standards and instructions issued by the Superintendency of Banking Institutions (SUDEBAN). It is also in charge of the internal control as the management determines necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error.

When preparing the financial statements, the Bank's management is responsible for assessing its ability

to continue as on-going business, disclosing, as appropriate, matters related to the business and using the basis of accounting applicable to a business in going concern, unless management intends to liquidate the Bank or cease operations, or otherwise there is no realistic alternative.

The officers in charge of corporate governance are responsible for overseeing the Bank's financial reporting process.

Accounting base

Banesco Banco Universal, C.A., presents its financial statements based on accounting standards established by the Superintendency of Banking Institutions (SUDEBAN), which differ in some aspects from the Generally Accepted Accounting Principles, as explained in Note 2 to the Financial Statements of the Independent Auditor's Report. The statements hereto attached to the Independent Auditors' report were prepared by the Bank's management for complying with the standards and practices established by the Superintendency and not for being presented as per the Venezuelan Generally Accepted Accounting Principles (VEN-NIF GE).

Responsibility of the Independent's Auditors concerning the Financial Statements Audit

The independent auditors' responsibility is to express an opinion regarding these financial and statements on the basis of their audits. They conducted their audits in accordance with International Standards on Auditing. These norms require that they fulfill ethical requirements, that they plan and execute their evaluations in order to obtain a reasonable basis to consider that these financial

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statements are free of significant mistakes. In addition, procedures to obtain evidence related to the amounts and disclosures in the financial statements were also included.

The selected procedures depend on the auditor's judgment, including the assessment of risks regarding the material mistake of the financial statements due to fraud or error. When assessing, the auditor considers the significant internal controls used by Banesco Banco Universal, C.A., for the preparation and presentation of reliable financial statements to design appropriate audit procedures in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes: evaluating the use of accounting policies and the reasonableness of accounting estimates applied by the management, and assessing the overall presentation of the financial statements. The independent auditors believe that the audit evidence obtained during their review is sufficient and suitable and provides a reasonable basis for their opinion.

Commissioner's Responsibility

Based on our review, our responsibility is to issue a recommendation on the approval of these financial statements. We conducted our audit to the extent we considered necessary, which is substantially less than the scope of an audit conducted in accordance with International Standards on Auditing. This is aiming at expressing an opinion on the basic financial statements as a whole. Our work has covered the financial operations contained in the Financial Statements upon consideration of the Meeting.

For instance: Financial Status Statement as of December 31, 2022, Income Statement, Statement of Changes in Shareholders' Equity and Cash Flow for the period ending on the same date. Furthermore, the review of the minutes regarding the meetings of the Board of Directors and the Risk Committee, the Internal Audit Committee, Internal Audit Reports and the analysis of the Prevention and Control of Money Laundering and Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction was also included, as well as the correspondence received and sent to and from SU-DEBAN. It should be noted that the judgments and opinions expressed herein related to the financial position of Banesco Banco Universal C.A., as of December 31, 2021, are mainly based on the revision made by Lara, Marambio & Asociados (Deloitte Members). They are independent auditors of the Bank for the same period, while the reports were issued on February 28, 2023, and must be considered an integral part of this report, namely:

- I. Financial Statements for the six months period ended December 31 and June 30, 2022.
- II. Special Report for the half year ended December 31, 2022.
- III. Combined Financial Statements of the Trusts concerning the half-year ended December 31 and June 30, 2022.
- IV. Half-Yearly Independent Auditors' Assurance Report on Compliance with Resolution No. 136.15, issued by the Superintendency of Banking Institutions as of December 31, 2022.

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- V. Half-Yearly Independent Auditors' Assurance Report on Compliance with Resolution No. 136.03, issued by the Superintendency of Banking Institutions as of December 31, 2022.
- VI. Report on Convened Procedures concerning Non-Financial Information as of December 31, 2022.
- VII. Half-Yearly Independent Auditors' Assurance Report on Compliance with Resolution No. 038.18, issued by the Superintendency of Banking Institutions as of December 31, 2022.
- VIII. Memorandum on Remarks and Recommendations for the half-year tended on December 31, 2022.

In addition, the judgments and opinions expressed in this report are based on the following documents:

- I. 2022 Fourth Quarter Compliance Officer Management Report.
- II. 2022 Annual Management Report Compliance Officer.
- III. Other remarks regarding the report of the Banking Client and User's Defender of Banesco Banco Universal, C.A., as of December 31, 2022.

Recommendation

Based on our review and the opinion of the Independent Auditors, Lara, Marambio & Asociados (Members Deloitte), the Financial Statements in question present fairly, in all material respects, the financial status of Banesco Banco Universal, C.A., at the clo-

sing of December 31, 2022. The results of its operations, the movement in the equity accounts and the cash flow for the half year then ended, in conformity with the Generally Accepted Accounting Principles established by SUDEBAN for the Venezuelan banking system, which allows us to recommend their approval.

Emphasized Paragraph

- As indicated in Note 2 of the Independent Auditors' report, it is stated that the Bank, as a financial institution of the Venezuelan banking sector, prepares its financial statements based on the accounting standards and instructions established by the Superintendency of Banking Institutions. These standards differ in some aspects from the Venezuelan Generally Accepted Accounting Principles (VEN-NIF-GE).
- As indicated in Note 3 to the financial statements attached hereto, the institutions of the Venezuelan sector must maintain a minimum legal reserve on net obligations as established by the Venezuelan Central Bank (BCV), which may affect the Bank's financial intermediation process.

Other Issues to be reported

The Bank maintains control mechanisms to monitor the compliance with article 307 of the Mercantile Code. The Bank does not declare or pay dividends to shareholders, but only on liquid and collected profits.

Reserves, Provisions and Bylaw Items are reasonable and meet provisions of the regulations governing

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such matters. Therefore, directors have complied with the duties conferred upon them by the Law, the Articles of Incorporation-Bylaws and the Legal System 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 Banks and Other Financial Institutions, currently the Superintendency of Banking Institutions (SUDEBAN), as established in Circular No. HSB-200-5355, dated September 13, 1984.

During the reporting period, we did not receive any complaints from any shareholder, nor were we informed by any of them, of the existence of circumstances, which, in our opinion, weaken or have the potential to undermine the financial condition of the Institution.

As part of our evaluation, we reviewed the communications received and sent to and from SUDEBAN during the half-year ended December 31, 2022. In this regard, we highlight the following:

1. Letter No. SIB-II-GGIBPV-GIBPV5-07353, dated July 08, 2022, sent to Sudeban, regarding the remittance of the accounting vouchers (transitory and definitive) for the payment to the BCV of the daily financial cost applied to the reserve requirement deficit (COFIDE), showing the recording of the daily and accumulated expense for the month, generated by the referred payment. In addition, the auxiliary document issued by the Bank's system with the detail of the monthly accounting movements (opening balance, debits, credits and closing balance) of the sub-account related to the affected expense (Close as of June 2022).
2. Letter No. SIB-II-GGR-GNP-03578, dated July 11, 2022, sent to Sudeban, whereby the Bank requests Sudeban's authorization to record the amount of Bs. 74.39 million in the Statement of Profit and Loss against the net credit balance of account 352.00 maintained at the end of the six-month period.
3. Notification sent to Sudeban, in response to Official Letter No. SIB-II-GGIBPV-GIBPV5- 02735, dated August 09, 2022, whereby Sudeban authorizes the creation of the provision for interest accrued and to be accrued on securities issued by PDVSA against the balance maintained at June 30, 2019 in heading 352.00, and also allows the recording of accruals in sub-heading 819.99, starting with the coupon maturing on April 12, 2020. (Close as of June 2022).
4. Official Letter No. SIB-II-GGIBPV-GIBPV6-05902, dated August 19, 2022, received from SUDEBAN, whereby the Bank is authorized to carry out the formalities at the corresponding Mercantile Registry Office, for the registration of the Minutes of the Special Shareholders' Meeting held on September 24, 2020.
5. Official Letter received from BCV No. VOI-GOC-2022-070, dated September 14, 2022, whereby the BCV authorizes the international remittance service to be implemented in partnership with MoneyGram International Inc.
6. Circular received from SUDEBAN No. SIB-DSB-CJ-OD-07073, dated September 27, 2022, whe-

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reby Sudeban informs that Sociedad Mercantil Pideyummy, S.A., RIF J-50019455-2, is unauthorized to undertake activities of the Financial Technology Institutions of the Banking Sector (ITFB), or of the companies issuing or administering credit, debit, prepaid and other financing or electronic payment cards.

7. Circular No. SIB-DSB-CJ-OD-07266, dated October 03, 2022, received from SUDEBAN, whereby Sudeban informs that Corporación de Servicios Integrales de Atención Telefónica (C.S.I.A.T) C.A. (Turicoín), Registry No. J-41087255-1, is unauthorized to carry out activities of the Financial Technology Institutions of the Banking Sector (ITFB).
8. Circular No. SIB-DSB-CJ-CNTF-07291, dated November 10, 2022, whereby Sudeban revoked the registration granted to Ecotelve, C.A., to operate as a Point of Sale Provider.
9. Official No. SIB-DSB-OPCLC-09747, dated December 29, 2022, whereby Sudeban renders its opinion with respect to the observations of the requirements set forth on the occasion of the Annual General Meeting of Shareholders held on September 27, 2022.

During the half year ended December 31, 2022, the following general shareholders' meetings were held:

GENERAL MEETING OF SHAREHOLDERS	NOTES	DATE
Ordinary	1	September 27, 2022
Extraordinary	2	September 27, 2022

1. Discussed Items: First: Considering and resolving, based on the Board of Directors and Commissioners' Report, the approval of the Financial Statements audited by Independent Public Accountants, corresponding to the half-yearly fiscal ended June 30, 2022. **Second:** Considering and resolving on the use to be made of the profits as of June 30, 2022. Third: Appointment of the Bank's External Auditor.

2. Single Paragraph: Appointment of members of the Board of Directors.

We attended the Annual General and Special Shareholders' Meeting held on September 27, 2022, in our capacity as Main and Alternate Commissioner.

During the half-year ended December 31, 2022, the following Board of Directors' Meetings were held:

BOARD OF DIRECTORS MEETING MINUTES	NOTES	DATE
1,513	1	July 08, 2022
1,514	2	July 27, 2022
1,515	3	August 31, 2022
1,516	4	September 28, 2022
1,517	5	October 26, 2022
1,518	6	November 24, 2022
1,519	7	December 20, 2022

1. Discussed Items: 1. Quorum verification; 2. Reading and approval of the Minutes No. 1,512, dated June 28, 2022; 3. Balance and Financial Management.

2. Discussed Items: 1. Quorum verification; 2. Reading and approval of the Minutes No. 1,513,

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dated July 08; 2022; 3. Economic and financial environment; 4. Commitments monitoring; 5. Balanced Scorecard (BSC) and Investment Portfolio; 6. Monitoring of Economic Capital and Associated Key Risk Indicators; 7. Risk Assessment Framework (RAF); 8. Operations exceeding 5% of equity; 9. Compliance Officer's Management Report for the second quarter of the Unit of the Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction; 10. Risk Analysis of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction regarding compliance with Circular No. SIB-DSB-OPCLC-00158; 11. Appointment of Duties and Functions of the Compliance Officer to the Executive Manager attached to the Unit for the Prevention of Money Laundering, Financing of Terrorism and of Proliferation of Weapons of Mass Destruction; 12. Internal Audit Policies and Internal Auditor's Code of Ethics; 13. Official Letters Report; 14. Revocation and Granting of Power of Attorney; 15. General Conditions of the Awarded Retail Ticket Program; 16. Report of the Thematic Committees.

3. Discussed Items: 1. Quorum verification; 2. Reading and approval of the Minutes No. 1,514, dated July 27, 2022; 3. Economic and financial environment; 4. Commitments monitoring; 5. Corporate Balanced Scorecard Follow-Up (BSC); 6. Financial Management Report; 7. Proposed Credit Write-off; 8. Operations exceeding 5% of equity; 9. Update to the Service Quality Policy Manual for Client and User Service; 10. Update on the Creation of the Alignment Table for the Prevention and Control of ML/TF/TFATF/ATF/

MFATF; 11. Half-yearly Internal Audit Reports on Internal Control and Prevention and Control of ML/TF/TFATF/MFATF, corresponding to the First Half of 2022; 12. Audited Financial Statements for the First Half of 2022; 13. Report of the Client and Bank User Defender; 14. Shareholders' Meeting September 2022; 15. Official Letters Report; 16. Report of the Thematic Committees; 17. Tax autonomy proposal for the second half of 2022; 18. Granting of Power of Attorney; 19. Others.

