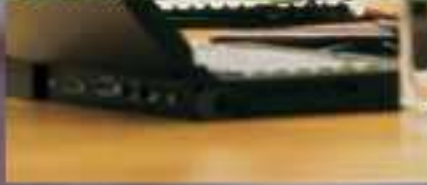


SEMESTER REPORT › SECOND HALF 2005

**Banescó**  
BANCO UNIVERSAL



Banesco always on the  
path of excellence

## To Our Shareholders, Customers and Social Partners

**W**e closed 2005 with excellent results in the financial and social scopes, compiled in this report in an exercise of transparent management.

We retained the leadership within the national financial sector, in such important segments as the management of third party resources (attraction of public deposits, assigned investments, and the mutual housing fund) for a total amount of Bs. 15,922 billion, equivalent to 16.4% of the market share; total deposits in the amount of Bs. 14,991 billion (16.0% of the market share); Bs. 2,186 billion in credit card invoicing, and term deposits for Bs. 1,805 billion. We also consolidated our position in other business areas, such as credits, for a total of Bs. 5,081 billion, and trusts, Bs. 4,434 billion, equivalent to 7.7% of the total market, all of this thanks to having adopted the best banking practices worldwide as well as a successful strategy.

In like manner, we obtained profitable and optimal results within the agricultural sector - where we totaled Bs. 448 billion in credits - as well as within the small and mid-sized entrepreneurial sectors.

The micro credits portfolio closed at Bs. 154 billion which represents a 178% increase if compared with the figures recorded at the closing of 2004. This portfolio consists of 5,252 customers devoted, mainly, to the development of productive activities in the market, technical service and professional service areas, and the manufacturing, the transportation and communications industries,

among others, directly contributing towards increasing their quality of life and the quality of life of the people in their communities.

We also guarantee the bank's traditional leadership in the area of housing credits with Bs. 774 billion in resources from the Mutual Housing Fund, thus contributing with more than 7,078 families to obtain their own homes, which is a record within the national financial system.

Another of Banesco's record figure is the 66% growth during the year 2005 in the number of savers in the housing area, through the affiliation of important companies not only within the private sector but also within the public sector, which allowed the bank to mark an important distance in relation to its closest competitors as to the market share, by achieving a total participation of 29.92% of the Commercial and Industrial Banking activities.

In addition, we wish to announce that, at the closing of the year 2005, our social investment totaled 20 billion bolivars, a figure representing 6.25% of the earnings received last year by Banesco Banco Universal. The Organization invested these resources voluntarily in programs and projects relating to the health and education areas, as well as the human resources accompanying this financial institution in its daily activities.

At the same time, in December of 2005, a group of shareholders of Banesco Banco Universal obtained a license to operate in the city of Miami, Florida, which will allow us to offer our customers greater and better business options and opportunities.

In matters of taxes and contributions, we are pleased to report that, during 2005, we paid the Internal Revenue Service 141.12 billion bolivars, a figure representing 44.1% of the 320 billion bolivars earnings received during this fiscal year.

Finally, we wish to confirm our efforts towards continuing with our culture of service quality and the readiness of our 8,000 employees who will turn 2006 into the year to consolidate all the successes achieved.



Juan Carlos Escotet Rodríguez.  
Chairman of the Board of Directors

## Financial Highlights

(Stated in Billion VEB)	I Half 2004	II Half 2004	I First 2005	II Half 2005	Growth			
					II Half 2005 II Half 2004	%	II Half 2005 I Half 2005	%
<b>Total Assets</b>	<b>5.353.9</b>	<b>7.661.8</b>	<b>9.443.6</b>	<b>10.475.4</b>	<b>2.814</b>	<b>36.7</b>	<b>1.032</b>	<b>10.9</b>
Cash and Due from Banks	869.1	1.182.1	1.530.0	1.784.4	602	51.0	254	16.6
Security Investments	2.472.9	3.612.0	4.472.3	2.621.1	-991	-27.4	-1.851	-41.4
Credit Portfolio	1.212.5	2.005.9	2.507.8	5.080.8	3.075	153.3	2.573	102.6
<b>Deposits from Clients</b>	<b>4.270.2</b>	<b>6.439.6</b>	<b>8.075.0</b>	<b>8.914.1</b>	<b>2.474</b>	<b>38.4</b>	<b>839</b>	<b>10.4</b>
Deposits in current accounts	2.107.9	3.056.9	3.255.0	4.917.9	1.861	60.9	1.663	51.1
Savings Deposits	885.0	1.337.1	1.489.9	1.957.7	621	46.4	468	31.4
Time Deposits	1.112.6	1.944.0	3.064.0	1.805.2	-139	-7.1	1.259	-41.1
Other Deposits	164.6	101.7	266.1	233.2	132	129.4	-33	-12.4
<b>Total stockholders' equity</b>	<b>820.5</b>	<b>957.5</b>	<b>1.073.3</b>	<b>1.201.9</b>	<b>244</b>	<b>25.5</b>	<b>129</b>	<b>12</b>
<b>Trust Assets</b>	<b>3.100.9</b>	<b>4.092.9</b>	<b>4.387.1</b>	<b>4.433.9</b>	<b>341</b>	<b>8.3</b>	<b>47</b>	<b>1.1</b>
<b>Debtor Accounts Due To Trust Assignments (FMH)</b>	<b>598.8</b>	<b>700.2</b>	<b>821.0</b>	<b>930.5</b>	<b>230</b>	<b>32.9</b>	<b>110</b>	<b>13.3</b>
Financial Revenues	342.9	420.7	512.2	585.3	165	39.1	73	14.3
Financial Expenses	106.5	135.3	219.6	227.4	92	68.0	8	3.6
Gross Financial Margin	236.3	285.4	292.6	358.0	73	25.4	65	22.3
Financial Intermediation Margin	515.3	480.9	475.3	574.3	93	19.4	99	20.8
Transformation Expenses	228.7	247.2	301.7	376.2	129	52.2	74	24.7
Income Taxes	2.5	2.7	0.6	0.6	-2	-77.5	0	0.0
<b>Annual Net Income</b>	<b>234.8</b>	<b>203.6</b>	<b>152.7</b>	<b>166.9</b>	<b>-37</b>	<b>-18.0</b>	<b>14</b>	<b>9.3</b>
<b>Yielded Investments</b>	<b>1.797.0</b>	<b>2.183.1</b>	<b>2.471.9</b>	<b>6.077.0</b>	<b>3.894</b>	<b>178.4</b>	<b>3.605</b>	<b>145.8</b>
<b>Accumulate Agriculture Portfolio</b>	<b>159.7</b>	<b>224.3</b>	<b>347.7</b>	<b>448.2</b>	<b>244</b>	<b>99.8</b>	<b>101</b>	<b>28.9</b>
<b>Official Institutions Deposits</b>	<b>1.102.4</b>	<b>1.927.3</b>	<b>2.851.6</b>	<b>1.657.8</b>	<b>-269</b>	<b>-14.0</b>	<b>-1.194</b>	<b>-41.9</b>
<b>Micro Loans</b>	<b>37.8</b>	<b>55.2</b>	<b>105.7</b>	<b>153.6</b>	<b>98</b>	<b>178.5</b>	<b>48</b>	<b>45.3</b>
<b>Commercial Loans</b>	<b>778.0</b>	<b>1.488.9</b>	<b>1.872.2</b>	<b>3.380.0</b>	<b>1.891</b>	<b>127.0</b>	<b>1.508</b>	<b>80.5</b>
<b>Credits to Consumer</b>	<b>343.1</b>	<b>447.8</b>	<b>583.1</b>	<b>906.9</b>	<b>459</b>	<b>102.5</b>	<b>324</b>	<b>55.5</b>
Vehicles	3.5	0.9	1.7	10.2	9	1052.3	8	490.2
Credit Cards	339.6	446.9	581.4	896.7	450	100.7	315	54.2
<b>Mortgage Loans</b>	<b>91.4</b>	<b>69.2</b>	<b>52.5</b>	<b>292.2</b>	<b>223</b>	<b>322.6</b>	<b>240</b>	<b>456.8</b>
<b>Number of Depositors</b>	<b>1.692.031</b>	<b>2.255.180</b>	<b>2.522.499</b>	<b>2.827.788</b>	<b>572.608</b>	<b>25.4</b>	<b>305.289</b>	<b>12.1</b>
In Current Accounts	685.493	875.802	912.498	1.096.825	221.023	25.2	184.327	20.2
In Savings Accounts	1.005.375	1.378.102	1.608.957	1.729.970	351.868	25.5	121.013	7.5
In Time Accounts	1,163	1,276	1,044	993	-283	-22.2	-51	-4.9
<b>Credit Cards</b>	<b>1.342.279</b>	<b>1.488.221</b>	<b>1.633.612</b>	<b>1.747.685</b>	<b>259.464</b>	<b>17.4</b>	<b>114.073</b>	<b>7.0</b>
<b>Ratios</b>								
Loan Portfolio Provisions/Non Accrual Loans	320.55%	383.77%	308.78%	444.87%				
Non Accrual Loans/ Gross Loan Portfolio	2.81%	1.15%	1.08%	0.43%				
Net Results / Average Assets	9.63%	7.87%	3.58%	3.50%				
Net Results / Average Equity	64.04%	53.90%	30.22%	29.83%				
Liquidity	42.32%	51.68%	53.98%	34.15%				

**Chairman of the Board of Directors**  
Juan Carlos Escotet Rodríguez

**Executive Chairman**  
Luis Xavier Luján Puigbó

**Senior Directors**  
Jorge Caraballo Rodríguez  
María Josefina Fernández Maroño  
Nelson Becerra Méndez  
Gonzalo Clemente Rincón  
Fernando Crespo Suñer  
Salvador Cores González  
Carlos Acosta López  
Oswaldo Padrón Amaré

**BANESCO BANCO UNIVERSAL, C.A.**

Subscribed and Paid-in Capital for Bs. 487,996,420,100

**CALL**

By order of the Board of Directors and in conformity with the provisions set forth in Articles 10 and 12 of the Articles of Incorporation, the shareholders of "BANESCO BANCO UNIVERSAL, C. A." are called to a Regular Shareholders Meeting to be held on March 27 2006, at 8:00 a.m., in the Fernando Crespo Suñer Auditorium located on the third floor of the "Ciudad Banesco" building, on the Main Avenue of Bello Monte, between streets Lincoln and Sorbona in the city of Caracas, with the purpose of discussing following agenda:

**FIRST:** To discuss and resolve on the approval of the Financial Statements at the closing of the accounting period ending on December 31 of 2005, duly ruled by the Public Accountants during their independent exercise of their profession, and the report of the Board of Directors, all this in view of the report of the Commissaries.