4. Discussed Items: 1. Quorum verification; 2. Reading and approval of the Minutes No. 1,516, August 31, 2022; 3. Economic and financial environment; 4. Commitments monitoring; 5. Corporate Balanced Scorecard Follow-Up (BSC); 6. Financial Management Report; 7. Operations exceeding 5% of equity; 8. Policies for remote work modality (Teleworking); 9. Appointment of Employees Responsible for the Compliance of the Commercial Network Centralized Areas; 10. Official Letters Report; 11. Report of the Thematic Committees; 12. Proposal of the Creation of Governing Bodies; 13. Updating of Signatures-Central Bank of Venezuela (BCV).

5. Discussed Items: 1. Quorum verification; 2. Reading and approval of the Minutes No. 1,516, dated September 28, 2022; 3. Economic and financial environment; 4. Commitments monitoring; 5. Corporate Balanced Scorecard Follow-Up (BSC); 6. Trading Partner Scheme; 7. Financial Management Report; 8. Operations exceeding 5% of equity; 9. 2022 Third Quarter Compliance Officer's Management Report; 10. Adjustment of the Annual Training Program PCLC/FT/FPADM 2022; 11. Official Letters Report; 12. Report of

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the Thematic Committees; 13. Proposal to Update the Creation of the Governing Bodies; 14. Updating of Authorized Signatures for the management of Bank Accounts; 15. Update of the Trust Committee Formation.

6. Discussed Items: 1. Quorum verification; 2. Reading and approval of the Minutes No. 1,517 dated October 26, 2022; 3. Economic and financial environment; 4. Commitments monitoring; 5. Corporate Balanced Scorecard Follow-Up (BSC); 6. Financial Management Report; 7. Proposed Write-offs to Other Assets; 8. Updating of the Policies, Standards and Procedures Manuals; 9. Advances New Core Cards; 10. Operations exceeding 5% of equity; 11. Annual Operating Plan, Annual Training Program and 2023 Budgetary Item of the Unit for the Prevention and Control of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction; 12. Adjustment of the Annual Training Program PCLC/FT/FPADM 2022; 13. PCLC/FT/FPADM Unit Structure Update; 14. Official Letters Report; 15. Report of the Thematic Committees; 16. Granting of Power of Attorney.

7. Discussed Items: 1. Quorum verification; 2. Reading and approval of the Minutes No. 1,518, November 24, 2022; 3. Economic and financial environment; 4. Corporate Balanced Scorecard Follow-Up (BSC); 5. Financial Management Report; 6. Risk training for members of the Board of Directors; 7. Annual Risk Assessment of Money Laundering, Terrorist Financing and Weapons of Mass Destruction Proliferation Financing Risk

Assessment 2022-2023; 8. Update of the Information Security Policy Manual; 9. Advances of the "New Card Core" Portfolio; 10. Operations exceeding 5% of equity; 11. Adjustments to the PCLC/FT/FPADAM Alignment Table Structure; 12. Report of the Thematic Committees; 13. Stock Dividend Payment.

Review on Financial Statements as of December 31, 2022

Based on the evaluation made by the Independent Auditors, to the Bank's Financial Statements as of December 31, 2022, we consider mentioning the following aspects:

Available Funds

Legal Reserve

The Central Bank of Venezuela issued Resolution No. 21-01-01, dated January 7, 2021, and published in Official Gazette No. 42,050 dated January 19, 2021, which established that banks must maintain a minimum reserve equal to 85% of the total amount of net obligations in local currency, as well as 31% of the total of such Net Obligations in foreign currency. Furthermore, banks, with a reserve requirement deficit, must pay a financial cost calculated daily by said institution, which includes an annual interest rate of nine (9) percentage points to the Central Bank of Venezuela, in addition to the rate set by the BCV in its ordinary discount, rediscount and advance operations.

Subsequently, the BCV issued Resolution No. 22-01-01 dated January 27, 2022, published in Official Gazette No. 42,312, dated February 4, 2022, which

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established that banks must maintain a minimum reserve requirement of 73% of the total amount of Net Obligations in local currency and 31% of the total amount of Net Obligations in foreign currency, repealing Resolution No. 21-12-01 dated December 15, 2021. This instrument establishes that banks having a reserve requirement deficit must pay a financial cost calculated on a daily basis by said entity to the BCV.

As of December 31, 2022, the balance of the “Banco Central de Venezuela” heading includes Bs. 1.66 billion, corresponding to the balance of the legal reserve in local currency.

In addition, during the second half of 2022, the Bank recorded Bs. 18.48 million, in the “Miscellaneous operating expenses” heading, for the financial cost of the deficit balances in the legal reserve operations in accordance with the regulations in force.

Foreign Exchange Operations

Pursuant to provisions contained in the Exchange Agreement No. 1, universal and microfinance banks governed by the Decree with Rank, Value and Force of Law of Institutions of the Banking Sector may receive funds in foreign currency.

Moreover, Resolution No. 19-09-03, dated September 5, 2019, issued by the BCV and published in Official Gazette No. 41,742, dated October 21, 2019, indicates that this body may automatically carry out foreign currency sale transactions with universal and microfinance banks by debiting the single account held by the banking institutions at

BCV for the amount in bolivars equivalent to the foreign exchange transaction that has been executed. Likewise, the total foreign currency position sold to banks shall be applied to the purchase/sale operations of foreign currencies integrated to the Exchange Market System. These operations shall be directly addressed to their private sector clients, except for those integrated to the banking sectors and the stock market, at the exchange rate applied by the Central Bank of Venezuela for the exchange intervention, which may be equal or lower than the exchange rate set forth in article 9 of the Exchange Agreement No. 1.

- According to the Independent Auditors' Report, as of December 31, 2022, the Bank maintains a balance of Bs. 520.27 million (US\$ 29.82 million) for foreign exchange intervention. It also maintains Bs. 1.56 million in the “Cash” heading for retail operations.

Moreover, in accordance with current regulations and provisions of the Accounting Manual for Banks, the exchange fluctuation generated by these transactions will be recorded in the “Gain or loss on exchange fluctuations from holding and selling foreign currency under the Free Convertibility Exchange Market System” under the “Adjustments to shareholders' equity” heading. Besides, as of December 31, 2022, the Bank has recorded Bs. 606.45 million, as a result of net losses arising from the fluctuation of the official exchange rate.

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Immediate Collection Effects

As of December 31, 2022, the Bank maintains Bs. 1.19 million in the "Immediate Collection Effects" heading, corresponding to clearing house operations charged to the Central Bank of Venezuela. These operations were regularized within the first days of January 2023.

Provisions for Available Funds

According to the Independent Auditors' Report as of December 31, 2022, the Bank maintains a provision for cash and cash equivalents of Bs. 99,100, corresponding to some impaired cash in foreign currency. Additionally, the sum of Bs. 266 is maintained and corresponds to items in reconciliation with cash depositaries.



Foto: Freepik.es

Bonds Investment

Investment in Bonds Available for Sale

According to this Report, as of December 31, 2022, the Bank did not reclassify available-for-sale investments to trading or held-to-maturity investments.

During the second half of 2022, sales of available-for-sale securities generated gains of Bs. 474, recorded in the "Gain on sale of available-for-sale investments" heading. In addition, the Bank recognized Bs. 474 in the "Loss on sale of available-for-sale investments" heading for the sale of bonds.

Investment in Bonds kept Until Maturity

For foreign currency bonds, the Bank discloses the acquisition cost and the amortization of the premium or discount using the official exchange rate for the purchase in effect at the end of the period. The amortization of the acquisition cost is equal to the difference between the book value and the acquisition cost. During the second half of 2022, the Bank recorded Bs. 5.31 million in the "Other operating income" heading for the amortization of discounts on investments in bonds held to maturity.

Investment in Restricted Available Funds

According to the Independent Auditors' Report as of December 31, 2022, the Bank maintains license agreements on the use of the Visa International Service Association and Mastercard International Incorporated trademarks for the non-exclusive and non-transferable use of Visa and Mastercard credit cards. These contracts establish the obligation to

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maintain demand or time deposits in foreign financial institutions as a guarantee for these collateral transactions. As of December 31, 2022, the Bank holds in JP Morgan Chase Bank and PNC Financial Services Group, Inc Bs. 202.24 million (US\$ 11.59 million) for this item.

At December 31, 2022, the restricted investment held with American Express includes US\$ 350,000, equivalent to Bs. 6.10 million, corresponding to a demand deposit pledged as collateral for the non-exclusive and non-transferable use of AMEX credit cards.

Loan Portfolio

Based on this Report and the provisions of the Superintendency of Banking Institutions, as of December 31, 2022, the Bank maintains a general allowance for the loan portfolio of Bs. 21.02 million equivalent to 1% of the principal balance of the loan portfolio, except for the balance of the microloan portfolio, for which the Bank maintains a general allowance of 2%. Moreover, the Bank, according to its own risk estimates, maintains voluntary generic provisions of Bs. 7.33 million, for possible losses that may occur in the loan portfolio according to its behavior.

Additionally, as of December 31, 2022, the Bank maintains a countercyclical provision of Bs. 15.01 million, equal to 0.75% of the gross loan portfolio, according to Resolution No. 146.13, dated September 10, 2013, issued by SUDEBAN.

As of December 31, the immobilization of the loan portfolio amounted to Bs. 72,066, represented by past-due loans and loans in litigation, as established by the Superintendency of Banking Institutions. The total immobilized portfolio accounts for approximately 0.0036% of the gross loan portfolio and 0.0036% of the Bank's total equity.

By this date, the coverage margin of the total allowance for loan portfolio in relation to the immobilized portfolio is 61.098%, complying with the requirements established by SUDEBAN.

Commercial Loans subject to measures established by the BCV and the Single Productive Portfolio

According to Resolution No. 22-03-01, issued by the Central Bank of Venezuela, published in Official Gazette No. 42,341, dated March 21, 2022, all loans will be expressed in Units of Credit Value (UCV), which is the result of dividing the amount in bolivars to be settled of the loan granted by the Investment Index in effect on that date, which will be determined by the BCV based on the variation of the market reference exchange rate; excluding those active operations related to loans to employees and directors of banking entities.

As of December 31, 2022, the Bank maintains Bs. 474.88 million, for productive loans measured in UCV, which include variations for Bs. 279.65 million. Moreover, Bs. 1.43 billion in commercial loans subject to the measures established by the Central Bank of Venezuela, including Bs. 101.38 million corresponding to microcredits.

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The Bank maintains as of this date Bs. 579.62 million corresponding to changes in trade receivables recognized in the "Adjustments to shareholders' equity" group, net of provisions related to changes in the loan portfolio.

Regulating Portfolio

According to the Independent Auditors' Report, during the second half of 2022, the Bank granted 31 loans, with a balance of Bs. 474.88 million as a single national productive portfolio. In addition, it has 19 individual debtors with credits for this item as of December 31, 2022.

Moreover, during the second half of 2022, the Bank granted 691 loans, with a balance of Bs. 101.38 million in microcredits. In addition, there are 670 individual debtors with loans for this item.

Interest and Receivable Commissions

Based on the content of the Independent Auditors' Report, dated May 22, 2020, the Superintendency of Banking Institutions, through Official Letter No. SIB-II-GGIBPV-GIBPV5-02735, authorized Banesco to record in the "Other recording accounts" sub-heading the accrual of the yields receivable related to the securities issued by Petróleos de Venezuela, S.A., beginning with the coupon that matured on April 12, 2020, and to record the income once the coupons are paid upon receipt of the coupons. In this regard, as of December 31, 2022 the Bank has recorded in memorandum accounts Bs. 12.52 million for yields receivable from investments in securities.

Investments in Subsidiaries and Branches

According to the Independent Auditor's Report as of December 31, 2022, the Bank recognized Bs. 941,569 in the "Other operating income" heading for equity participation of subsidiaries and affiliated companies. Moreover, the Bank recognized Bs. 684,275 in the "Other operating income" heading for equity participation of subsidiaries and affiliated companies and also recorded net equity participation on the investments held with its subsidiaries and affiliates for Bs. 128,647 in the "Restricted surplus" heading.

Property and Equipment

Based on the Independent Auditors' Report as of December 31, 2022, in accordance with Resolutions No. 025.17 and No. 101.17 regarding the "Rules on the application of the revaluation of assets in Banking Institutions" and "Rules on the application of the second phase of revaluation of assets in banking institutions", and prior authorization of the Superintendency of Banking Institutions, the Bank has recorded Bs. 240 million, as a result of the revaluations of buildings and facilities carried out during 2017, 2019 and 2022. Likewise, during the second half of 2022, the Bank recorded Bs. 1.15 million in the "Depreciation and devaluation of property, plant and equipment" heading, for the depreciation of revalued assets.

Capitalizations were also made from the "Construction in progress" to the "Buildings and facilities" heading for Bs. 4.04 million during this period of time corresponding to the remodeling completed in the agencies, in order to adapt the areas to improve customer service.

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Other Assets

According to the Independent Auditors' Report, during the second half of 2022 the "Other deferred expenses" heading consists of Bs. 81.10 million corresponding to technological projects and Bs. 2.81 million for donations of financial resources for the support and recovery of Las Tejerías population. In addition, as of December 31, 2022, deferred expenses include Bs. 52.37 million corresponding to the acquisition of computer licenses.

As of December 31, 2022, the "Advances to suppliers" heading, amounting to Bs. 300.43 million, is mainly comprised of advances granted to suppliers for the acquisition of office supplies, computer equipment, services, equipment and technological supplies, software and licenses.

Prepaid expenses" heading includes mainly Bs. 90.90 million related to expenses for preventive and corrective maintenance of the Bank's systems equipment. This includes Bs. 5.36 million corresponding to various risk policies held by the Bank during the same period of time. For the second half of 2022, fees for contracted services amounting to Bs. 4.54 million, and agency leases amounting to Bs. 3.02 million are included.

As of December 31, 2022, the Bank maintains security deposits mainly for the purchase and sale of technology equipment amounting to Bs. 75.91 million (US\$ 4.35 million).

In addition, Bs. 53.72 million corresponds to immediate transfers made through the payment systems of the Electronic Clearing House. These items were

regularized on the first business day of January 2023.

Public Deposits Collection

According to the Independent Auditors' Report as of December 31, 2022, deposits from the public include Bs. 215.05 million, which come from official entities, equivalent to 4.96% of total deposits from the public.

As of December 31, 2022, in Official Gazette No. 42,341 dated March 21, 2022, the Central Bank of Venezuela published Resolution No. 22-03-01, whereby the interest rates for savings deposits may not be lower than 32%. In addition, the interest rates for time deposits may not be lower than 36%.

During the second half of 2022, public deposits generated interest expenses of Bs. 49.32 recorded under the "Financial expenses" item.

Accruals and Other Liabilities

According to the Independent Auditors' Report as of December 31, 2022, the "Other payables" heading includes mainly Bs. 127.27 million corresponding to settlements resulting from debit and credit card transactions processed by the Bank's points of sale in commercial establishments and Bs. 115.01 million, for services rendered to customers for payments to suppliers, payroll, direct debits and transfers, through electronic channels. These items were regularized on the first business day of January 2023. This also includes Bs. 454.27 million (US\$ 26.03 million), for obligations held with individuals and legal entities, as a result of brokerage and cus-

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tody operations of securities in the secondary market and interest due on securities owned by its customers.

“Other items to be applied” mainly include Bs. 41.35 million for the collection of taxes, which were paid during the first days of January 2023.

As of December 31, 2022, the “Provisions for taxes” heading includes mainly Bs. 35.61 million for income tax provision. Also, as of December 31, 2022, Bs. 13.42 million of tax on economic activities are included.

Income Tax

According to the Independent Auditors' Report as of December 31, 2022, the Bank maintains a book provision for income tax of Bs. 35.61 million, based on the fiscal year ended December 31, 2022.

In accordance with the tax legislation in force, the Bank may carry forward operating tax losses for up to three (3) years subsequent to the fiscal year in which they are incurred, and such allocation must not exceed 25% of the taxable income obtained in each fiscal year. As of December 31, 2022, the Bank has tax losses from offshore income for the year 2021 amounting to Bs. 73,885.

Other financial instruments at risk out of the General Balance and Other Order Accounts

As of December 31, 2022, the Bank keeps Bs. 92.56 million in the “Credit lines of automatic utilization” heading, which is associated with contractual agreements for credit limits granted to customers, after evaluation of credit risks, recorded under the “Contingent accounts receivable” item.

The “Guarantees received” heading consists mainly of guarantees for Bs. 14.77 billion and securities with financial institutions for Bs. 303.68 million by this date.

In this regard, the Bank has recorded in off-balance items Bs. 11.52 million (US\$ 660,747), for yields receivable on investments in written-off securities. In addition, it has registered Bs. 12.52 million (US\$ 718.012), for interest accruals.

Trust

According to the Independent Auditor's Report as of December 31, 2022, cash and cash equivalents include Bs. 15.96 million which correspond to deposits in special interest-bearing accounts opened for each of the Bank's trustors, which generated interest at the rate of 0.20% annually. As a result of these operations, during the second half of 2022, the Bank's Trust recorded Bs. 15,033, as interest income in the “Income from available funds” heading.

As of December 31, 2022, cash and cash equivalents include foreign currency deposits of Bs. 3.63 million (US\$ 208,240).

The Bank's Trust has concentrated its investment operations mainly in equity securities issued by Venezuelan companies.

Investments in securities show a significant proportion of 49.47% in non-financial institutions in the country, 50.52% in financial institutions in the country and 0.0003% in bonds guaranteed by the State and public entities.

The report drafted by the independent auditor suggests that by December 31, 2021, the financial

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institutions maintaining the custody of the securities and those where placements and time deposits that comprise the investment portfolio are held, shall be summarized as follows:

- Central Bank of Venezuela (BCV)
- Venezuelan Stock Exchange (Caja Venezolana de Valores)
- Banesco Banco Universal, C.A.

The loan portfolio consists of current loans of Bs. 997,873.00 corresponding to social benefit trust agreements, with guaranties on the contributions made.

As of December 31, 2022, the Bank's Trust maintains Bs. 8 million recorded in the "Accumulated results" heading in the trust equity for the net exchange difference due to exchange fluctuations from holding unrealized assets and liabilities in foreign currencies.

Equity

Share Capital and Decree of Dividends

As of December 31, the Bank's capital stock consists of 610,000,000,000,025,000,000 common nominative shares, with a par value of Bs. 0.0000000001 each, for the six-month period.

During the second half of 2022, at the Annual General Meeting of Shareholders held on September 27, 2022, a decree of cash dividends to common shareholders was approved, to be divided in proportion to their shareholding, charged to the "Unappropriated

Surplus" heading as of June 30, 2022, for Bs. 18.70 million.

Results and Capital Reserves

Based on the Independent Auditors' Report of December 31, 2022, the Bank has recorded Bs. 305,000 in the "Other mandatory reserves" heading corresponding to the Social Fund for Contingencies, as established in Resolution No. 305.11 issued by the Superintendency of Banking Institutions on November 28, 2011.

Additionally, the Bank reclassified Bs. 136,306,717, equivalent to 50% of the results of the six-month period, to the "Restricted surplus" heading during the second half of 2022, in accordance with Resolution No. 329.99, dated December 28, 1999, issued by the Superintendency of Banking Institutions. The amounts included in the "Restricted surplus" heading will not be available for the payment of cash dividends and may only be used for future share capital increases.

Equity Adjustment

During the second half of 2022, the Bank maintains a net foreign exchange gain of Bs. 1.09 billion

As of December 31, 2022, the Bank has recorded Bs. 240 million corresponding to the first and second phase of the revaluation of property, plant and equipment carried out during 2017 and the revaluations of property, plant and equipment authorized by the Regulatory Entity during 2019 and 2022.

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Contributions to the Social Protection Fund in Bank Deposits

The Social Protection Fund for Bank Deposits is an autonomous institute with legal personality and its own assets. Its main purpose is to guarantee the funds collected from the public in local currency by banking institutions up to a maximum amount of Bs. 0.0000003, as well as to act as liquidator of these institutions and their related companies, in accordance with the provisions of the Decree with Rank, Value and Force of Law of Banking Institutions. As of December 31, 2022, the Bank recorded expenses of Bs. 8.12 million, corresponding to the half-yearly contribution of 0.75% of the total deposits held by the client at the end of the immediately preceding six-month period, in accordance with Article 121 of the Banking Sector Institutions Law. These amounts are registered as "Other General and Administrative Expenses".

Special Contribution to the Superintendency of Banking Institutions

The Banking Institutions Law establishes a special contribution to be paid by Venezuelan banking institutions governed by such Law in order to support the operations of the Superintendency of Banking Institutions.

On September 2, 2021, the Superintendency published Resolution No. 069.21, which established the contribution quota for banks as follows:

- a) 0.8 per thousand of the average of the assets corresponding to the two (2) months prior to the two-month period to which the payment corresponds.

- b) The referred contribution will be paid for the resulting bimonthly amount, at the rate of 1/2 per month, within the first five (5) bank working days of the bimonthly period to be paid.

On June 14, 2022, the Superintendency of Banking Institutions published Resolution No. 049.22 establishing the contribution installment for the first and second half of the year 2022, to be made by private banking institutions subject to the supervision and control of said entity, which will be paid bimonthly, at the rate of 0.8 per thousand of the average assets corresponding to the two months prior to the bimonthly period corresponding to the payment.

As of December 31, 2022, this sum amounted to Bs. 6.78 million and is shown in the "Other General and Administrative Expenses" heading.

Contingencies

Fiscal Contingencies

The Independent Auditors' Report states that at December 31, 2022, the Bank has tax assessments amounting to Bs. 73, derived from audits on Income Tax, Business Assets Tax, Bank Debit Tax, Tax on Debits to accounts held in Financial Institutions, Sumptuary Consumption Tax, as well as from audits on Municipal Taxes: Tax on Commercial Advertising and Propaganda and Tax on Economic Activities. In this regard, the Bank has presented its respective defenses and pleadings in administrative and judicial instances with the purpose of preserving its effects and is awaiting a final decision in each one of them.

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The Bank considers that the appeals presented should be declared admissible; however, it has recorded provisions of Bs. 149,615, in order to anticipate any adverse decision.

Judicial Contingencies

According to the Independent Auditors' Report, as of December 31, 2022, there are civil and mercantile lawsuits for Bs. 6.83 billion corresponding to claims for material and moral damages brought against the Bank, in which the corresponding defenses have been timely and sufficiently filed in all the instances and phases of the process, with favorable decisions for the Bank. Based on the probability of success, as of December 31, 2022, the provision maintained by the Bank for any adverse decision amounts to Bs. 1.18 million included in the "Provisions for pending litigation" heading.

Subsequent Events

Social Fund for Contingencies

On January 5, 2023, the Bank transferred Bs. 305,000 to the Social Fund for Contingencies at Banco Exterior, C.A., in accordance with the provisions of the Decree with Rank, Value and Force of Law of the Banking Institutions.

Equity Adjustment

On February 1, 2023, the Superintendency of Banking Institutions, through Official Letter No. SIB-II-GGIBPV-GIBPV6-00681, authorized Banesco Banco Universal, C.A., to register in the statement of income the net credit balance of Bs. 1.09 billion, maintained in item 352.00 "Gain or Loss from Exchange Rate Fluctuations due to Holding of Foreign

Exchange", at the end of the semester ended December 31, 2022,

Managerial and Administrative Processes concerning liquidity risk

In accordance with the provisions of Article 4 of Resolution No. 136.15, the Bank shall implement liquidity risk management and administration processes that include at least the following elements:

- a) Strategies, policies and procedures for identifying, measuring and assessing, monitoring, limiting, controlling, reporting and disclosing levels of liquidity risk.
- b) Action guidelines to create an adequate structure of assets and liabilities to reduce or lessen the generation of variables or situations that increase liquidity risk exposure, maintaining an adequate balance between the Bank's profitability and liquidity.
- c) Internal controls and systems that ensure the integrity and monitoring of the overall liquidity risk management and administrative processes.
- d) Through our attestation procedures applied by the independent auditors as of December 31, 2022 to evaluate compliance with paragraphs a, b and c of Article 4 of Resolution No. 136.15, we observed that the Bank has the "Manual of Corporate Policies and Guidelines of the Vice-Presidency of Comprehensive Risk Management (VPAIR)". The strategies and policies applied by the Bank to identify, assess and control the different levels of liquidity risk to which the Bank may be exposed are included in the Manual. The last update of the Manual was carried out in November 2022, and

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approved by the Board of Directors as stated in Minutes No. 1,518 dated November 24, 2022.

The independent auditors also noted that the Bank has a "Liquidity Risk Manual", which includes guidelines, controls and tools for liquidity risk management and administration. The last update of the Manual was made in November 2022, presented to the Risk Committee as stated in Minutes No. 212, dated November 23, 2022, and approved by the Board of Directors as shown in Minutes No. 1,518, dated November 24, 2022.

Moreover, through the meetings of the Risk Committee and the Assets and Liabilities Committee (ALCO), we observe the monitoring of the structure of the Bank's assets and liabilities, in order to monitor those variables or situations that may increase the liquidity risk exposure to which the Bank is exposed. The results of these processes are also presented to the Board of Directors on a monthly basis.

- e) Tools for daily measurement and monitoring of liquidity risk.