**SECOND:** To comply with Article 10 of Resolution No. 459-05 issued by the Superintendence of Banks and Other Financial Institutions on September 26 and published in the Official Gazette No. 38.292 of October 13, 2005.

**THIRD:** To discuss and resolve on the dividends to be decreed.

**FOURTH:** To discuss and resolve on the appointment of the members to form the Board of Directors for the period 2006-2007.

**FIFTH:** To discuss and resolve on the appointment of the Commissaries for the period 2006-2007 and fix their remuneration.

**Juan Carlos Escotet Rodríguez**  
Chairman of the Board of Directors.

**Note:** The shareholders are informed that the report of the Board of Directors, the report of the Commissaries and the audited Financial Statements will be made available to them in the offices located in the "Ciudad Banesco" building, on the Main Avenue of Bello Monte, between streets Lincoln and Sorbona, on the Main Avenue of Bello Monte in the city of Caracas, 3<sup>rd</sup> floor, Legal Counselors' Office, fifteen (15) days prior to the meeting to be held.

Caracas, 10 March 2006





# The Economy during the year 2005





## Gross Domestic Product (GDP)

### The Economy during the year 2005

#### Gross Domestic Product (GDP)

During the second half of 2005, the Venezuelan economy recorded positive figures for the fourth consecutive semester. According to the figures issued by the Central Bank of Venezuela (BCV), the Gross Domestic Product (GDP) increased by 9.9% during the semester, which, together with the 8.7% increase recorded at the closing of the first semester, brought the growth of the economic activity during the year 2005 to 9.3%.

The sectors with the largest advances during the year were the Financial Institutions and Insurance Companies with a 30.8%, Construction with a 20.1%, Communications with a 19.8% and Commerce and Repair Services, with a 19.5%. The Manufacturing and Oil sectors continued being the activities with the largest relative importance, and represented a 17.2% and 16.0% of the GDP, respectively.

At 1997 prices (Stated in Billion VEB)	Year 2004	Year 2005	Variation 2003 - 04	Variation 2004 - 05
<b>Total</b>	<b>42.036</b>	<b>45.957</b>	<b>17.9%</b>	<b>9.3%</b>
Oil Based Activities	7.225	7.346	11.6%	1.7%
Non-Oil Based Activities	31.375	34.599	17.8%	10.3%
Mining	302	298	11.8%	-1.2%
Manufacturing	7.240	7.895	25.4%	9.1%
Electricity, Gas and Water	1.006	1.091	6.9%	8.5%
Construction	2.185	2.623	32.1%	20.1%
Commerce and Repair Services	3.546	4.238	25.5%	19.5%
Warehouse and Transportation	1.444	1.630	26.4%	12.9%
Communications	1.281	1.534	10.2%	19.8%
Financial Institutions and Insurance Companies	983	1.285	26.6%	30.8%
Real state, business and renting services	4.252	4.537	9.7%	6.7%
Community, social end personal services and producers of non-lucrative private services	2.235	2.422	17.3%	8.4%
Producers of general government services	5.338	5.677	13.8%	6.3%
Rest	2.631	2.836	6.3%	7.8%
Minus: SIFMI	1.067	1.467	24.0%	37.5%
Net Taxes on Products	3.436	4.012	34.3%	16.8%

The internal aggregate demand increased by 16.0% in 2005 powered by the increase in the consumer expenditure (14.5%), mainly in the private consumer expenditure which increased by 16.3%, while the public consumer expenditure increased by 7.5%. On the other hand, the gross formation of fixed capital expanded by 32.7%, reason for which the country's productive capacity has increased.

#### Balance of Payments

The balance of payments closed 2005 at US\$ 5,457 million, determined by a record surplus in the drawing account (US\$ 25,359 million), partly counteracted by the deficit in the capital account (US\$ 16,139 million).

The increase of the international prices of the Venezuelan export products, mainly the oil price, determined the balance in the drawing account. Hence, oil exports increased by 50.6% to reach US\$ 48,059 million, while non-oil exports increased by 8.7% to a total of US\$ 7,428 million.

On the other hand, imports increased by 38.3% and reached a record balance of US\$ 23,955 million.

The deficit in the capital account raised the largest currency and foreign deposit holdings maintained by the public companies, the private sector and the governmental entities, featuring the transfer of US\$ 6,000 million made by the BCV to the National Development Fund (FONDEN).

The surplus in the balance of payments allowed the net international reserves to close at US\$ 30,368 million, a 25.4% increase in relation to the year 2004.

#### Monetary Market

The expansion of public expenditure had an important effect on the levels



## Balance of Payments • Interest Rates • Inflation • Foreign Exchange Market

of the money aggregates in 2005. This fiscal expansion and the growing deposits in the financial system generated a 39.7% (Bs. 6.6 trillion) growth in the reserve money during the year, to reach Bs. 23.1 trillion. On the other hand, monetary liquidity increased by 52.7 to close the year 2005 with Bs. 70.8 trillion, after a 54.6% increase in the cash flow and the 49.7% increase in quasi money.

The BCV's absorption of liquidity and issuance of securities in US\$ to be placed in bolivars within the national market, as well as the level of imports and stability of the currency exchange, helped to contain a greater increase of the money aggregates which would have caused additional pressure on the level of prices.

### Interest Rates

The growth of the monetary liquidity and the implementation of controls by the BCV contributed towards the sustained decrease in the interest rates during the year 2005.

The Central Bank of Venezuela established maximum and minimum limits to the active and passive interest rates, valid as of May 1, where the maximum annual interest rate for active operations could not surpass the interest rate for credit assistance operations of the BCV, reduced by 0.5 percentage points. In like manner, the annual interest rate for term deposits could not be less than the 28 days absorption rate of the BCV, less 1.5 percentage points.

Due to the reference rates not having changed since May, the active interest rate could not be higher than 28.0% and the interest on term deposits could be not less than 10.0%.

In this context, the active interest rate of the six main banks, at the closing of 2005, was 14.40%, i.e. a decrease of 1.60 percentage points in relation to December of the previous year (16.00%). On the other hand, the interest rate for 90 days term deposits closed at 11.17%, equivalent to a decrease of 3.33 percentage points in relation to the rate at the closing of 2004 (14.50%).

### Inflation

The consumer price index (CPI) for the Metropolitan Area of Caracas showed a 14.4% increase in 2005, thus maintaining the downward trend the variation in prices has been showing since 2002.

The lowest inflation was linked to the slight adjustment in the exchange rate (12.0%), the increase in imports, the distribution of massive consumption products at low levels, and the price

control on an important portion of the goods conforming the basic goods basket to calculate the CPI. The regulated goods increased their prices by 10.6%, while the non-regulated goods increased their prices by 18.1%.

The inflationary core closed at 14.6%, and the same indicator, the year before, closed at 21.1%.

### Foreign Exchange Market

Government, by means of the Exchange Covenant No. 2 published in the Official Gazette No. 38.138, established, as of March 3 of 2005, a purchase exchange rate of Bs. /US\$ 2,150, which implied a 12.0% adjustment in the price of the dollar. This quotation proceeded until the closing of the year, so that the average exchange rate was Bs. /US\$ 2,110.

The Currency Management Commission (CADIVI) authorized, at the closing of 2005, US\$ 20,627 million to attend to the requirements of the various sectors of the national economy, an amount 18.2% higher than the amount approved in 2004, a period when US\$ 17,454 million had been credited. During 2005, the BCV cleared US\$ 19,514 million, i.e. a daily average of US\$ 77.4 million.

### Unemployment

According to the figures presented by the National Statistics Institute (Instituto Nacional de Estadísticas (INE)), the unemployment rate at the closing of the year was 8.9%, while same, in December of 2004, had been 10.9%.

The improvement in the employment levels is the result of, mainly, a larger economic activity and a decrease in the active population as a consequence of the increase of the number of enrolled students, an increase associated to the exceptional educational programs implemented by the national government.

At the closing of 2005, the economy's informal sector represented a source of employment for 47.0% of the working force, while the remaining 53.0% were in the formal sector.



The results for the year 2005 show us we have remained on the path of excellence within the national banking system. Banesco has been the leading institution in important items throughout the past 12 months, such as the administration of third party resources, total deposits, credit card invoicing and term deposits, and by undertaking great steps in other business areas such as credits and trusts, thanks to having adopted the best practices worldwide and a successful strategy.

The behavior of the financial system in general was delimited by the restrictive monetary policy maintained by the BCV. The reason for such policy was the significant increase of liquidity in the hands of the public, which forced the system to strengthen the monetary policy in order to reduce the pressures on inflation and interest rates because of the high oil prices and the expansion of public expenditure, thus counteracting any adverse effects which could be generated on a later date.