VPAIR applies and monitors the calculation of twelve (12) liquidity risk indicators and liquidity gaps (GAP), including the six (6) indicators requested as indicated in Title V of Resolution No. 136.15.

The tools for measuring and monitoring liquidity risk are detailed in section X "Methodologies to Manage Liquidity Risk" of this report.

Liquidity Risk Contingency Plans

According to the Half-Yearly Assurance Limited Assurance Report of the Independent Auditors on Compliance with Resolution No. 136.15 issued by the Superintendency of Banking Institutions, as of December 31, 2022, they observed that the Bank has a "Liquidity Contingency Plan", which was last updated by the VPAIR and approved by the Risk Committee as stated in Minutes No. 206 dated May 23, 2022 and approved by the Board of Directors according to Minutes No. 1,511 dated May 26, 2022, subsequently presented by the Committee and approved by the Board of Directors without changes as recorded in Minutes No. 1,518 dated November 24, 2022. In addition, the ALCO Committee monitors the Liquidity Contingency Plan on a weekly basis and evaluates all considerations regarding its implementation.

Responsibilities and Functions of the Board of Directors

Through inquiries with the Bank's Management, we have been informed that the members of the Bank's Board of Directors have knowledge of the Venezuelan banking sector and experience in the sector. In addition, the experience of the members of the Board of Directors is included in the resumes that have been submitted for consideration and approved by the Superintendency of Banking Sector Institutions to certify compliance with the requirements established in the Banking Sector Institutions Law.

Through the inspection of the Board of Directors' Minutes held during the second half of 2022, we observed that the VPAIR periodically presents the

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follow-up of the Bank's liquidity indicators. Similarly, the information on the performance of the different types of risks to which the Bank is exposed is submitted on a monthly basis.

In this regard, it was noted through the content of the minutes of the Board of Directors and the Risk Committee, that the members of the Board of Directors keep themselves informed and assume responsibility in the process of approval, review and update of the strategies, policies and procedures to identify, measure, assess, monitor, limit, control, report and disclose with sufficient anticipation, the liquidity conditions and the exposure to liquidity risk faced by the Bank.

We also note that the Board of Directors, through the review and approval of the "Organization and Administration Systems Manual", guarantees the separation and segregation of responsibilities and functions between the Vice-Presidencies in charge of liquidity management (Executive Vice-Presidency of Treasury and Finance) and liquidity risk management (VPAIR).

Additionally, the Board of Directors approved the creation of the "Treasury Autonomy Manual", as stated in Minutes No. 1,484, dated August 26, 2020, in order to consolidate the decision-making powers of the Vice-Presidency of Treasury and its limits to consider the purchase/sale of securities and Overnight operations, according to the guidelines approved by the Assets and Liabilities Committee, and including those guidelines that have been added both in the "Treasury Policy Manual" and in the "Treasury Operations Autonomies", previously approved by the Risk Committee.

Responsibilities of the Internal Audit Unit regarding the Comprehensive Risk Liquidity Management

In accordance with the provisions of Article 43 of Resolution No. 136.15, the Bank's Internal Audit Unit, within the half-yearly reviews, shall include within the audit program, procedures and tests of broad scope to verify the reasonableness and compliance levels of the policies, processes, methodologies, tools, premises, assumptions and information systems that are being used within the VPAIR to comprehensively and adequately manage liquidity risk within the Bank.

By means of the limited assurance procedures performed by the independent auditors during the second half of 2022, it was observed in Minutes No. 214 of the Risk Committee dated January 23, 2023, the presentation by Internal Audit of the report on the main risks detected and reported during this period of time.

Information Transmission to the Regulatory Entity

Through the limited assurance procedures performed by the independent auditors, during the second half of 2022, it was observed that VPAIR reported to the Superintendency of Banking Institutions on a weekly basis, the transmission file where the methodologies to manage liquidity risk are established.

Risk Committee

Based on the Half-Yearly Independent Auditors' Assurance Report on Compliance with Resolution No. 136.15 issued by the Superintendency of Banking Institutions, as of December 31, 2022, inspections

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were made to the structure of the Risk Committee and the minutes of the aforementioned Committee held during the second half of 2022. Likewise, we found out through the minutes of the Risk Committee meetings, that meetings were held at least once (1) a month, in accordance with the provisions of Article 5 of Resolution No. 136.03.

As a result of each meeting, minutes are prepared in which the proposals and agreements reached in each Committee are formalized and, subsequently, a management report is prepared, which is submitted to the Board of Directors, in order to notify the results and actions taken by the Bank in relation to the different risks to which it is exposed. During the second half of 2022, the following meetings were held:

Description	Minute No.	Date
Risk Committee	208	July 25, 2022
Risk Committee	209	August 29, 2022
Risk Committee	210	September 26, 2022
Risk Committee	211	October 19, 2022
Risk Committee	212	November 23, 2022
Risk Committee	213	December 19, 2022
Risk Committee	214	January 23, 2023

Through the limited assurance procedures applied by the independent auditors, the minutes of the Risk Committee meetings held during the second half of 2022 were reviewed. Likewise, we found out through the minutes of the Risk Committee meetings, that meetings were held at least once (1) a month, in accordance with the provisions of Article 5 of Resolution No. 136.03.

Half-Yearly Report on the Risk Committee's Management Activities

In accordance with provisions of Article 8 of Resolution No. 136.03 and Circular No. SIB-II-GGR-GNP-06118 sent by the Superintendency of Banking Sector Institutions, dated February 24, 2015, we noted that the Bank, on January 4, 2023, submitted to the Regulatory Entity the Half-Yearly Report of the Risk Committee for the second half of 2022, which specifies the level of compliance related to the implementation of the VPAIR.

As of December 31, 2022, the "Progress Matrix" shows 100% compliance, except for the following:

- Progress between 51% and 75% regarding the systematic implementation of communication strategies to comply with Article 6, paragraph j, of Resolution No. 136.03.
- Progress between 76% and 99%, regarding the issuance of the report made to the Risk Committee by the Vice-Presidency of Internal Audit for the second half of 2022, in order to comply with Article 10 of Resolution No. 136.03.

Reports presentation by the Internal Audit Unit to the Risk Committee

In accordance with the provisions of Article 10 of Resolution No. 136.03, the Bank's Internal Audit Unit must perform periodic reviews in the operating, business or any other units that involve the direct or indirect generation of risks, in order to verify their compliance with the policies and instructions contained in the Risk Manuals and other instructions and regulations issued by the Risk Committee. The

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report of this review must be made at least every six months and presented to the Risk Committee, which will contain the observations derived from the inspections conducted so far.

By means of the limited assurance procedures performed by the independent auditors during the second half of 2022, it was observed in Minutes No. 214 of the Risk Committee dated January 23, 2023, the presentation by Internal Audit of the report on the main risks detected and reported during this period of time.

Other remarks regarding the report of the Banking Client and User's Defender of Banesco Banco Universal, C.A., as of December 31, 2022

According to the Report on Agreed Procedures Related to Non-Financial Information, we observed that the independent auditors carried out procedures in relation to the complaints report filed by customers with the Customer Experience Management, which will be included in the Bank's Half-Yearly Report as of December 31, 2022, detailing the manner in which complaints are resolved.

The Client and Bank User Defender in his report for the second half of 2022, proposed to the Board of Directors the following:

1. Restructuring of the Requirement Inconvenient BanescOnline/Banesco Pagos or others, which simultaneously address service and monetary situations.
2. The Financial Institution is suggested to create a new requirement to pay attention exclusively to monetary incidents arising from Service



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Payments, Banesco Payments or others, made through Electronic Banking.

3. Reinforcement of the agency network on the attention of claims and their respective capture of requirements.

The Financial Institution is advised to carry out campaigns directed to the agency network, in addition to the regular inductions, to reinforce the due attention and transmission of claims and the rules that regulate it. Likewise, the creation of a Site on the intranet or other information channel containing informative material to be consulted by personnel in case of any doubts is appropriate.

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Structure of the Comprehensive Risk Management System for Money Laundering, Terrorist Financing and Financing of the Proliferation of Weapons of Mass Destruction (SIAR LC/FT/FPADM)

According to the Half-Yearly Independent Auditors' Assurance Report on compliance with Resolution No. 083.18 issued by the Superintendency of Banking Sector Institutions, as of December 31, 2022, a copy of the organizational structure established by the Bank in relation to SIAR LCFT/FT/FPADM was obtained. This is made up in accordance with Article 14 of Resolution No. 083.18, as follows:

- A. Board of Directors.
- B. Chief Executive Officer.
- C. Compliance Officer for the Prevention of Money Laundering, Financing of Terrorism and Proliferation of Weapons of Mass Destruction (hereinafter, Compliance Officer).
- D. Unit for the Prevention and Control of Money Laundering, Financing of Terrorism and Proliferation of Weapons of Mass Destruction (hereinafter, referred to as UPC LCFT/FT/FPADM).
- E. Compliance Officers for the Prevention and Control of Money Laundering, Financing of Terrorism and Proliferation of Weapons of Mass Destruction (hereinafter, RCPC LC/FT/FPADM) assigned to each sensitive area of LCFT/FPADM risk.

The functions of each member of the structure are established in the LC/FT/FPADM Risk Management Policies and Procedures Manual (LC/FT/FPADM PPAR Manual). Moreover, through inquiries with the Bank's management, we have been informed that the Bank's Chief Executive Officer has complied with the

responsibilities set forth in Article 16 of Resolution No. 083.18.

Other Elements of the Comprehensive AML/CFT/FPADM Risk Management System

A) PCLC/FT/FPADM Annual Operating Plan (hereinafter, POA PCLC/FT/FPADM)

Article 28 of Resolution No. 083.18 establishes the obligation to annually design a strategic plan to prevent and mitigate ML/TF/TFAML risks, which is called Annual Operational Plan for the Prevention and Control of ML/TF/TFAML.

According to the verification carried out by the independent auditors as of December 31, 2022, a copy of the POA PCLC/FT/FPADM corresponding to the year 2022 was obtained, presented and approved in first instance by the Board of Directors in Minutes No. 1,503 dated November 25, 2021.

Likewise, the Board of Directors, as stated in Minutes No. 1,517 dated October 26, 2022 and in Minutes No. 1,518 dated November 24, 2022, approved modifications in the Annual Training Program for the year 2022, corresponding to the change of activity seven (7) "Advanced Program on PCLCFTFPADM" for the "Theoretical and Practical Workshop aimed at the UPC LC/FT/FPADM" and the adjustment in the goal of activity one (1) "International Certification on Prevention and Control of LC/FT/FPADM", respectively.

B) Code of Ethics and Institutional Commitment

Article 31 of Resolution No. 083.18 establishes that the Bank must adopt a general Code of Ethics, which will include aspects concerning ML/TF/TFPA, and must be mandatory knowledge and compliance for all staff. This will allow creating a climate of

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high morale and implementing measures aimed at increasing the sensitivity of its staff to the effects and risks of ML/TF/TFPA, through the establishment of criteria that allow placing ethical principles 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 Half-Yearly Limited Assurance Report of the Independent Auditors on compliance with Resolution No. 083.18 issued by the Superintendency of Banking Institutions, as of December 31, 2022, it was observed that the Bank's Code of Ethics was inspected, which was approved in Board of Directors' Minutes No. 1,501 of the Board of Directors, dated September 29, 2021.

C) Manual of Policies, Standards and Procedures for Risk Management of Money Laundering, Financing of Terrorism and Proliferation of Weapons of Destruction (PPAR LC/FT/FPADM Manual)

Article 36 of Resolution No. 083.18 establishes that the Bank must design policies, standards and procedures to mitigate and control ML/TF/TFAML risks, which will be consolidated in a ML/TF/TFAML PPAR Manual, and must be approved by the Board of Directors.

According to the Half-Yearly Limited Assurance Report of the Independent Auditors on compliance with Resolution No. 083.18 issued by the Superintendency of Banking Institutions, as of December 31, 2022, they inspected the PPAR LC/FT/FPADM Manual, which was updated and approved by the Board of Directors, according to Minutes No. 1,509 dated April 26, 2022, which contains the policies, standards and procedures to mitigate and control risks in the area of LC/FT/FPADM.

Policies, Standards and Procedures for Risk Management of Money Laundering, Financing of Terrorism and Proliferation of Weapons of Destruction

A) LC/FT/FPADM Risk Management Procedures

The Bank has developed a ML/FT/FPADM Risk Assessment Methodology in order to identify and correct its exposure to this type of risk and ensure a high degree of regulatory compliance. Furthermore, the ML/FT/FPADM Risk Self-Assessment is a process where a series of procedures are evaluated and complied with, with the purpose of ensuring that the risks identified by the Bank are mitigated through the various controls of each of the sensitive areas.

B) Evaluation of the "Know Your Customer" Policy

In accordance with the provisions of Article 45 of Resolution No. 083.18, the Bank maintains policies, standards and internal controls to adequately and continuously develop a Know Your Customer Due Diligence Policy (hereinafter, referred to as CDD). The Bank must include in its processes for opening client accounts parameters for their classification, such as: the client's background, country of origin, whether the client holds a relevant position in the public or private sector, related accounts, business activities and other risk indicators. Likewise, the Bank will apply the "Know Your Customer" Policy in a differentiated manner according to the sensitivity and level of ML/TF/TFAMF risk, and in consideration of circumstances and risk factors. The high risk level corresponds to an intensified "Due Diligence", the moderate risk level corresponds to an enhanced "Due Diligence", and finally, the low risk level corresponds to a standard "Due Diligence".

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C) Evaluation of the “Know Your Employee” Policy

The Bank, upon adoption of the “Know your Employee” Policy and in accordance with provisions of the aforementioned regulations, included within its policies described in the PPAR LC/FT/FPADM Manual and in the internal regulations in conjunction with the Human Capital area, procedures for the recruitment and selection of personnel that enable the verification of data and work references, especially when they are aware that the applicant for a position in the Bank is known to have worked in other companies of the Financial System. Likewise, within the policies, it is established that those responsible for each of the areas must frequently remind the Bank's employees of the contents of the Code of Ethics.

According to the provisions of the “Know your Employee” Policy, each area manager must pay special attention to the behavior and possible changes in the habits and standard of living of the employees under his or her charge, which must be in accordance with the level of their remuneration.

D) Annual Training Program

The activities related to virtual and face-to-face training until December 31, 2022 have been 100% covered. The Annual Training Program is divided into segments according to the department to which the training is directed and the contents are aimed at the following audiences: New Revenues, Agencies and Branches, Treasury and Finance, Human Capital, Technology and Processes, Cards, Credit and Operations, Internal Audit, Integral Security, Corporate Governance and Legal Affairs, Business Processes, Money Laundering Prevention, Trust and finally, to Senior Management and the Board of Directors.

Through a random selection of the Annual Training Program activities, we observed the attendance lists and documentation of the training activities related to the PCLC/FT/FPADM, carried out during the second half of 2022.

E) Risk management policies and procedures for financial services provided through electronic banking

Based on the Half-Yearly Limited Assurance Report of the Independent Auditors on compliance with Resolution No. 083.18 issued by the Superintendency of Banking Institutions, as of December 31, 2022, the Bank carries out operations to monitor its customers to mitigate the risks that could be generated in the provision of financial services through electronic or virtual banking as specified in the PPAR LC/FT/FPADM Manual in Chapter XII Electronic Channels, in which we observe that the monitoring is carried out as follows:

- The client must declare the origin and source of the funds he/she will receive in the account, the frequency and form of transactions through the services (electronic transfers), in order to update his/her financial profile.
- The Bank maintains a technological enabler that monitors all transactions in real time. In the event of significant deviations from the expected behavior according to the client's profile, alerts are generated and analyzed to assess their reasonableness.
- The parameters that generate alerts are designed by combining the elements and variables applicable to the risk levels managed and taking into consideration the typologies contained in the

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Feedback Reports issued by the UNIF, the client's profile, its transactional behavior and the geographic area (jurisdiction) in which the account was opened.

- The Bank may request such information as it reasonably deems necessary and sufficient to justify the transaction and may reject or suspend it when it lacks the required data.

F) Evaluation of risk management policies and procedures applicable to other activities

Politically Exposed Persons (PEP)

In accordance with provisions of Article 83 of Resolution No. 083.18, the Bank must implement a system that allows the identification, monitoring and design of controls of politically exposed persons, all due to the fact that the risks posed by these persons vary; as well as the transactions carried out in their accounts must be based on their level of risk.

According to the Half-Yearly Limited Assurance Report of the Independent Auditors on compliance with Resolution No. 083.18 issued by the Superintendency of Banking Institutions, as of December 31, 2022, they observed through the review of the PPAR LC/FT/FPADM Manual that the Bank maintains policies for the monitoring and design of Due Diligence procedures for the knowledge of the Client (DDC), as established in Article 82 and 83 of Resolution No. 083.18.

G) Evaluation of risk management policies and procedures related to the financing of terrorism

In accordance with provisions of Article 83 of Resolution No. 083.18, the Bank must implement a system that allows the identification, monitoring and design of controls of politically exposed persons, all due to the fact that the risks posed by these persons vary; as well as the transactions carried out in their accounts must be based on their level of risk.

We observed through the review of the PPAR LC/FT/FPADM Manual that the Bank maintains policies for the monitoring and design of Customer Due Diligence (CDD) procedures, as provided for in Article 82 and 83 of Resolution No. 083.18.

According to the Half-Yearly Limited Assurance Report of the Independent Auditors on compliance with Resolution No. 083.18 issued by the Superintendency of Banking Institutions, as of December 31, 2022, the Bank's Management has several manual lists of PEPs, according to appointments in Official Gazettes, other sources of information (including social networks and news) and the identification made through the Agency Network. Subsequently, the PEPs are loaded into the automated tool Monitor Plus ACRM, where their risk rating, differentiated monitoring under the alert condition and the application of Due Diligence procedures are carried out.

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H) Evaluation of risk management policies and procedures related to Financing the Proliferation of Weapons of Mass Destruction Proliferation

In accordance with provisions of Articles 92 and 93 of Resolution No. 083.18, the Bank must establish policies, standards and procedures aimed at preventing flows of funds from being directed through its transactions to the financing of research and development of weapons of mass destruction.

According to the Half-Yearly Limited Assurance Report of the Independent Auditors on compliance with Resolution No. 083.18 issued by the Superintendency of Banking Institutions, as of June 30, 2022, they observed through the inspection of the PPAR LC/FT/FPADM Manual, that the Bank maintains policies, standards and procedures related to the Financing of the Proliferation of Weapons of Mass Destruction, as per Articles 92 and 93 of Resolution No. 083.18.

I) Annual Internal Audit Evaluation and Control Program

During the second half of 2022, the independent auditors inspected the reports issued by the Bank's Internal Audit Unit in relation to the Annual Evaluation and Control Program of the Internal Audit Unit, as provided for in Article 94 of Resolution No. 083.18.

According to the Half-Yearly Limited Assurance Report of the Independent Auditors on compliance with Resolution No. 083.18 issued by the Superintendency of Banking Institutions, as of December 31, 2022, the Internal Audit Unit provided a copy of the Annual Evaluation and Control Program for the second half of 2022, aimed at verifying the level of compliance with current regulations and the plans, programs and internal controls adopted by the Bank to prevent, control and detect transactions that are presumed to be related to ML/CFT/FPADM.



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J. Regular Reports to the Superintendency of Banking Institutions

In accordance with the provisions of Article 104 of Resolution No. 083.18, the Bank shall electronically submit a report of all transactions made by its customers in their checking, savings or other similar products of deposits or withdrawals in cash; deposits or withdrawals in checks; or that resulting from the concurrence of both types of transactions for amounts equal to or greater than those established by the Superintendency of Banking Institutions.

K. Implementation of Circulars UNIF-DDG-DSU-02575, UNIF-DDGDSU-02580, SIB-DSB-CJ-OD-06524, SIB-DSB-OPCLC-00158, UNIF-DDG-DSU01131 and "Due Diligence" applied to Nonprofit Organizations

Based on the limited assurance procedures carried out by the independent auditors during the second half of 2022, they observed that between July 1 and December 31, 2022, the reports requested on a monthly basis were sent to the Superintendency of Banking Institutions according to the reports generated by the UPCLC/FT/FPADM area in relation to the files (AT06, ACTISOSP.TXT, CTASOSCL.TXT and AT14).

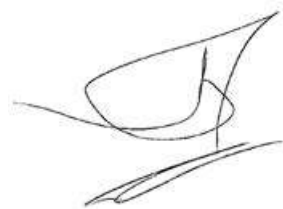
Based on the foregoing, we recommend that the shareholders approve the financial statements of Banesco Banco Universal, C.A., corresponding to the six-month period ended December 31, 2022, presented by the Board of Directors, as well as the management of the administrators of the Banking Institution for the half-year ended December 31, 2022, to which we urge the execution of the recommendations set forth in the reports issued by the independent auditors, as well as the observations and instructions dictated by the Superintendency of Banking Institutions, through official letters and circulars issued in 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

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Human Capital

Talent and Training Development

In 2022 we develop innovative experiences aimed at generating the technical and professional improvement of Banesco Citizens. These are necessary to face all the circumstances and challenges of the environment, efficiently perform their functions, producing high quality results, considering the latest trends in knowledge management. This is oriented in a systematic, planned and permanent way to the organizational learning processes, highlighting the following initiatives:

Online and Face-to-Face Training and Development Activities:

24,030 participants attended 306 Web Seminars, with topics related to:

- Promote technical regulatory knowledge in the areas of Occupational Health and Safety, Prevention and Control of Money Laundering and Terrorist Financing (PCLC/FT/FPADM) and Risk Culture.
- Strengthening of key competencies such as Collaborative Work, with actions to reinforce Google Tools, and including what is required in the new COE project (Cash Control), in which the Accounting, Vault and Agency Network areas collaborate, as well as actions that promote our Banesco 2022 Competency Model, among others; and,
- Key technical knowledge of the business, attention to Claims and Requirements in the Agency



Network, New Foreign Currency Account Product, VideoBanking, Introduction of the New CRM Model.

As part of the Digital Transformation at Banesco, the BanExpo- Let's Talk about Innovation event was held, with the participation of 210 external guests (VIP clients of the Sales Force) and leaders of various units of the Organization.

Its main purpose was to provide a space in which experts in digital transformation, technology trends and customer experience, share content of interest to our guests, combined with the experience of Banesco experts. The physical environment in Ciudad Banesco was prepared to receive these external clients, providing them with stands of the different Banesco brands, presenting our most innovative products.

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- Accompanying the Organization's strategic vision, in 2022, 48 training and development actions on Agility and Digital Transformation were planned and executed, involving 2,044 employees. 41.66% of the actions were delivered in the classroom modality, with an average satisfaction rate of 95.7% for the training event.
 - Framed within the demands and challenges of the current context and the needs of the environment, 13 specialized business webinars were held, focusing on products related to Foreign Currency (Green Account, Retail, Custody Accounts), counting 2,128 Commercial Network and Specialized Banking participations.
 - We executed internal training programs focused on Banesco Commercial Systematics and CRM, which allowed us to strengthen technical knowledge of high importance for key areas of the business, with 1,078 participants in the online sessions. We also made available two e-learning actions (Sistématica and CRM), with 1,627 participants.
 - We have the Tax Executive Management team as internal facilitators of knowledge to all those units related to accounting issues, specifically, with the main taxes established in our legal framework, through 10 face-to-face sessions, with 281 participants.
 - We promoted Self-Development, allowing employees to self-manage their learning; strengthening Technical Knowledge in each area of the Organization; offering new alternatives adjusted to current needs, successfully maintaining the positioning of Virtual Learning (AVB) in our Banesco Citizens, in compliance with the strategy defined for continuous and specialized training, executing 252,568 academic hours.
- The main virtual courses published were:
- PCLC/DT/FPADM - 2022 Update
 - Customer Experience/Service Protocols
 - Systematic Commercial Service and CRM
 - Occupational Health and Safety: Everything we know about the Omicron variant; Covid-19; Postural Hygiene in the Office, Ergonomic Risks and their Prevention; Disability is part of the Diversity in Banesco; Safety in the handling of Fire Extinguishers
 - Transformation Process Change Management
 - Information Security
 - Business Cases and Value Promise Tracking for Robotization Initiatives
 - Portfolio Hierarchization
 - Best practices for dealing with requests to Banesco and the Customer Ombudsman.
- We manage key business activities for the Commercial Network personnel, relying on distance learning strategies (micro-learning, infographics, knowledge capsules, content validation challenges).
- Incorporating the latest trends in organizational learning, as part of our 2022 Reskilling and Upskilling 4.0 Initiative, we deployed 3 specialized Schools that target the Upskilling methodology (Specialization in the area where the talent works), prioritizing the areas of Auditing, Banks and Sales Force (Spe-

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cialized Banks, Commercial Network and SMEs), with 1,177 employees.

Promotion of the Collaborative Work and Self-Learning Competency, generating online spaces led by collaborators from different areas of the Organization, previously trained as Banesco Virtual Facilitators, who carried out 7 training actions (Web/Face-to-Face Seminars), sharing the benefits of the different Google Apps available, with 809 participants.