Together with the aforementioned restrictions, the overall banking system, as well as the rest of the sectors, had to adapt to the framework of prevailing regulations, transferred to the financial system by the establishment of maximum and minimum ceilings for the interest rates and levels of placements, when the latter turned towards sectors considered as a priority for the national development and which, as a consequence, affected the margin of financial intermediation of the overall banking system. This not only meant re-switching the interests received from the different customer segments, but also re-structuring the credits portfolio according to its allocation.

These measures produced a significant increase in the financial costs, in detriment of revenues, to close June with an important growth of such costs in a proportion higher than 70% compared to the first semester of 2004. At the same time, the financial revenues' growth rate was considerably less, barely 27.1% during the same period, with the subsequent impact on the financial margin.

However, the overall results of the second semester of 2005 improved substantially and managed to reverse the rather unfavorable effects of these dispositions, adjusting the various institutions to the ruling framework, successfully reformatting its credits portfolio and its operative structure in terms of the new conditions, thus obtaining liquid profits Bs. 2,621 billion at the closing of 2005, adding both semesters.

Banesco Banco Universal, always in the forefront, achieved excellent results by taking advantage of the improvement of the country's economic activity and correctly orienting its businesses in accordance with the new requirements. Banesco Banco Universal

also achieved the necessary equilibrium between its active and passive operations to maintain a financial differential sufficiently ample to cover its transformation expenses, open up its customer base and adapt its structure to the appropriate level for an efficient operation.

Important advances were achieved at an organizational level during the year 2005, for a timely and effectively attention to the needs of the market. Among such advances are re-sizing the various areas of the organization and, at the same time, strengthening the business areas in a number of places within the country.

A series of technology fittings have been simultaneously developed and implemented, oriented towards automating a number of accounting processes, such as: the liquidation and compensation, migration of the ATM network to a new platform, the incorporation of a technology platform to recharge mobile phone minutes through the Banesco sales points, back-up systems for the business and compliance with the network and franchise regulations, habilitation of the cash advance service for the Sambil credit cards, as well as other new functionalities, which will allow us to offer our customers a much better service.

The financial part has been equally successful as Banesco capitalized a large portion of the growth in the bank's credit portfolio, increasing this item by Bs. 3,075 billion compared to the figures recorded at the closing of December 2004. At the same time, we duplicated the amount recorded for the month of June 2005, as we reached the sum of Bs. 5,081 billion, therefore closing the year with a 13.6% market share, which awarded us the 3rd place within the loans market of an unbeatable quality, with an immovability percentage of barely 0.43%, which is below the market average (0.91%).

66% (Bs. 3,380 billion) of the credits portfolio was oriented towards commercial credits, a product where the bank held the third ranking place within the segment of commercial and universal banks. On the other hand, and in reference to consumer credits, Banesco has been consolidated as the market's first institution, with a portfolio at the closing of December 2005 totaling Bs. 907 billion, where 99% were allocated to credit cards, one of our leading products.

When we disaggregate our credits portfolio by economic activity, as per information published in the Bulletin of the Superintendence of Banks in December of 2005, we can appreciate the importance acquired by our institution financing a number of sectors as the most important bank in the areas of Electricity, Gas and Water.

Here, Banesco maintains the leadership with a 21.0% share in the national banking system, in financings granted to these productive activities. Next in importance, in relative terms, is the Building and Construction area, where we concentrated 19.1% of the national market in December of last year, with a portfolio higher than Bs. 511 billion.

This significant turn of our credit activities, 48.5% of the bank's total assets, significantly decreased the dependence on investments in securities, which, upon completion of the period under evaluation, now barely represent a 25.0% of the assets, thus consolidating the orientation towards the intermediation in credits.

The important volume of resources managed within the economy has been greatly welcome in Banesco, and we were able to attract funds for Bs. 15.922 billion, equivalent to a 16.4% market share, including the investments assigned.

Bs. 8,914 billion of these funds correspond to gatherings of deposits. Here we concentrate a 13.1% share within the domestic market of commercial and universal banks. Banesco's preferred products offered to the public are the traditional modalities of demand deposit accounts, savings accounts and term accounts, with more than two million eight hundred thousand depositors which, at the closing of December 2005, represented 18% of the domestic market.

In like manner, the quality of our service was present in the modality of demand deposit accounts, an

item where we count with more than 1 million depositors, which represent 27% of the system and the first place nationwide.

Our presence within the financial system has now been consolidated even more after obtaining an increase in our total assets market share. Banesco, in this item, obtained a percentage higher than 12.3%, equivalent to Bs. 10,475 billion, with a 57% financial intermediation level, a figure above the average percentage of the Venezuelan banking system, which totaled 55% at the closing of December.

Banesco maintained its important position in the trust business throughout the semester, and ended the year 2005 at Bs. 4,434 billion (7.7% of the market share), after an 8% increase in relation to December 2004.

Relevant were also the bank's operations within the agricultural and micro-credits sectors. In both, Banesco reflected important growths if compared to the figures at the closing of the year 2004, when it handled portfolio levels of Bs. 448 billion and Bs. 154 billion, respectively.

The period also ended with an important capitalization, as our equity increased to Bs. 1,202 billion, which represents a Bs. 244 billion increase in relation to the second semester of 2004, and reached an equity adequacy level of 11.47%, higher than the minimum required by the regulatory authorities.

*The combined management of all areas conforming our Organization made it possible to obtain a net result of Bs. 167 billion during the second semester of 2005, which, added to the results obtained in June, totals up to Bs. 320 billion for the whole year 2005.*



Juan Carlos Escotet Rodríguez  
Chairman of the Board of Directors.



# Banesco Standards and Values Exchange

Internalizing the Banesco Values





## Internalizing the Banesco Values

**We achieved an average participation of over 80% of the employees, mainly a participation based on their personal experience relating to the corporate social responsibility.**

### **A Real Management by Banesco Standards and Values**

#### **Closing of the Banesco Standards and Values Exchange**

Aligned with the 2005 Integral Program of Strategic Planning, we closed the "Banesco Standards and Values Exchange" Incentives Program, which allowed employees to internalize the organizational standards and values in a practical manner and propitiated the

shaping of conducts and actions oriented towards improving the services we offer.

During the development of this program of Banesco standards and values:

- We achieved an average participation of over 80% of the employees, mainly a participation based on their personal experience relating to the corporate social responsibility.
- 629 workers received acknowledgements and were awarded trips to various domestic and international destinations: China, Switzerland, Galapagos Islands, and Cruises through the Caribbean, New York, Gran Sabana and Canaima, among others.

**629 workers received acknowledgements and were awarded trips to various domestic and international destinations**

#### **Honor to whom Deserves Honor**

During the months of November and December, members of the personnel with more than 5 and up to 45 years of service with the Institution received an award. In total, 2,251 employees received such distinctions.

#### **Management Indicators**

The Human Capital Executive Vice Presidency, within the framework of the organizational initiative of setting up a Corporate Balanced Score Card, developed following Corporate Management Indicators:

- Compliance with the mandatory periods of vacations.
- Morbidity, which measures the frequency and seriousness of the illnesses suffered by employees.

#### **Diagnostics of the Organizational Environment**

Following results were obtained during the second semester, on the first study on the Banesco 2005 organizational environment, culture, and values, which allowed us to get to obtain a better view on the employees' perception relating to their work environment and, in consequence, allowed us to design ongoing strategies for improvement.

#### **Improving our performance**

After completing the Experimental Phase of the Empowerment Project, the final report was presented on Gap Closures of Functional Performance in the areas of Empowerment, Regional Managements, Branch Offices, Agencies and Corporate Banking, and also presented the review carried out to the Functional Performances associated to the different roles held in these areas.

In addition, continuing with the development of the Performance Model, a number of interviews were held on behavioral events within the areas of Back End TDC Operations and in the Platform Management Vice Presidency.



Corporate Volunteers





## Unconditional Corporate

### Corporate Volunteers; Unconditional Support

Our Corporate Volunteers continued with their social work, holding workshops in the Jesus Obrero College Institution of Fe y Alegria; they also accompanied the Los Chiquiticos of Fundana to celebrate their birthdays and Christmas festivities and handed out Espasa Encyclopedias, in alliance with the El Nacional newspaper, to a number of Fe y Alegria schools in the metropolitan area of Caracas.

Our indicators were presented according to the parameters of AccountAbility, a worldwide leader in auditable standards for social issues and methods to manage the Corporate Social Responsibility.

Among the activities for our volunteers, we have the development of a third module of Formation of Professional Educational Volunteers, whose main theme was the Drug Abuse Prevention and Health within the Labor Environment.

We also completed the instructional contents of the Formation of and Update Activities for the Red Cross Volunteers, to commence in January of 2006.

As an acknowledgement of their extraordinary performance, on December 5 we celebrated the International Volunteers' Day at Ciudad Banesco, with the attendance of more than one hundred volunteers and representatives of our social partners.

### Banesco's Social Responsibility: Building a country

During the second semester of 2005, we continued with our Corporate Social Responsibility Program - the backbone of such a program being education and health, sponsoring initiatives and projects in the hands of our customers, vendors, shareholders, workers and social partners.

We officially presented our first Corporate Social Responsibility Report, which covers Banesco's internal and external social investments during the year 2004.

**BDO Guillén, Fernández & Asociados - an agency of independent public auditors, verified these standards.**

Our indicators were presented according to the parameters of AccountAbility, a worldwide leader in auditable standards for social issues and methods to manage the Corporate Social Responsibility (Standards AA-1000 and GRI). In addition, BDO Guillén, Fernández & Asociados - an agency of independent public auditors, verified these standards.

The annual presentation of this Report will complement the information expressed in the succeeding labor relations reports to be presented to the country in an exercise of transparent management.