Within the framework of strengthening banking regulatory knowledge in the area of Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction (PCLC/FT/FPADM), according to our Annual Training Plan, and in accordance with the provisions of Resolution 083.18, by the end of December, 98% of our active workforce had participated in at least one training program.

- Regarding Occupational Health and Safety, virtual actions were published on a quarterly basis, reaching 9,606 participations during the year.

In addition, the plan established and declared to INPSASEL was complied with The “Disability is part of Diversity at Banesco” Training Program, given by CONAPDIS, online-face-to-face, comprised of 7 modules (28 academic hours), with 740 participants.

In the area of Quality, we recorded 8,048 effective participations, highlighting the actions under the learning modalities:



- **Virtual:** “Customer Experience”, 1,581 effective participations.
- **On Site:** Event “On the way to conquer the 1st place – A memorable experience” (Focus: Displacement of ISN in the commercial network), with 647 participations.
- **Webinars:** Customer Experience, Beyond Service, Customer Experience; Transforming from Exclusive to Inclusive. Integration and Preferential Treatment; Memorable Experience What to do as a leader to achieve it?; Motivational Conference “Passion for People”; with 743 effective participations.

We comply with the requirements of the law by supporting the training of 109 active INCES apprentices. We started 5 cohorts of training in the Integral Financial Clerk profession, in our training center Desarrollo de Aprendizaje Empresarial (DAE Banesco).

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Based on the philosophy of learning organizations, we have developed our Internal Facilitators Program, a recognition plan in which 78 active employees from different Vice Presidencies have participated, providing 390 hours of training to other areas of the Organization.

All these training and education activities led us to achieve the following results in 2022:

- 276,824 man-hours in Training and Development actions, of which 24,326 man-hours were executed through online-face to face training (synchronous actions) and 252,568 man-hours through virtual training (asynchronous actions).
- 24,030 online participations-synchronous activities (Webinars).
- 17,922 effective participations under the virtual modality.

Organizational Environment and Cultural Management

During the second half of 2022, oriented towards a high performance culture and framed within the demands of the environment, we focused on the continuous improvement of all Banesco Citizens.

In this regard, in accordance with legal regulations, we reinforced the Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction (ML/FT/FPADM), through the deployment of a communications campaign during the period.

From the Health perspective, we reinforce Occupational Health and Safety, with topics related to COVID-19, its prevention and the correct distancing.

We promote the strengthening of ethical and organizational values (Reliability, Innovation, Responsibility and Quality).

With the intention of also accompanying the emotional management of Banesco Citizens, we offer the Meditation Room, to which approximately 40 people per session connect weekly.

Activation micro-theatrical pieces (active breaks) were also performed, oriented to collaborative work, feedback, integral risk management and work stress, with a positive impact, mobilizing more than 600 employees.

We conducted tours in our Agency Network, with the purpose of getting to know the needs and emotions of our employees, in order to generate actions aimed at improving their quality of life.

- During the half-year, we maintained the
- “Leaders who Leave a Footprint”
- Recognition Program, as an incentive
- for effort and commitment to the
- Organization, in addition to planning
- other strategies that will be implemented
- in 2023.

From the perspective of Climate and Commitment to the Organization, an Engagement measurement was carried out with a participation of 85%, from which actions were designed to improve the level of commitment of Banesco Citizens.

Footprint Week served as a framework to integrate various activities, including: recognition for punctuality, face-to-face conferences on responsibility, as well as a sports-competitive rally to strengthen the

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knowledge of Banesco. In addition, a values campaign was carried out, disseminating content associated with the Leader's Decalogue, Digital Transformation, reinforcing the values of Innovation, Quality and Responsibility.

Life Quality

During the period we offered a wide variety of continuous face-to-face activities focused on the comprehensive wellbeing of Banesco Citizens, highlighting: Yoga, Dance Therapy, Functional Exercises, Theater, Musical Group, which was complemented with special events, such as:

- **Child's Day:** Recreational and family integration day, held in July, attended by 1,500 people.
- **Bring your child to work:** 350 children of our employees enjoyed a day of entertainment at Ciudad Banesco, sharing their parents' work spaces.
- **Bakery and Cuisine Workshops:** During the vacations, 120 children were received in a Saturday activity, in which they learned with professional Chefs, food recipes and easy-to-prepare desserts.
- **Board Game Tournaments:** We had the presence of 550 people (Father's Day in June) and the Saturday Family Fun Games during the holiday season in August.
- **Ophthalmology Day:** Together with a team of professionals in ophthalmology, optometry and contact lenses, we offer our employees and their families the opportunity to undergo examinations to diagnose, correct, prevent and treat visual problems, with the participation of 250 people.



- **Anniversary Week:** To celebrate the Bank's 30th Anniversary, in November we promoted the Anniversary Photo Contest, Inter-Company Board Games Tournament, Improvisando ando- Banesco Theater Group, Anniversary Karaoke.
- **Christmas 2022 Program:** It included several events such as the Christmas Lighting, Christmas Menu, Musical Concert, Garage Sale and Christmas Fair.

Personnel Services

- **Contributions and Legal Obligations:** For Banesco, the provisions of the collective bargaining agreement and current legal regulations take precedence. During the period, payments of contributions for cashiers, aid for school supplies, toys, social benefits guarantee, day care and food be-

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nefits were made; in addition, the ISLR variation processes were carried out.

- **Credit Cards:** During the second half of 2022, Banesco launched a massive process to increase the limit and assign “My First TDC” to employees with more than 3 months of seniority in the Organization.
- **Funerary Service:** The Bank has subscribed, through the Savings Fund, a free funeral service for the Bank’s employees, spouse, father and mother (without 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).
- **Health Insurance:** As of 07/01/2022, the new policy year began for employees and their beneficiaries; the Organization offered new coverage in the basic and excess policy, and included telemedicine service, home care and dental plan for the family group; employees during the renewal process included or excluded beneficiaries, increased or decreased coverage.
- **Savings Fund:** In November 2022, the partners elected the members of the Board of Directors and Supervisory Board for the 2022-2025 term.



Corporate Social Responsibility

During the second half of 2022, we continued to focus on promoting the three pillars of our CSR and Sustainability policy: health, education and financial inclusion.

The semiannual contribution was Bs. 18.7 million, of which 91.24% is directed to the internal dimension and 8.76% to the external dimension.

We made contributions to 9 of our Partners and Social Allies, as well as to 5 other organizations to which we established new institutional relationships to support initiatives that involve different areas of social interest, such as: the education of young people at the elementary and university levels, people with disabilities, care for cancer patients and other health conditions, children in vulnerable situations and contributions to culture.

In this way, we continue to make progress towards achieving the Sustainable Development Goals: SDG1, No Poverty; SDG2, Zero Hunger; SDG3, Good Health and Well-Being; SDG4, Quality Education; SDG8, Decent Work and Economic Growth; SDG10, Reduced Inequalities; SDG11, Sustainable Cities and Communities; and SDG17, Partnerships for the Goals.

Donations also extended to the delivery of assets to 56 organizations, and included 154 pieces of computer equipment, 182 items of furniture, as well as 220 T-shirts and 60 sets of crayons.

In October 2022, in solidarity with the city of Las Tejerías, damaged by heavy rains, we delivered a

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special contribution of basic supplies, reaffirming our commitment to the communities.

We welcomed 6 new books from our Editorial Fund for free download in the Banesco Digital Library, on various literary and journalistic genres, such as poetry, short stories, interviews, chronicles and narrative.

We contributed to the training of our stakeholders, organizing 15 workshops for our Partners and Social Allies on soft and hard skills, such as management of Google collaborative tools, effective spokespersonship, social entrepreneurship, among others. And for our employees, training was offered in the areas of cancer prevention, mental health and environmental responsibility.

We continue to promote our Sustainable Development Goals (SDGs) campaign aimed at our internal and external audiences, to encourage their knowledge and awareness of individual responsibility through simple actions that can contribute to their achievement.

Cultural Activities

Together with the development of our pillars, cultural dissemination was part of our Social Responsibility activities during this period.

In collaboration with AVESID, a social ally since 2004, the Impronta 17 exhibition was presented, which showcased the work of young visual arts students who are part of the Association. Meanwhile, the Auction For the Love of Art and Venezuelan Children, returned after a two-year pause due to the pandemic to the spaces of Ciudad Banesco. The value of the proceeds went to continue the work of Fundana, social partner since 1998, dedicated to the care and protection of children in Venezuela.

For the christening of the new Banesco Digital Library book "New Country of Graphic Design", the main works of the 24 selected artists are exhibited in Gallery II for the enjoyment of collaborators and visitors to our headquarters.

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And to celebrate Banesco's three decades of history, the 30 Years with You Exhibition takes a journey through the history of the Bank from the brand's beginnings, including the various mergers and its unforgettable moments of Corporate Social Responsibility and Words for Venezuela.

Microentrepreneurship Training Program

During the second half of the year, 4,590 entrepreneurs completed the Microentrepreneur Training Program (PFM), through which they acquired new tools to manage their businesses, with the advantage of taking the course in different modalities through the virtual format.

This year 2022 also marked the first edition of the Participatory Budget for Entrepreneurs, in which all PFM graduates from the metropolitan area were invited to participate by submitting their business plan and opt for obtaining a seed capital that will be credited using the same method of the Participatory Budget, in which applicants themselves have the opportunity to listen to each of the projects and then the winner is chosen by individual vote in a democratic and transparent exercise.

Corporate Volunteering

In alliance with El Hospital de Peluches, our Volunteers participated in two days of toy restoration at its main headquarters, receiving 500 stuffed animals, 145 dolls and 114 toys donated by Banesco Citizens.

The cuddly toys with special expertise treated at "El Hospital" were given as Christmas gifts at the Escuela Germán Ubaldo Lira (Las Minas de Baruta).



- As part of International Volunteer Day,
- Banesco recognized seven of its
- employees at an event organized by
- the Federation of Private Institutions for
- the Care of Children, Youth and the
- Family (FIPAN), for their dedication and
- commitment.

These activities were highlighted in the Brand Equity Survey, placing us as the leading institution in the area of Corporate Social Responsibility in the banking sector, a mention that allows us to measure our impact on our commitment to sustainability and the UN Global Compact.

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Marketing and Innovation

During the second half of 2022, we will multiply our efforts to guide our customers on all new products and services, as well as to encourage behaviors that promote safety and prevention. We generated around 214 communication campaigns, in addition to disseminating Corporate Social Responsibility initiatives.

Promoting Security and Preventing Money Laundering, Terrorist Financing and Weapons of Mass Destruction Proliferation

We deploy regulatory and informative campaigns through the Social Networks, focused on keeping our clients always informed and warned about the possible scams to which they may be exposed and the best way to prevent and protect their data and financial products.



- On a monthly basis, we remind our
- clients of the importance of protecting
- their data from third parties, as well
- as to avoid requesting assistance from
- strangers or being subject to manipulation
- to divert funds of illicit origin.

Awarded Ticket Campaign

We encourage the use of our Points of Sale, offering the option to win when using your debit and credit cards through the Banesco POS.

Pensioners

We promote the use of Digital Banking among our pensioner clients to carry out their transactions without having to go to the Bank, contributing to a greater awareness of the advantages and benefits available to them.

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BanescoPagos Campaign

We launched the BanescoPagos Campaign in the second half of the year, designed to inform our customers that they can now make their administrative payments to different organizations or companies through our portal, accessing it with their BanescoOnline credentials and a special operations password.

Promoting the use of our C2P Mobile Payment Service

With this campaign we show our customers and business that they can now pay at affiliated merchants without the need to have a card or telephone, with the generation of a dynamic key, through our merchants affiliated to PagoMóvil C2P.

BanescoToken

Informamos los beneficios ofrecidos por la aplicación We inform about the benefits offered by the Ba-



nescoToken application, created to generate dynamic tokens for our customers, every time they need to make a withdrawal from their Banesco Green Account or activate products and services that require validation.

In addition, we continue promoting the products and services available to our customers, among which the following are worth mentioning:

- Banesco VideoBanking, attention to our customers' requirements and requests via video call.
- Sales and repair day for Point of Sales of our commercial partner Nativa.
- Payment of Services through BanescoOnline, BanescoMóvil and Multipagos, easily and securely.
- Banesco Green Account, advantages of buying and selling currencies through BanescoOnline or BancaMóvil.

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Social Networks

At the close of December 2022, our social networks totaled a community of more than 1.68 million followers on our official Twitter, Facebook, Instagram, YouTube and LinkedIn accounts. We see it as an important channel for communicating with our clients and the general public, not only to convey our messages, but also to listen to their concerns almost in real time.

During the last half of the year, 16,098 cases referred to products and services were handled through social networks. This totaled 36,181 cases in 2022. Among the cases handled, 5.60% corresponded to requests from Banesco clients, while 94.40% were queries about products and services.

Regarding our presence in social networks, Twitter -through the @Banesco account-, remains the social network preferred by users, reaching more than 764,000 followers as of December 2022. In addition

to serving as a link for queries and requirements, the Bank offers content of interest on personal finance, entrepreneurship, technology, events, history, sports, business, energy and news about the products, services and promotions.

Meanwhile, Banesco on Facebook exceeded 270,000 followers, while on Instagram it reached 279,000. On LinkedIn, the brand has more than 143,000 followers.

- The videos posted on the YouTube
- channel “Banesco en Imágenes” have
- registered more than 5.6 million views
- and 20,000 subscribers.

At the end of December 2022, Banesco Blog exceeded 9.3 million 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.



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Segments Managements

At the end of the second half of 2022, 68,841 new customers were acquired, with 90.5% corresponding to individuals and the rest to legal entities, as a result of the strategies implemented for the development of value chains. The company's strategy is based on the optimization of processes and aims to improve the customer experience and establish an optimum level of customer loyalty by offering a more robust value proposition and the possibility of managing the request for different products and services at the same time. Likewise, the linking of customers to products in foreign currencies has been encouraged, in order to satisfy existing needs for the purchase and sale of foreign currencies, offering greater security in their transactions.

This led to an increase in deposits of 179.84% with respect to the previous semester, ending December 2022 with a balance of Bs. 4,332 million, mainly attributable to the Legal Entities segment, in accordance with the greater impulse of the national productive activity.

As for Banesco's positioning in the banking market, it reached a 9.31% share in deposits from the public (14.43% in Bs. and 5.49% in foreign currency), ranking 2nd in the financial system in deposits in local currency and 1st in private banking.

At the end of the second half of 2022, the gross loan portfolio amounted to Bs. 2 billion, after a variation of 390.8% with respect to the previous period, ranking 3rd in the system and 2nd in the private banking sector, with a market share of 15.15%.



- In the last six months, 6,652 credit operations were settled for Bs. 1.13 billion, mainly concentrated in the Commercial Portfolio with 80.2% of the volume settled (Bs. 913.7 million), followed by the Agricultural Portfolio with 12.1% (Bs. 137.8 million). In Microcredits, 1,304 operations were recorded for a total amount of Bs. 81 million.

In addition, Banesco's Commercial Systematics have been stimulated to strengthen the established customer service models and promote portfolio management, with the aim of building loyalty in commercial relationships with valued customers.

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Digital, Electronic and Agency Network Channels

During the July-December 2022 period, through the customer service channels offered by Banesco, 1.25 billion transactions were made by our customers, an increase of 2.15% compared to the same period of 2021, ending the year with a participation of digital and electronic channels of 99.88%.

Agency Channel

At the end of the second half of 2022, Banesco had 202 Customer Service Points (Agencies and Ticket Offices), through which 1.47 million transactions were carried out, equal to a growth of 102.83% compared to the same period of 2021 (749,000 more).

E-Banking Channel

During the last six months, BanescOnline recorded an average of 2 million customers, 48% of the Bank's total active customers, who executed 626 million financial transactions on a recurring basis, reflecting a variation of 3.42% (21 million transactions) compared to the same period in 2021.

In addition, the following improvements were added to this digital channel: Online Collection Inter, SimpleTV, SENIAT Taxes - Convenio V (Special Taxpayers), Optimization of Movilnet Online Collection, Sale of Foreign Currency from the Green Account and Automatic Transfer in Bolívars, Purchase Order of Foreign Currency for the equivalent value received in local currency.

The Net Satisfaction Index (NSI) for the channel stood at 84.3%, maintaining its market leadership.



P2P Mobile Payment Channel

With 2.9 million affiliated clients, more than 140 million transactions were carried out through the channel during the last semester, showing a variation of 9.93% compared to the same period of 2021. The total number of transactions reached 259 million in 2022, ranking 1st in the ISN banking ranking with a result of 94.8%, 8.4 percentage points above its closest competitor.

Canal Banca Móvil

More than 61 million transactions were recorded through BanescoMóvil during the July-December 2022 period, showing an increase of 47.44% with respect to the same period of the previous year.

ISN achieved the first position in the banking market (86.6%), beating its closest competitor by 3.3 percentage points. In addition, the following improvements were added to this digital channel:

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- Inter's Online Payment
- SimpleTV Online Payment
- Optimization of Movilnet Online Payment.

Telephone Banking Service

During the last half of 2022, the channel handled a total of 4.2 million calls, 94.43% of which were handled automatically and 5.57% by telephone agents.

ATMs

BanESCO closed December 2022 with an installed operating fleet of 409 ATMs in the national territory (158 single-function and 251 multifunctional), by which more than 10.8 million transactions were processed.

Means and Payment Services

Collection and Payment Services experienced a 78% increase in the number of transactions with respect to the second half of 2021 and a 407.5% increase in the amount processed, driven by the higher volume of transactions through Interbank Mobile Payment.

In terms of average ticket sales, there was an increase of 227.4%, with the largest increases in services: Interbank Transfers (618%), Online Collection (434%) and Mobile Payment (426%).

It is worth mentioning the implementation of 26 BanESCOPagos Buttons and 6 Interbank C2P.

Credit and Debit Cards

Credit Card Issuing Business

The Credit Card business experienced a 374% growth in sales compared to the previous semester, with a delinquency rate of 0.04%.

Card maintenance initiatives focused on serving different segments, benefiting 224,159 customers with card limit increases and 3,087 employees.

Debit Card Issuing Business

BanESCO Debit Cards recorded an increase in sales of 160% at the end of the second half of 2022 compared to the previous period, leveraged by the high percentage of acceptance (91%), which has allowed us to strengthen the preference of our customers.

In addition, 96.24% of our pensioner clients have an active debit card, which allows them to mobilize the amount of their pension in all point-of-sale stores and to use digital means to make transfers and consult balances and movements.

Business Issuing Legal Credit Cards

The Legal Cards Portfolio showed an increase in sales of 216% vs. the first half of 2022, with a delinquency rate of 0.07%, mainly attributable to the limit increases made to Large Corporate clients, increasing the amounts to the maximum Credit Value Units (CVU) allowed by Law.

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Acquiring Business

Total number of active POS (physical and virtual) at the end of December 2022: 134,596.

Banesco's Acquiring Business remains the market leader, due to the reliability of our service, availability and robust trade settlement processes; processing 393 million transactions during the second half of 2022.

The strategies used to increase the capture of liabilities focused on the commercial affiliation of customers with a new profile (non-traditional segments), as well as on the application of promotions on the affiliation rates of credit and debit cards to boost their invoicing.

Promotion and Alliances

The "Awarded Ticket" campaign seeks to strengthen the Banesco-Customer loyalty relationship and encourage the use of Banesco Points of Sale. By the end of the year, more than 17,000 prizes had been awarded to cardholders whose purchases were free of charge and to more than 12,000 merchants, crediting their accounts with the same amounts as those of the cardholders who won during the month.

Likewise, in December, a group of cardholders and winning merchants were honored, an event during which we had the opportunity to learn about their experiences of the program through testimonials, which will be shared through Banesco.com and Social Networks.



Competitive Intelligence

Banesco is starting to talk about hyper-personalization aimed at segmenting customers by audience type and archetypes, in order to offer new experiences focused on the individual and unique needs of each user, which will allow the establishment of positive emotional bonds and drive loyalty and long-term retention.

We are currently working to move nearly all customer services and interactions into the digital realm, to meet immediate needs and deliver memorable experiences leveraging cutting-edge technology.

Based on the construction of long-lasting relationships with customers, we promote Customer Experience as the priority dimension to execute customer service processes, products, systems and marketing as differentiating elements from the competition, to position ourselves as an entity focused on customer loyalty and customer-centric vision.

We maintained the Net Promoter Score (NPS) measurements, in order to know customer expectations about Banesco and its competitors. Listening to the voice of our customers gives us a range of opportunities to act and close gaps associated with our products and services, based on continuous monitoring and understanding of the service offered. In addition, we also carry out the Employee Net

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Promoter Score (ENPS), under the consideration that our employees are the main ambassadors of the Brand. The information obtained allows us to establish strategies to strengthen the link with the Organization, which will ultimately result in the strengthening of relationships with our customers.

As part of the Digital Transformation, we included payments in our portals, which enabled self-management by our clients. On the other hand, we have expanded the benefits offered to our foreign currency product.

Focusing on customer experiences and making applied technology more human is a challenge for companies worldwide. At Banesco, we strive to generate efficient processes that have a positive impact on our customers' experience.

Relational/Experiential Marketing

We are characterized by being allies in the understanding of the figures coming from the different information management systems to support the deepening of our clients' knowledge, from a tran-



sactional as well as relational point of view. We also provide timely information to different areas of the Bank, with the vision of optimizing the Organization's strategic decision making.

One of our most tangible commitments is to provide the necessary support to the Marketing team in the deployment of product and service campaigns, providing them with relevant analysis derived from Outbound Marketing, which has allowed us to speed up the management of proposals tailored to the needs of our clients.

Banesco in Figures

Number of Clients (as of December 31)					
Banca	2022	2021	2020	2019	Var. % 2022 vs 2021
Natural Persons	3,535,346	3,705,427	3,682,009	3,814,607	-4.59%
Legal Persons (SMEs)	14,689	11,632	12,395	11,932	26.28%
Legal Persons (Agencies Network)	180,423	201,368	197,078	197,461	-10.40%
Specialized Banks Natural Persons	16,641	15,413	33,311	37,309	7.97%
Specialized Banks Legal Persons	10,152	10,742	10,958	10,819	-5.49%
Total	3,757,251	3,944,582	3,935,751	4,072,128	-4.75%

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Market Studies

Dialogue Interest Groups							
Natural Persons	2022		2021		2020		
Focus Groups / Interviews / Surveys	Nº	Participants	Nº	Participants	Nº	Participants	Segments
Customer Experience Studies	12	58,400	12	53,250	12	45,360	Natural Persons
Brand Studies	1	800	1	800	0	0	Natural Persons
Satisfaction Studies / Quality of Service	8	3,299	15	4,851	0	0	Natural Persons
Studies Internal Client / Banesco Employees	16	13,382	12	3,800	16	4,909	Banesco Employees
Qualitative	3	55	0	0	0	0	Natural Persons
Legal Persons	2022		2021		2020		
Focus Groups / Interviews / Surveys	Nº	Participants	Nº	Participants	Nº	Participants	Segments
Customer Experience Studies	10	1,162	7	741	0	0	SMEs, Companies, Large Companies and Corporates
Qualitative Legal Companies	2	23	1	24	0	0	SMEs, Companies, Large Companies and Corporates
Studies Internal Client / Banesco Employees	3	458	0	0	0	0	Legal Persons

- In the second half of 2022, we identified
- a reach through email marketing of
- 85% of our customers, closing the
- period with an average growth indicator
- of 31.2%.



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Information Technology, Business Processes and Operations

We continue to align the delivery of technological solutions with the strategic vision and growth of the business, ensuring the best customer experience and time to market compliance, guaranteeing operational continuity and stability of services with cost/efficiency balance and driving digital transformation.

Application Development and Maintenance

Technological solutions were added with new functionalities that support the business strategies, aimed at improving and strengthening the experience of our customers. Different collection payment methods were added via the channels, including Simple TV and Intercable payment through BanescOnline, as well as new online collections, among which the following stand out: Digitel Post-Payment in the Multipayments Website, Simple TV and Intercable through Mobile Banking, Seniat for the collection of special taxpaying customers through BanescOnline (BOL), Multipayments Website and Payment Buttons for customers such as municipalities, condominiums, regional governments and private companies.

In order to support the commercial business, the certification of new POS models with Public Network Connection was carried out, allowing the business to expand the range of devices to offer in its sales process.

We enhanced the Foreign Currency Account, through the channels, enabling for Green and Custody

Accounts, the issuance of bank references, statements and account cut-offs through the Agencies channel, as well as bank references in BOL. In addition, the retail exchange mechanism was implemented in the BOL, Mobile Banking and TDD POS channels, a very useful service for customers, which was requested by the regulator as mandatory.

Operations Infrastructure

We guarantee the required availability of critical services and the optimal levels of the Bank's technological infrastructure, products and channels; we continuously carry out preventive and corrective actions through continuous improvement plans and system health, in order to maintain the required levels in our infrastructure for the Bank's operations and provide a reliable experience to our customers.

We executed optimizations of private cloud capacities, implemented processing and storage capacities of the Bank's main services, as well as the data life cycle methodology, recovering and reusing storage capacities through the practice of data cleansing for historical and unused data; and data cleansing and optimization actions in the technological platforms.

The distributed storage platform was removed, freeing up physical space and electric power. We replaced agency interconnection services, mitigating risks due to hardware and software obsolescence, increasing capacity and improving the availability of services.