### Responsibility Commences at Home

The wellbeing of our employees is one of our main issues in our agenda, reason for which we prepared and carried out Integral Health Days for the Banesco employees and workers of the Metropolitan Area of Caracas. To this event came approx. 2,500 individuals who were given the advantage of and enjoyed the services offered by numerous pharmaceutical labs and pharmacies, which performed a number of medical examinations.





## Responsibility with our Community

### Responsibility with our Community

#### Don Bosco Housing Program

We ratified our support to the programs of the Civil Association Red de Casas Don Bosco and renewed the Bs. 199.75 million financing for the BoscoBus. This is a mobile unit to treat boys, girls and teenagers in a risk condition.

#### Simon Bolivar University

We donated Bs. 64 million for the restoration of the sports court at the Simon Bolivar University (USB). Some 3,000 students will benefit from these works carried out between May and June of 2005.

#### San Juan de Dios Pediatric Hospital

We donated Bs. 100 million to continue with the "De Todo Corazón" (With All of Our Heart) program, an initiative that allows performing surgery on boys and girls with cardiac problems whose families have very low income.

This contribution was made through the Civil Association Venezuela without Limits, and its "De la Mano Contigo" (In Hand with You) program, from which "De Todo Corazón" derived, a project that is being developed in the San Juan de Dios Hospital and by means of which some 30 boys and girls hope to undergo surgery in the affiliated specialized centers.

#### Fundana

We contributed with Bs. 50 million for the annual maintenance installment of the Villas Los Chiquiticos program. In addition, we contributed with Bs. 12 million to sponsor four children.

#### Universidad de Los Andes

We did contribute with Bs. 50 million to hold the International College Book Fair (FILU), a cultural space open to not only the exhibition and sale of books but also to concerts, handicrafts and artisans' samples, courses, conferences, lectures, workshops, among other activities organized by the Universidad de Los Andes.

#### Andres Bello Catholic University

The Andres Bello Catholic University and Banesco Banco Universal added efforts to establish the "Dr. Oswaldo Padrón Amaré" Foundational Chair of Encouragement to Investigation, on September 13, in an act held in the College Council Hall of this University. Banesco contributed with Bs. 50 million to turn this initiative into reality.

The Andres Bello Catholic University and Banesco Banco Universal added efforts to establish the "Dr. Oswaldo Padrón Amaré" Foundational Chair of Encouragement to Investigation.

#### Canaima de La Vega School

This institution belongs to the Venezuelan Association of Catholic Education, one of our social partners, with whom we pledged Bs. 1.4

billion to build the high-school installations. The first contribution of Bs. 406.72 million was met in 2005.

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#### Universidad de Oriente

We contributed with Bs. 53 million as down payment to commence the works to complete the Paseo Los Ilustres Sucrenses of this University.

#### Santa Maria City School

Bs. 276 million were donated to complete the classrooms of this school in Petare.

#### Fitcar 2005

We contributed with the governmental initiative "Soap and Water for Caracas" whose objective was cleaning and rescuing the public spaces of the Capital under the joint action of the community, the mayoralties of the Metropolitan Area and the entities responsible for the maintenance and ornamentation of the city. To this initiative we contributed with Bs. 122.79 million.

#### Toys for Christmas

The Banesco employees and workers helped the Baby Jesus and Santa Claus to give out Christmas presents and moments of illusion by donating over 8,400 toys, which represented a higher than Bs. 416 million investment.

#### Oswaldo Guillén Foundation

We support the Oswaldo Guillén Foundation whose objective is to assist institutions or projects working in favor of the health and education of the neediest children. Here we contributed with Bs. 10 million.



# Each Piece is Important Social Balance

As of 1998 - December 2005

Stated in VEB

<b>ASSETS</b>	
APPLICATION OF RESOURCES: THIRD PARTIES AND BANESCO.....	<b>38.739.330.000</b>
Solidarity (Capital y Regional).....	1.792.017.000
Solidarity Asia.....	100.000.000
Social Undertaking Project with the IESA.....	140.000.000
FUNDANA.....	919.582.000
Words for Venezuela.....	2.814.143.000
Fe y Alegría.....	6.951.207.000
Investment in the Fe y Alegría Trust.....	3.333.328.000
State Foundation for the National System of Juvenile and Children's Orchestras of Venezuela.....	1.050.887.000
Association Civil Network of the Don Bosco Housing Program.....	359.751.000
Damas Salesianas Association.....	142.068.000
Maracaibo Archdioceses.....	120.000.000
Venezuelan Foundation against Child Paralysis.....	197.806.000
Donation of Christmas Toys to the Community.....	852.539.000
Casartes.....	16.797.000
Editorial Projects.....	385.400.000
Donation of Computer Equipment.....	318.698.000
Other Contributions.....	4.813.089.000
Universidad Central de Venezuela.....	123.563.000
Universidad Católica Andrés Bello.....	1.735.895.000
Universidad Simón Bolívar.....	293.504.000
Universidad del Zulia.....	109.085.000
Universidad de Los Andes.....	80.000.000
Universidad de Oriente.....	53.000.000
Investment in works in Colinas de Bello Monte.....	769.582.000
BanESCO Life-long Scholarships.....	139.199.000
Non-Contractual Social Benefits For the BanESCO Employees.....	11.094.968.000
Corporate Volunteers Contribution.....	33.222.000
APPLICATION OF ARTICLE 96 OF THE LOCTICSEP.....	<b>9.038.731.000</b>
Venezuelan Association of Catholic Education (AVEC).....	2.899.276.000
Children's Museum.....	225.000.000
Fundana.....	110.000.000
Alliance for a Drug-free Venezuela.....	100.000.000
ABC PRODEIN (Ciudad Santamaría Petare-CISAMA School).....	276.000.000
Education (Anti-Drug Campaign).....	1.972.853.000
Prevention and Control of Money Laundering Operations and Activities.....	3.455.602.000
<b>TOTAL ASSETS.....</b>	<b>47.778.061.000</b>
<b>LIABILITIES</b>	
Accounts Payable Fe y Alegría.....	3.333.328.000
<b>TOTAL LIABILITIES.....</b>	<b>3.333.328.000</b>
<b>EQUITY</b>	
Contributions to the BanESCO Organization.....	34.962.002.000
Contributions made by the Public.....	444.000.000
Article 96 of the LOCTICSEP.....	9.038.731.000
<b>TOTAL EQUITY.....</b>	<b>44.444.733.000</b>
<b>TOTAL LIABILITIES &amp; EQUITY.....</b>	<b>47.778.061.000</b>





## A Semester to Communicate

### The students' creativity on the big screen

On November 29 last, Banesco acknowledged the excellent work carried out by the Social Communications students nationwide, who attended to the call to participate in the Micros Banesco Contest, which are to be transmitted through CableBanesco in all of our agencies within the country.

The three winning micros reflected histories relating to the Corporate Social Responsibility Program developed by Banesco and our social partners: Fe y Alegria, Fundana, and the Don Bosco Children's Home in Puerto La Cruz.

### A Semester to Communicate

Our customers were the stars in the "Banesco for everyone campaign." Their faces and histories were the images Banesco displayed through the mass media. More than 250 testimonies were given throughout the country, and we selected the most representative ones in each region, and also presented the identity and pride our customers feel for being part of the Banesco family; their

mutual pride, which makes it possible every day, with every contact, to have them be the principal actors in this campaign.

### Products and Services to set the Pace

#### Now, tailor-made Banesco Plans with all kinds of Credits

With the benefit of an aggressive offer of segmented credits, Banesco launched its 2005 campaign of Tailor-made Credit Plans. We now activated even more the offer of credits oriented towards satisfying our customers' needs in every step of their life cycle: the Right Plan, the Growing Plan, and the Golden Years Plan.

We now activated even more the offer of credits oriented towards satisfying our customers' needs.

#### Banesco Green Points: the market's first and best loyalty program

each new day we wish to reward even more the loyalty of our customers, we now launched the new Banesco Green Points campaign, which now accumulates points even

faster. With these Banesco Green Points, our customers can shop in affiliated stores, or exchange them for money in cash or for trips.

### Instant financing with the Banesco Extra-Credit

Now, with the new Banesco Extra-Credit, all Banesco Visa and MasterCard holders have a credit line additional to their credit card line, for up to 100% of their limit. With this new credit, they can acquire goods and services in over 1,288 stores nationwide.

#### ...and, as to investments ...

##### • Income Rent Account

With the Income Rent Account, as of July 1, Banesco offers individuals up to 13% interest on their minimum monthly balance, payable to their accounts on a monthly basis.

##### • Secure your Rate

For the second semester of 2005, we offered the best rate in the market to open 90-days Placements: 13% for individuals, starting with 1 million bolivars. In October, we also included the 30 and 60 days term Placements.

### New Salud Locatel Credit Card: to guarantee the leadership in private credit cards

In a significant alliance with the chain of Locatel stores, in October we launched the new Salud Locatel credit card, a private card dedicated exclusively to the health area. Among the benefits we can point out:

- The card is accepted in all Locatel stores, as well as clinics, pharmacies, doctors' and dentists' offices, insurance companies, labs, and by opticians affiliated to Banesco.
- Fees are exempted during the first year.
- A preferential rate of interest.

#### ¡Free!...

We welcomed December last with a promotion for our Visa, MasterCard, American Express, Sambil, Locatel and Rattan cardholders, where 100 winners were credited back the amount of



## A shower of promotions for our customers



their purchases made between December 1, 2005 and January 5, 2006. The promotion consisted in obtaining an electronic coupon for each Bs. 20,000 in purchases made and, if the payments were made through a Banesco Point of Sale, customers could accumulate three coupons.

### **Sambil Private Card: a world of promotions and possibilities**

Make your Day at the Sambil! Every Tuesday and Wednesday, from August until November, our Sambil credit card owners enjoyed a 25% discount in all participating restaurants on the Terraces of the Sambil Center in Caracas.

- Every Sambil has a car waiting for you: In October 2005, the Banesco credit card owners multiplied their opportunities of winning 5 cars, 100 pre-paid credit cards and 50 TV sets with their purchases made in the Sambil Centers in Caracas, Valencia, Margarita and Maracaibo, as well as the Boleita Center.
- Cash with your Sambil Card: From the second semester of 2005 on, all Sambil credit card owners can also obtain cash advances through our ATMs and agencies nationwide, or make transfers by calling 0500-BANCO24.

### **Towards the leadership in transactional security**

In order to minimize the electronic fraud, we developed a tactical educational campaign for the public in matters of the use and care of the Banesco Maestro Debit Card.

**We welcomed December last with a promotion for our cardholders.**

### **A shower of promotions for our customers**

#### **¡All on Board!**

Our Banesco MasterCard, Visa, Sambil, Rattan, and American Express cardholders participated in the sweepstakes for 100 cruise-trips for 2 persons to the Bahamas by accumulating their Green Points with their Banesco cards between July 1 and September 29.

#### **Bewitched with Visa**

In October we had the "Visa bewitches your purchases" promotion in which all customers who used their Banesco Visa credit cards to pay for their purchases in Farmatodo took part. This promotion also allowed customers to win instant and cash prizes.

#### **An Unforgettable Visa Story**

Between November 21 and December 31, for each Bs. 50.000 purchase paid with the Banesco Visa credit cards, our customers accumulated options to win tickets to shows, trips and win pre-paid credit cards.

#### **Vacations around the World with MasterCard**

Between October 1 and December 31, for every purchase of Bs. 50.000 with the Banesco MasterCard, our customers received electronic coupons to participate in the sweepstakes for three 14-days trips, for 4 persons, to 3 different cities and enjoy the emotion of 3 FIFA 2006 World Cup games in Germany.

#### **Three great remedies for your health**

Starting November 1, 2005, when paying for their purchases with the Banesco Visa, MasterCard, or Maestro Card in any of the Farmatodo stores nationwide, our customers enjoy a 10% additional discount in Genven and O.T.C. medicines manufactured by Laboratorios Leti.

#### **Pay half the price at Cinex with Banesco**

Cinex and Banesco paid half the price to those customers who purchased their tickets with their Banesco Visa, MasterCard, Sambil and Maestro, from Tuesday to Friday, in all the Cinex movies nationwide, until the month of November.



## Reinforcing the Brand Name

### Great discounts in Perfumerías Las Villas

Until September 30, our customers enjoyed a 10% + 5% discount when paying for their purchases with their Banesco Maestro, Visa, MasterCard, and Sambil cards in Perfumerías Las Villas.

### Magical Christmas at the Metropolis Shopping in Valencia

For the end of the year, for every purchase of Bs. 50.000 paid with the Banesco Maestro, MasterCard, and Visa cards, our cardholders duplicated their opportunities to win a Gran Vitara vehicle and a trip to Orlando for 4 persons.

### Platinum Promotion

Those Banesco Platinum Visa or MasterCard cardholders, who became shareholders of the Valle Arriba Athletic Club, just by domiciling their payments to these credits cards were exempted of one whole year of maintenance installments.

### The stores also win!

To stimulate customers to prefer Banesco for their Christmas sales, we offered a promotion in alliance with Movilnet and Sony, for all stores affiliated to Banesco, where TVs, trips, and mobile phones could be won.

## Reinforcing the Brand Name

### Leaders within the Market

According to the findings of the most acknowledged market investigation agencies in the country, we rated as the No. 1 Bank in the ranking of brand names, in matters of:

- Measurement of Brand Value / Brand Equity indicators
- Image of Corporate Social Responsibility
- Advertisement tracking, with an average reminder of 57%
- Quality in the massive banking area, according to the findings of the Customer Service and Satisfaction Audit Program, where we can point out that:
  - The average Managerial Efficiency between the evaluated agencies continues at an "optimum" level.
  - The satisfaction with the service rendered by the Banesco agencies reaches an average of 6 points within a scale of -1 to 7+, which ratifies our leadership in massive banking services in Venezuela.

According to the findings of the most acknowledged market investigation agencies in the country, we rated as the No. 1 Bank in the ranking of brand names.

### Physically Consolidating our Presence

- We are present in the 22 most important malls in Venezuela, with 148 units.
- We are present in our baseball stadiums throughout the country, accompanying Venezuela's most popular sport.
- Point of sale divulgation and campaigns in the 32 openings and 7 moves of agencies, as well as the operations in extended seasonal office hours, which consolidate our nationwide leadership.

### Acknowledgements

- Nomination to the GNS World Prize for Service Quality, in the Issuing Entity class, awarded by the American Express Global Network Services.
- For the fourth time in a row, Banesco has been awarded the P&M Prize to the Best Advertising Campaign in the Banking and Finance sector.
- Finalist in the category of Products for the FELABAN (Latin-American Banking Federation "Federación Latinoamericana de Bancos") Communication Prize.
- Third place in the "El Nacional Rewards Art with Art (El Nacional Premia el Arte con el Arte)" contest. For the third time in a row, we were among the first 3 prizes.



## Advanced Electronic Channels

### Advanced Electronic Channels

At the closing of the second semester, the average number of transactions carried out through electronic channels grew by 40.9% in relation to the average figure a year before, for a 73.4% of the total share of transactions, which means a 4.6 points improvement compared to the previous year.

#### Electronic Data Exchange

We recorded a 36.8% increase in the number of transactions, and a 63.8% increase in the amounts managed to service payrolls, payments to vendors and suppliers, and domiciliation through the electronic data exchange platform.

We also experienced a 50% increase in the number of customers affiliated to these services in relation to the year 2004.

At the closing of the semester, the electronic data exchange services counted with 3,648 affiliated customers, and processed an average of 2.8 million transactions and 870,160 million bolivars.

We enlarged their possibilities through following functions:

- Food bonus payments of the oil industry.
- Daycare subsidy payments.
- Electronic Multi-collections: this way, the commercial partners can delegate with the bank the responsibility of handling their collections in an automated, quick, and safe manner.

In addition, the EDI service was enabled, as well as the telephone back-up timetables during banking holidays.

#### BanescOnline

The average volume of transactions increased by 51.1% in relation to the previous year, and we duplicated the number of affiliated customers. For 2005, the channel counts with over 582,886 affiliated customers and handles a monthly average of 5.66 million transactions and Bs. 488,236 million, reason for which it is the main electronic channel in volume and number of processed operations.

Incorporation of new functionalities:

- A new and simple access system to BanescOnline, through the user name and code created by the customer.
- Notices can be sent to the e-mail addresses in case ...
  - A customer should make a transfer to third parties in Banesco.
  - The access code to the Internet has been changed.
  - The access code to the Internet has been blocked.
  - A customer wishes to affiliate to a BanescOnline with his / her private Locatel card.
  - A customer wishes to check his / her balance of the private Locatel card.

**For 2005, the channel counts with over 582,886 affiliated customers and handles a monthly average of 5.66 million transactions.**

- Payment of post payment mobile services by Movilnet (Movilnet post-pago).

#### Customer Attention Center over the Phone (CAT)

In 2005, the channel handled an average of 2,904,000 calls and 1.89 million transactions a month, with a participation of the robot (IVR) higher than 85%. Of the total calls received, more than 411,000 were taken care of through our phone agents, with the highest levels of service quality. Some of our innovations are:

- Rapid times of response thanks to improvements made to the navigation through screens and processes.





## Advanced Electronic Channels

- Implementation of a platform with parameters of administration rates and fees for those transactions carried out through phone agents and IVRs.
- Massing of the new entity to authorize debit cards.
- Processing of the American Express cards in our systems.
- Speed and security with our Electronic Banking System.

At the closing of 2005, Banesco counts with 774 ATMs (15% of the market), 150 self-service equipments, and the broadest network of dispensers and points of sale (POS), with 244 and 22,414 devices, respectively.

The average number of transactions as Issuer and Acquirer in ATMs experienced a 25.3% and 17.8% growth, respectively, if compared to the previous year, and maintained the leadership in transactions as acquirer in the Suiche7B and Conexus networks, with an average market share of 18.44%. In like manner, we achieved a 96.7%, 16.8% and 48.7% growth in the monthly average transactions processed through the self-service nets, dispensers and POSs, respectively.

A security scheme has been implemented in the ATMs with "Challenge questions", a devise which makes available to our customers the most advanced technology in matters of security. In like manner, we activated the PIN change service at our ATMs, thus increasing the levels of security when using the debit cards.

Banesco counts with 774 ATMs (15% of the market), 150 self-service equipments, and the broadest network of dispensers and points of sale (POS), with 244 and 22,414 devices, respectively.

### **Sustained Leadership in credit and Debit Cards**

Banesco continues holding the 1st place in the Venezuelan sales market with its credit cards, and, at the closing of December 2005, recorded a 23.11% market share. In like manner, we hold the first place in the debit cards market in

Venezuela, with an 18.68% POS sales share.



## We diversified our credit offers

### We diversified our credit offers

At the closing of the second semester 2005, Banesco held a credits portfolio totaling Bs. 5,081 billion, which represents a 102.6% increase in comparison to the previous semester (Bs. 2,507 billion).

This important increase is linked to the stronger national economic activity, which implied an increase in the demand from a number of different sectors of the country who identified in Banesco Banco Universal the best alternative of the market to satisfy their financing requirements in a timely manner, adjusted to their particular needs.