We make adjustments to the service platform, optimizing response times and obtaining greater speed and robustness.

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Comprehensive Risk Management

BanESCO has a risk management model appropriate to its business model, which allows it to develop its activity within the framework of the strategy and policy defined in its risk appetite framework approved by the Board of Directors, and to adapt to an economic and regulatory environment as changing as the Venezuelan one, challenging management globally and adapting to day-to-day conditions.

At the end of the last semester of 2022, the figures for the country's Gross Domestic Product (at constant prices) were released, registering variations of 17.45%, 23.30% and 13.22% in the first, second and third quarters of 2022, respectively, with which the accumulated January-September closed with a growth of 17.73% with respect to the same period of 2021. However, the recovery was uneven in some economic sectors. The requirements of reserve requirements policies were maintained, with levels reaching 73% of net obligations in local currency, making it difficult to grant loans, together with the increase in the exchange rate, which, although it is true, have an impact on the revaluation of the portfolio and on profitability levels, if the reserve requirement is not covered, the financial cost would significantly reduce these benefits.

Evaluation and follow-up is a transversal function that allows our integral risk management model to have a dynamic and anticipated vision that makes it possible to comply with the approved Risk Appetite

Framework, even in the face of unfavorable scenarios such as those mentioned above.

This is possible due to the solidity of the Corporate Governance bodies, especially the Risk Committee, which has paid special attention to the amount and typology of the risks (appetite) that it is considered prudent to assume in the execution of our business strategy, achieving the early implementation of the necessary corrective actions to mitigate them.

Credit Risk

Credit risk arises from the possibility of losses occurring as a result of the failure of clients and/or counterparties to pay the stipulated contract.

After the upturn in the world economy in 2021, as a result of the relaxation of quarantines put in place to combat the Covid 19 pandemic, the records available for 2022 show a generalized slowdown on a global scale. The appearance of other variants of the Coronavirus, as well as the emergence of the Russia-Ukraine conflict, have triggered new alerts in the world economy, due to the persistence of supply chain disruptions and container shortages, rising energy prices, interest rates and rising inflation.

To respond to the circumstances caused by the pandemic in the current macroeconomic environment, BanESCO has reinforced the procedures to monitor credit risk, supported by a set of strategies, a consolidated risk culture, a robust governance structure and processes and tools, among which we highlight the following:

- A credit risk management model in which the roles and responsibilities of each of the areas in-

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volved are defined, with the active participation of Credit Risk Management in the decision-making process. When granting credit, an evaluation of criteria is made that determines the payment capacity for new crops, focusing on economic sectors of greater development and those with a cash flow in foreign currency that allows honoring the contractual commitments acquired in the UVC loans, which require a greater commitment in the capital owed as the exchange rate deteriorates with respect to the national currency.

- Monthly portfolio follow-up reports are issued, which include details of customers in terms of classification, economic group, business units, guarantees, past due balances, concentration levels, among others; complemented with a weekly follow-up of customers more than 15 days past due in order to manage efficiently and not impact the delinquency indicator.
- Close monitoring of sectors/customers, supported by a clear segmentation of the same, in order to detect in time changes in the original characteristics of such credits and to ensure the appropriate management of those in which there is a possibility of total or partial loss.
- Monitoring of the risk profile and the factors identified, through, among other internal, competitor and market indicators, which allow anticipating future performance.
- Regular monitoring of risk appetite, the evolution of its metrics; in particular, taking into account the evolution of portfolios under moratorium and its effect on credit provisions.
- Considering the above and the recurring evolution of the economic environment, Banesco's main credit risk metrics behaved as described below:
 - Exposure to credit risk increased 390.80% with respect to the previous semester, as a result of the increase in the exchange rate, which affected the revaluation of the loan portfolio.
 - The non-performing loans ratio ended the second half of 2022 at 0.003%, a level similar to that observed in June 2022, while the banking system recorded a decrease of 0.23 percentage points over the same period, ending December 2022 at 0.46%.
 - The coverage ratio for immobilized portfolio closed 2022 at 61,097.57%; the banking system, on the other hand, averaged 636.97%.
 - The cumulative cost of risk at December 31, 2022 was 5.70% (291 basis points lower than in the previous six-month period).

To conclude, Banesco has policies, tools, methodologies, monitoring and proactive risk management, through base and stress scenarios, to ensure ade-



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quate risk management in accordance with the risk profile and keeping them within the limits approved by the Board of Directors.

Operational Risk and Business Continuity

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

Operational risk is inherent to all processes, products and systems since it is key throughout the Organization. In other words, its management is not only the responsibility of the Risk Area, but of all collaborators. For this reason, during daily work and exposures to the different risk factors faced, an owner of the process is responsible for being vigilant in order to identify, control and report them.

Operational risk management at Banescó is aimed at identifying its root cause, to prevent its occurrence and mitigate possible consequences, by establishing plans whose evolution is monitored on a monthly basis, and their compliance is certified by the Internal Audit Area. The objective is to minimize monetary and reputational losses, as well as their impact on the recurring generation of results, contributing to increase the quality and availability of services. During 2022, 627 strategies (267 in the second half of the year) were submitted by the owners of the processes for their respective follow-up.

Additionally, in line with best practices and recommendations, the Bank has procedures in place to collect materialized risks, both internal and external

and with financial or non-financial impact (regardless of their amount), with the appropriate level of detail to enable an effective analysis that provides useful information for management. During this semester, 333 events were managed with this approach, resulting in risk mitigation strategies.

The operational risk model at Banescó has three elements:

- The determination of the operational risk profile, based on evaluating, anticipating and mitigating the potential operational risks and their impact on the business, using a variety of tools and approaches framed in the most demanding international standards, such as: Basilea, ISO 31000, COBIT and COSO. In this context, risk surveys have been conducted on 142 processes in various areas, highlighting M/E Operations in the Agency Network, Green Account and Custody Account Projects, Express Process for Opening a Legal Entity Account and Packaging, Franchise Regulations, TDD Replacement Service for Delivery, Alarm and Video Monitoring Project and Operational Processes in M/E, MoneyGram and Retail in Electronic Channels.
- Promote synergy in the area of control and operational risk, through the Operational Risk Committee, which during the second half of 2022 met 97 times, resulting in the inclusion of 267 strategies that were submitted for follow-up, closing a total of 172 risks.
- Encourage and enhance our risk culture with the ultimate goal of making employees aware of the importance of risk management in their daily functions, by sharing Newsletters, Wallpapers

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and Webinars, combined with the training of Integral Risk Officers (IRD) and IRD Masters, in order to establish solid disciplines in risk management as key factors to enable effective supervision and control to support the long-term sustainability of the Institution.

The Business Continuity management is one of the main pillars that contributes to maintaining our operational resilience, aimed at preventing and/or anticipating partial or total disasters that could affect operational continuity due to human errors or failures, damage to technological equipment, failures to physical infrastructure, non-compliance with regulations, natural, economic, social disasters or human resources limitations.

The last one could include the pandemic that we have been experiencing and that has not yet ended, managing to maintain the critical mission operation through the adoption of a Business Continuity Plan, which establishes the strategies and procedures to be implemented by an interdisciplinary team that provides the required direction, support, equipment, methodologies and standards to ensure the continuity of critical operations.

At Banesco, the main objectives of Business Continuity Management are summarized as follows:

- To reduce the Organization's vulnerability through the maintenance and upkeep of technology services.
- Design prevention activities and recovery plans for critical technology services that support key business processes, at reasonable costs.

- Ensure prompt recovery of critical IT services following a disruption to normal operations.
- Establish policies and procedures to avoid, to the extent possible, the eventual consequences of a disaster or force majeure.

Having no Business Continuity plan in place can result in financial loss, loss of control, loss of customers and reputational impact at all levels.

At the end of the second half of 2022, we were able to perform 61 partial tests of critical services/applications according to the BIA (Business Impact Analysis), which allows us to clearly identify the entity's mission processes and analyze the level of impact in relation to business management. This allows exercising contingency plans, verifying the correct operation and robustness of the Organization's technological platform and the logistics of simultaneous activation of the main critical services/applications in the El Rosal Alternate Data Center, and thus continuing with the improvement and updating of the Contingency Processes.

Market Risk

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

The metrics developed for the control and monitoring of market risk at Banesco are aligned with best practices, for whose measurement we use Value at Risk (VaR), which indicates the maximum losses

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that can occur in portfolios at a given confidence level (99%) and time horizon (one day). The exposure in relation to equity reached 0.11% at the end of this semester, which represents a slight increase of 0.08 percentage points with respect to the previous semester; this low amount is mainly due to the regulations that prevent Venezuelan banks from making investments other than those issued by the Nation and its decentralized entities and to the limited offer of this type of instruments in the last few years.

Periodically, validity tests are performed on the risk measurement models, which estimate the maximum loss that could have occurred in the positions considered with a given probability level (backtesting), and additionally the accuracy of the models is analyzed to confirm their reliability, taking into account the average size of the exceptions, the adjustment necessary to obtain the desired coverage and the number of exceptions.

At the end of the exercise, the contrast for the parametric model showed a correct performance of the model, staying within the “green” zone (0-4 exceptions) and an average exception size of 1.62; while the Monte Carlo simulations yielded results in the Basel yellow zone and an average exception size of 1.95, allowing the acceptance of both models, as has been the case every year.

With respect to exchange rate risk management, in order to preserve Banesco’s capital ratios and provide stability to the income statement, a set of indicators have been implemented to measure the

sensitivity of equity to variations in this risk factor and to monitor it on an ongoing basis.

Banesco maintains a solid liquidity position and has liquidity ratios that exceed international standards:

- The liquidity coverage ratio (LCR) remained comfortably above 100% during 2022 and stood at 387% at December 31, 2022.
- The net stable funding ratio (NSFR), which is defined as the result between the amount of stable funding available and the amount of stable funding required, demands banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. This ratio must be, according to international financial regulations (which are not applied in the country), a minimum of 100% at all times. Banesco’s NSFR ratio stood at 340% as of December 31, 2022.
- In the preventive area, the establishment of the appetite and tolerance for this risk allows the inclusion of an early warning system, thus foreseeing the materialization of adverse events, achieving the early implementation of the necessary corrective actions to mitigate the risk through the Liquidity Contingency Plan. This plan helps to mitigate the risks associated with the legal reserve measures (73% of deposits from the public) established by the Central Bank of Venezuela, which have been reflected in the rates and amounts in the Overnight market, as well as the impact of fines for noncompliance with current regulations.

Social Balance

ACCUMULATED 1998 - 2022

Stated in VES at December 2022

DESCRIPTION	Year 2022	Accumulated 1998 - 2022
SOCIAL INVESTMENT	27,649,137.44	35,196,779.20
APPLICATION BANESCO RESOURCES		
Fe y Alegría	136,685.03	177,577.74
Microentrepreneurs Training Program	155,466.31	220,463.33
Simón Bolívar Music Foundation	17,738.80	24,911.21
Association of Venezuelan Catholic Education (AVEC)	19,291.33	27,347.52
Social Undertaking Project with the IESA	91,200.00	135,950.00
Universities and Other Institutions	1,096,433.96	1,470,365.10
BanESCO Long Scholarships Life	38,485.76	38,485.76
Other Education Institutes and Organizations	45,078.31	45,078.32
Venezuelan Foundation against Child Paralysis	107,778.00	137,224.00
Other Health and Medical Care Organizations	285,167.71	358,366.73
FUNDANA	293,815.35	391,274.11
Civil Association Don Bosco Houses Network	212,120.56	298,563.23
Salesian Ladies Civil Association	33,488.64	39,433.25
Attendance to the childhood and people with special necessities	63,539.62	137,742.81
Editorial Projects	281,713.25	379,895.34
Other Contributions	496,259.97	603,335.65
Solidarity Campaign for Natural Catastrophes	40,482.52	40,482.52
Events for the Community	209,281.80	227,793.72
Participatory Budget	99,000.00	127,395.03
Non-Contractual Social Benefits for BanESCO Employee	23,920,609.21	30,308,066.20
Dining Subvention	18,121,754.09	21,639,489.86
Medical Service	730,747.64	1,490,168.78
Parking Subsidy	0,00	0.00
Medical Assistance for Extreme Diseases	756,147.15	1,200,675.94
Unsecured Loans for Housing	0,00	524.55
Transportation between offices	127,770.25	262,752.18
Housing sales between employees	0,00	0.00
Collective Agreement	4,184,190.05	5,714,454.90
Corporate Volunteering Contribution	5,501.35	7,027.63
TOTAL SOCIAL INVESTMENT MORE COMMITMENTS CONTRACTED	27,649,137.44	35,196,779.20



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