This volume translated into 4 percentage points growth in our market share, which took us to a 13.6% share, increasing the credit intermediation index to 57% and taking us to the third place in the bank rating, i.e. one step higher in the scale when compared to the previous semester, which evidences the bank's firm purpose of participating in all activities related to the economy's real sector.

It is important that we emphasize on the marked growth in the mandatory portfolios: agriculture, micro credits and construction is important. The cattle and farming portfolio increased by 28.94% to total Bs. 448 billion, i.e. 4.1% above the coefficient demanded by law, equivalent to 16% of the total portfolio.

On the other hand, the bank, in its micro credits segment, continues to actively hold the first place in financings to the small industry, managing a Bs. 154 billion portfolio, a balance representing 5.95% of the gross portfolio. Therefore, the bank sufficiently complies with the mandatory minimum 3%.

As to the mortgage portfolio, in resources of the Mandatory Savings Fund and its own resources, the bank maintains the leadership and placed more than Bs. 33 billion (67.34% higher than the first semester) for a total of Bs. 234 billion. During the fiscal exercise, based on one of our fundamental values – Social Responsibility – we contributed with housing solutions for more than 4,791 families (109% more than during the first semester) for a total record figure of 7,078 families assisted in matters of housing possibilities during the year 2005.

During this fiscal exercise we recorded a 52% growth in the number of applications received, and at least 80% of same were met within a period no longer than 30 days, a sample of the highest quality in service.

Banesco continues as a leader attracting resources from the Mandatory Savings Fund, with a 13.34% growth and almost 4 market share participation points away from our closest competitor.

### Multi-credits in 48 Hours... for everything and for everyone!

We strengthened the Multi-credits in 48 Hours service, and attended to customers at the agencies by means of a credit scoring system to address their application within 48 hours.

We accepted 13,630 applications and paid out Bs. 373 billion, leading the market in times of response for massive credits.

### Supporting agriculture

We closed the year 2005 with an agriculture portfolio of Bs. 448 billion, and complied 134% with the target established by the National Executive, and paid-out 1,047 new credits for a total of Bs. 423 billion: a 100% increase in relation to the year 2004.

We maintain an active program of visits and approach towards the customers within the sector, which has allowed us to develop offers adjusted to their needs, through agro-related industries and producer associations, and to consolidate credits in the amount of Bs. 40 billion for machinery and equipment, working vehicles, and cattle stocks acquisition programs for enterprises or associations such as the Central Portuguesa, Central Rio Turbio, the National Cotton Growers Association and the Chaguaramos Producers Association.



## Sales People

**Banesco incorporated a total of 21 new agencies to its network during the second semester of the year 2005.**

### Increasing our Agencies Network

Banesco Banco Universal, always aware of the comfort of its customers, incorporated a total of 21 new agencies to its network during the second semester of the year 2005, consolidating even more the first place of national coverage in matters of customer attention.

Vicepresidencies	Agencies	Satellite	Teller	Express Center	Total
Capital Centro Region	42	6	3	2	53
Capital Este Region	30	8	3	1	42
Capital Oeste Region	46	14	11		71
Centro Los Llanos Region	38	11	13		62
Occidental Andina Region	32	12	7		51
Oriente Sur Region	42	3	15	2	62
Zulia Falcón Region	30	7	13	1	51
<b>Total</b>	<b>260</b>	<b>61</b>	<b>65</b>	<b>6</b>	<b>392</b>

### Solid presence within the Premium segment

The second semester of 2005 can be rated as the best period for the Premium segment since its beginning, by virtue of the commitment of 150 advisories or customer attention representatives, the back-up and support of all agencies, and the strategic alliance with the network leaders, which allowed us to achieved all the objectives planned:

- The segment reached liabilities levels representing 21.6% of the network of agencies, in just 23,040 customers. Thus, we met the premises which drove us only three years ago to create this channel of customer service, "... an important monetary mass in the hands of only a few customers, who require personalized attention ...". These liabilities consist of 57% at sight and 43% term liabilities reflecting the portfolio's yield.
- 244% compliance with our target liabilities, 100% in trusts due to the diversity of products offered by our customer service representatives to our select group of customers.
- As to the assets portfolio, we grew by 337%, a resulting figure in accordance with the perspectives set for this period.
- The crossing of products stands at 5.01 per customer, where the debit cards represent 70% and the use of BanescOnline 40%.
- 3,619 credit cards were placed, which represents a 354% compliance with the established goal. We not only talk about placing credit cards, thus achieving a 56% holding in the customers portfolio, but we also take into consideration the





## Excellency in trust

quality of our credit cards portfolio, and observe a low level of payments arrears. Finally, the segment of Premium customers reflects their loyalty in the use of the Banesco credit cards.

### Luxury Private Banking

The principal achievement of the second semester 2005 accomplished by the Banesco Private Banking was the definition of the micro-segments of customers with the purpose of determining the potential demand for financial products we can offer to our VIP customers by reason of their specific needs. The variables taken into account for each segment were equity, economic activity level (income), and risk and age propensity.

#### Following are the micro-segments defined:

- First Class Plus.
- First Class Consolidated.
- First Class Growth.
- First Class Classic.

In second place, it is important to point out the size of the credits portfolio managed by the Private Banking area, which at the end of June 2005 totaled Bs. 32,469 MM and, at the closing of December 2005, totaled Bs. 83,400 MM, representing a 157% increase.

Finally, we also wish to stress the increase in the liabilities portfolio managed by the Bank, which totaled Bs. 768,614 million in June of 2005 and ended at Bs. 889,063 million in December of 2005, i.e. a 16% increase.

## Successful management of our Specialized Banking Areas

### Renewed Energy Banking

We re-dimensioned the Oil Banking and the Basic Enterprises areas:

- We changed the name to Energy Banking (Banca de Energía), as a result of the specialization of the energetic businesses area.
- We established the hydrocarbons, electricity, iron and steel, and metallurgy sectors in the Capital Region.
- In the inland, we reinforced the business areas: we incorporated personnel to the Maturín and Anaco agencies, and in Guayana we will establish a Regional Management to handle in situ all businesses with the Basic Enterprises.
- We maintain the leadership in matters of payment and investments with PDVSA and its affiliates.

In the new steel and iron sector, we increased our market share by 10 additional points, which brings us closer to the leadership in the most important value chain in relation to the GDP, after PDVSA.

We entered, as a domestic bank, the three most important oil companies in the world of businesses and domestic and international services, by displacing their traditional banks.

We do maintain an important assets and liabilities portfolio position to lead the year 2006 in the domestic banks market within the energetic sector.

## Excellency in Trust

The Trusts portfolio totaled Bs. 4,434 billion in December, with a Bs. 47 billion increase during the second semester. Of the total portfolio, 49% corresponds to the public sector and 51% to the private sector.

Within the total portfolio, Management Trusts totaled Bs. 2,231 billion, Mixed Trusts totaled Bs. 53 billion, and the Investment Trusts totaled Bs. 177 billion, while the Collective Trusts reached Bs. 670 billion, and, finally, there are the Guarantee Trusts, which totaled Bs. 1,303 billion.

During the second semester of 2005, Collective Trusts reflected the largest expansion with a 20% increase.



## Information Security and Business Continuity

**During the second semester of 2005, Collective Trusts reflected the largest expansion with a 20% increase.**

At the closing of the year, revenues totaled Bs. 19.7 billion, where 62% corresponds to the public sector and the rest to the private sector.

Trust investments at the closing of 2005 totaled Bs. 1,816 billion, and we observed an 8% increase if compared to the first semester.

Noteworthy are, mainly, the investments in Public National Debt Bonds (83%) and Bonds issued by Venezuelan financial institutions (11%).

512 new Trusts were constituted during the period, among which stand out, in matters of Management and Administration: the Lagunita Mall, the Government of the state of Miranda, the Government of the state of Zulia, INDER, and the Fundación Proyecto País. As to the Investment Trusts, we have PROAGRO and INVITRAMI in matters of Fringe Benefits.

The existing Trust businesses encompass 6,276 plans, of which 4,141 are Management Trusts, 738 Collective, 1,329 Investment Trusts, and 66 Guarantee Trusts.

For the total financial system, Trust assets, at the end of December 2005, totaled Bs. 61,985 billion. If we exclude those trusts managed by the State Banking system, in reference to the private

banking sector (Bs. 27,739 billion), Banesco records 16% share, i.e. equivalent to Bs. 4,434 billion.

### Information Security and Business Continuity

In our quest to maintain and improve our position in the Information Security and Business Continuity levels, we continue working towards implementing the best international practices and standards, strengthening our protection of information assets and the operating continuity of the business's critical process - all this encompassed in a plan of services to our internal and external customers.

We focused our efforts on strengthening the levels of the technology platform's security, by incorporating improvements in relation to the monitoring services (prevention / detection), access controls, and the incorporation of security schemes to the application's development and maintenance.

It is important to point out our efforts oriented towards securing the culture in the Information Security and Business Continuity, by means of a constant sensitivity process, aligned to the internal and external communication practices. To back up this discipline, we defined and structured a Crisis Management Model to assure a timely detection and response in order to prevent and minimize risk events.

We will continue with this effort and deepen this practice in the Organization, which will allow us to minimize the impact interruptions have on our critical processes.

### At our highest in Operations

#### National Custody and Collection

During the second semester of 2005 we increased the remittances sent and received through our agencies by more than 150% in terms of number of transactions, and by more than 200% in terms of bolivars.

The Vice Presidency of Operations, through the National Collection Division Management, assumed the direction of 21 points of service payments (taquillas de paso) of our customer CANTV, who were being transitorily managed by the Corporate Banking Area. Within this framework, Management concentrated in fitting the processes, structures and services of the CANTV points of service payments to the

**We increased the remittances sent and received through our agencies by more than 150% in terms of number of transactions, and by more than 200% in terms of bolivars.**



## Strengthened Technology

Bank's parameters, standards and operative working diagrams, and we 100% completed the migration of the human resource of the Temporary Labor Company (Empresa de Trabajo Temporal (ETT)) which operated 60% of CANTV's outsourcing tellers. Today, the personnel attending these points of service payments are part of the Banesco payroll.

In like manner, the customer deposit process increased to 90% the same day the collections were made and operations commenced in 6 additional tellers.

At the closing of December 2005, we totaled 74,000 transactions and collected Bs. 11 billion over 27 points of service payments.

### **Electronic Cash, Special, and Tax Services**

We continue advancing with the e-Deposit Project, which will allow corporate and business customers to make their on-line deposits through our web page.

With the purpose of duplicating the capacity of use of the workstations, we created working days in different hours, and were able to observe a decrease in costs by allowing two users to interact with the same work tools in one sole station.

### **Check Clearings**

We increased the number of checks cleared by our Institution during the year 2005 by 11% in relation to the year 2004 (some 2 million checks), without increasing the payroll or incurring new costs, just by optimizing the flow of the processes.

We also initiated the analysis to update and systemize the agencies' test processes.

### **Back Office**

In order to offer our customers a more timely and efficient service, we installed wireless workstations for the Customer Attention Representatives of CADIVI - Banesco for a better attention in their own offices.

We satisfactorily completed the first phase of the SITMES Project, which automates the settlement

of payment orders charged by the National Treasury Agency to the National Bank through the Central Bank of Venezuela. By using the SWIFT process as a standard, we guarantee safer, more transparent and timely procedures.

## **Strengthened Technology**

### **Decision Taking Back-up Systems**

We have developed a specialized technology to back-up the decision taking process of our executives, which redounds in timely decisions with a lower level of uncertainty, thus benefiting our customers and shareholders.

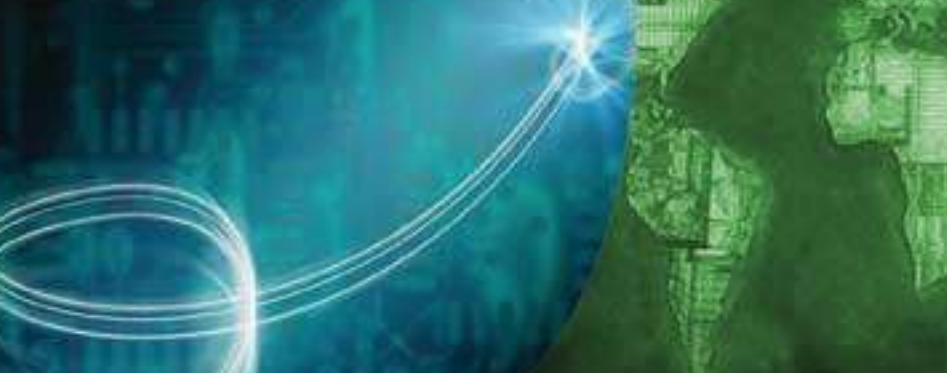
- We wish to point out the Empowerment in matters of Information Self-service, where users can configure the generation of data and statistics to optimize the analysis and establishment of business strategies.
- Model of Financial Management of the Information Technology and Processing Management, adaptation of an Integral Requirements System for Green Points to automate our customers' requirements attention.
- CD+ and Small and Mid-sized Company (Pyme) Segments: obtainment of reports to control and follow-up these market segments.

### **Credit Card Franchising Regulations**

With the purpose of fully complying with the regulations and commitments established by the regulatory authorities, in Banesco we have concentrated our efforts in the development of automated solutions to improve the controls and security in our operations, among them:

- MasterCard and Visa Franchises: incorporation of regulations to guarantee the correct expedite exchange process, free of financial losses.
- American Express Issuing Franchise: we achieved a total independence from the external vendor, we managed to cut the





## Strengthened Technology

costs and risks, we do have a better control over and increased the credit cards portfolio and improved the quality of our service with the access of our American Express card holders to their US\$ allocation in CADIVI for travels, Internet purchases and cash in our wide network of agencies nationwide. As of this date, we have processed over 665,000 international transactions.

### Credit Management Back-up

Aligned with the Organization's strategy oriented towards dedicating important efforts to the credit business, the Information Technology and Processes Area developed following systems to back-up the various telemarketing campaigns and the assorted range of new credit products with state-of-the-art technology, as well as towards guaranteeing the compliance with all regulations.

Among the main achievements we can point out following:

- Automation of corporate telemarketing campaigns in the Customer Attention over the Phone Center.
- Visa card Bonuses.
- Inclusion of the American Express movement in the Automated Credit Cards Accounting Module.
- ROCA and Official Entities – Credits Information Project.
- Credit, Rate Discount, and 49 Hours Multi-credits Autonomy Project.

### State-of-the-art Methodologies

New methodologies and better banking practices orient Banesco towards the path of excellence. An example of this is having adopted the RUPCORB Methodology, which has been rated as one of the most successful to build technology solutions for the business, striving to obtain greater and better precision in matters of results, and optimizing the quality of the systems and the business processes developed.

In like manner, we have made available to the bank's business areas automatic tools to organize the systems requirements in an easy and orderly manner. To guarantee rendering better services of technology, we have dedicated important efforts to implementing the ITIL Methodology, equally rated as state-of-the-art and used by well-known institutions worldwide.

We are within the process of deploying the Six Sigma philosophy, used by world-class companies to achieve service quality standards surpassing their customers' expectations, turn service quality into an element of value capable of offering same in a consistent manner in each experience or contact our customers have with Banesco.

Attending to the needs of making it easier for our customers every day to access our financial services, we have motivated the change from conventional banking channels towards electronic

and telephone banking channels with a higher speed, better service and lower costs, by offering our customers modern, friendly and safe systems.

**We are within the process of deploying the Six Sigma philosophy, used by world-class companies to achieve service quality standards surpassing their customers' expectations.**



# Balance Sheets

as of June 30, 2005 and December 31, 2005

## Balance Sheets as of June 30, 2005 and December 31, 2005

Stated in Million VEB

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Dec-05	Dec-05	Jun-05	Jun-05
<b>ASSETS</b>				
<b>CASH AND DUE FROM BANKS</b>	<b>1,784,420</b>	<b>1,821,309</b>	<b>1,530,035</b>	<b>1,534,113</b>
Cash	246,930	246,940	158,704	158,713
Central Bank of Venezuela	1,256,661	1,256,661	1,170,517	1,170,517
Local banks and other financial institutions	17,808	17,808	12,893	12,893
Foreign banks	28,054	64,933	47,764	51,832
Notes receivable	235,051	235,051	140,157	140,157
Provision for Bank Accounts	-83	-83	0	0
<b>SECURITY INVESTMENTS</b>	<b>2,621,138</b>	<b>2,980,791</b>	<b>4,472,345</b>	<b>4,842,023</b>
Investments in Central Bank	111,579	111,579	272,228	272,228
Security investments for negotiation	389,417	389,417	945,944	945,944
Available for sale security investments	758,778	1,026,362	1,610,487	1,612,065
Security investments held until maturity	1,320,197	1,410,335	1,581,866	1,948,072
Other security investments	35,654	37,585	56,209	58,103
Limited availability investments	5,513	5,513	5,611	5,611
Provision for Security Investments	0	0	0	0
<b>CREDIT PORTFOLIO</b>	<b>5,080,832</b>	<b>5,084,914</b>	<b>2,507,821</b>	<b>2,523,125</b>
Outstanding credits	5,113,079	5,115,399	2,518,821	2,534,895
Restructured credits	45,066	57,792	49,945	49,945
Past due credits	21,694	21,701	27,199	37,401
Credits in litigation	732	732	781	781
Provision for Credit Portfolio	-99,738	-110,711	-88,925	-99,898
<b>INTEREST AND COMMISSIONS RECEIVABLE</b>	<b>134,011</b>	<b>140,654</b>	<b>148,011</b>	<b>158,666</b>
Interest receivable from cash and cash equivalents	0	154	0	0
Interest receivable from security investments	79,763	87,621	102,606	113,124
Interest receivable from credit portfolio	53,714	53,739	50,895	52,426
Commissions receivable	9,102	9,102	7,441	7,441
Provision for interest receivable and other	-8,569	-9,962	-12,932	-14,325
<b>INVESTMENTS IN SUBSIDIARY COMPANIES, AFFILIATES, AND BRANCHES:</b>	<b>111,084</b>	<b>11,978</b>	<b>99,236</b>	<b>11,978</b>
Investments in subsidiary companies and affiliates	3,992	11,978	3,992	11,978
Investments in branches	107,092	0	95,244	0
Provision for investments in subsidiary companies, affiliates and branches	0	0	0	0
<b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>	<b>3,166</b>	<b>3,166</b>	<b>4,720</b>	<b>4,720</b>
<b>PROPERTY IN USE</b>	<b>424,779</b>	<b>425,156</b>	<b>369,707</b>	<b>370,090</b>
<b>OTHER ASSETS</b>	<b>315,979</b>	<b>316,059</b>	<b>311,736</b>	<b>311,946</b>
<b>Total Assets</b>	<b>10,475,409</b>	<b>10,784,025</b>	<b>9,443,610</b>	<b>9,756,661</b>



## Statements of Earnings as of June 30, 2005 and December 31, 2005

Stated in Million VEB

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Dec - 05	Dec - 05	Jun - 05	Jun - 05
<b>LIABILITIES</b>				
<b>DEPOSITS FROM CLIENTS</b>	<b>8,914,079</b>	<b>9,154,570</b>	<b>8,074,960</b>	<b>8,315,493</b>
Deposits in current accounts-	4,917,947	4,917,947	3,254,954	3,254,954
Non-remunerated checking accounts	2,423,147	2,423,147	1,621,626	1,621,626
Remunerated checking accounts	2,494,800	2,494,800	1,633,328	1,633,328
Other demand liabilities	232,505	232,505	265,329	265,329
Savings deposits	1,957,738	2,074,458	1,489,892	1,602,272
Time deposits	1,805,207	1,928,979	3,064,038	3,192,190
Securities issued by the institution	641	641	708	708
Restricted deposits from clients	40	40	39	39
<b>DEPOSITS FROM CLIENTS AND OBLIGATIONS WITH BANAP</b>	<b>1,127</b>	<b>1,127</b>	<b>359</b>	<b>359</b>
<b>OTHER FINANCING OBTAINED</b>	<b>80,870</b>	<b>144,421</b>	<b>65,183</b>	<b>130,793</b>
Liabilities with local financial institutions up to one year	73,526	72,297	32,545	31,850
Liabilities with foreign financial institutions over one year	4,929	69,709	30,302	96,608
Liabilities for other financing over than one year	2,415	2,415	2,336	2,336
<b>OTHER FINANCIAL OBLIGATIONS</b>	<b>40,680</b>	<b>40,680</b>	<b>16,527</b>	<b>16,527</b>
<b>INTEREST AND COMMISSIONS PAYABLE</b>	<b>6,732</b>	<b>7,099</b>	<b>26,937</b>	<b>27,128</b>
Expenses payable due to deposits from clients	6,598	6,641	26,721	26,759
Expenses payable due to deposits from clients and liabilities with BANAP	55	55	55	55
Expenses payable due to other financing obtained	79	403	160	315
Expenses payable due to other financial obligations	0	0	0	0
<b>ACCRUALS AND OTHER LIABILITIES</b>	<b>230,026</b>	<b>234,234</b>	<b>186,319</b>	<b>193,035</b>
<b>Total Liabilities</b>	<b>9,273,514</b>	<b>9,582,130</b>	<b>8,370,284</b>	<b>8,683,335</b>
<b>STOCKHOLDERS' EQUITY</b>				
Capital paid-in	487,996	487,996	427,996	427,996
CAPITAL RESERVES	242,139	242,139	208,768	208,768
ACCUMULATED INCOME	494,985	494,985	454,259	454,259
NON-REALIZED GAIN OR (LOSS) ON AVAILABLE FOR SALE	11,665	11,665	17,028	17,028
SECURITY INVESTMENTST REASURY STOCK	-34,890	-34,890	-34,727	-34,727
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,201,895</b>	<b>1,201,895</b>	<b>1,073,326</b>	<b>1,073,326</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>10,475,409</b>	<b>10,784,025</b>	<b>9,443,610</b>	<b>9,756,661</b>
<b>CONTINGENT DEBTOR ACCOUNTS</b>	<b>464,108</b>	<b>474,123</b>	<b>283,388</b>	<b>316,239</b>
<b>TRUST ASSETS</b>	<b>4,433,852</b>	<b>4,433,852</b>	<b>4,387,112</b>	<b>4,387,112</b>
<b>OTHER TRUSTS ASSIGNMENTS</b>	<b>101,494</b>	<b>101,494</b>	<b>39,540</b>	<b>39,540</b>
<b>DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (FMH)</b>	<b>930,528</b>	<b>930,528</b>	<b>821,016</b>	<b>821,016</b>
<b>OTHER DEBTOR ACCOUNTS FROM FMH</b>	<b>7,042</b>	<b>7,042</b>	<b>6,634</b>	<b>6,634</b>
<b>OTHER DEBTOR MEMORANDUM ACCOUNTS</b>	<b>20,042,748</b>	<b>20,046,678</b>	<b>13,888,500</b>	<b>13,895,961</b>
<b>OTHER DEBTOR BOOK ACCOUNTS</b>	<b>52,824</b>	<b>52,824</b>	<b>47,099</b>	<b>47,099</b>

## Statements of Earnings

### As of June 30, 2005 and December 31, 2005

Stated in Million Veb

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Dec - 05	Dec - 05	Jun - 05	Jun - 05
<b>FINANCIAL REVENUES</b>	<b>585,326</b>	<b>600,732</b>	<b>512,171</b>	<b>529,749</b>
Revenues from cash and cash equivalents	885	1,219	605	607
Revenues from security investments	277,574	290,749	290,834	306,944
Revenues from credit portfolio	288,410	290,307	201,546	203,011
Revenues from other accounts receivable	18,300	18,301	19,186	19,188
Other financial revenues	156	156	0	0
<b>FINANCIAL EXPENSES</b>	<b>227,366</b>	<b>229,416</b>	<b>219,563</b>	<b>221,486</b>
Expenses due to deposits from clients	206,097	207,822	212,410	213,982
Expenses due to deposits from clients and obligations with BANAP	329	329	329	329
Expenses due to other financing obtained	8,034	8,359	662	1,013
Expenses due to other financial obligations	27	27	32	32
Other financial expenses	12,879	12,879	6,130	6,130
<b>GROSS FINANCIAL MARGIN</b>	<b>357,960</b>	<b>371,316</b>	<b>292,608</b>	<b>308,264</b>
Income from recovered financial assets	8,922	8,922	10,831	10,831
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	20,302	20,302	509	1,045
<b>NET FINANCIAL MARGIN</b>	<b>346,579</b>	<b>359,936</b>	<b>302,930</b>	<b>318,050</b>
Other operating income	255,042	251,444	191,208	189,138
Other operating expenses	27,330	35,515	18,856	29,143
<b>FINANCIAL INTERMEDIATION MARGIN</b>	<b>574,291</b>	<b>575,865</b>	<b>475,282</b>	<b>478,045</b>
<b>TRANSFORMATION EXPENSES</b>	<b>376,188</b>	<b>376,867</b>	<b>301,719</b>	<b>302,423</b>
Personnel expenses	152,892	153,132	121,903	122,170
Administrative and general expenses	193,328	193,767	158,132	158,569
Contributions to Deposit Guarantee and Bank Protection Fund	23,485	23,485	16,745	16,745
Contributions to Superintendence of Banks and Other Financial Institutions	6,484	6,484	4,940	4,940
<b>GROSS OPERATING MARGIN</b>	<b>198,103</b>	<b>198,998</b>	<b>173,563</b>	<b>175,622</b>
Income from adjudicated goods	6,035	6,035	4,780	4,780
Income from sundry accounts	681	759	515	717
Expenses due to realizable property	2,268	2,268	3,911	3,911
Expenses due to sundry accounts	31,570	32,543	18,186	20,447
<b>NET OPERATING MARGIN</b>	<b>170,980</b>	<b>170,981</b>	<b>156,761</b>	<b>156,761</b>
Extraordinary income	68	68	89	89
Extraordinary expenses	3,593	3,594	3,582	3,582
<b>GROSS INCOME BEFORE TAXES</b>	<b>167,454</b>	<b>167,454</b>	<b>153,268</b>	<b>153,268</b>
Income Taxes	600	600	600	600
<b>NET INCOME</b>	<b>166,854</b>	<b>166,854</b>	<b>152,668</b>	<b>152,668</b>
APPLICATION OF NET INCOME				
<b>Legal reserve</b>	<b>33,371</b>	<b>33,371</b>	<b>30,534</b>	<b>30,534</b>
<b>Statutory Utilities</b>	<b>584</b>	<b>584</b>	<b>534</b>	<b>534</b>
<b>Accumulated income</b>	<b>131,231</b>	<b>131,231</b>	<b>120,073</b>	<b>120,073</b>
<b>LOSEP CONTRIBUTION</b>	<b>1,669</b>	<b>1,669</b>	<b>1,527</b>	<b>1,527</b>

## Principal Financial Indicators

Principal Financial Indicators	Dec-05	Dec-04
• Equity + Operative Management / Total Assets	11.47	12.50
Non-Productive Assets / Equity + Operative Management	179.74	154.11
• Loan Portfolio Provisions / Gross Loan Portfolio	1.93	4.41
Non Accrual Loans / Gross Loan Portfolio	0.43	1.15
• Personnel Expenses + Operative Expenses / Average Productive Assets *	9.03	10.27
Personnel Expenses + Operative Expenses / Financial Income *	59.82	58.81
• Net Results / Average Assets *	3.50	7.87
Net Results / Average Equity *	29.83	53.90
• Availability / Customer Funds	20.02	18.36
Availability + Investment in Securities / Customer Funds	34.15	51.68

\* Annual Percentages





## Corporate Government

BANESCO BANCO UNIVERSAL, C.A. is a Venezuelan financial institution, authorized to carry out all operations allowed by the General Law of Banks and Other Financial Institutions to Universal Banks. It is subject to the regulatory provisions ruling Banking Institutions, as well as those regulations relating to the Capital Markets, given that this is a company listed in the Venezuelan Securities Market. It is domiciled in the city of Caracas and it is the Venezuelan financial system bank with the largest undersigned and paid-in capital, which these days totals Bs. 487,996,420,100 and is represented by 4,879,964,201 shares with a nominal value of Bs. 100 each, distributed among a total of 4,943 shareholders.

BANESCO BANCO UNIVERSAL, C. A., maintains a government structure consisting of the Shareholders Meeting, the Board of Directors of the Institution, the President of the Board of Directors, the Executive President of the Bank, the Compliance Officer, the Internal Comptroller as well as the Credit, Risk and Audit Committees. This last committee has been created in execution of the Recommendations on Corporate Government issued by the National Securities Commission.

### Shareholders Meetings

The Shareholders Meeting represent all the shareholders, has the supreme direction of the company and its entire acts and resolutions bind the company and all of its shareholders. Among other powers vested on the Shareholders Meeting are appointing the members of the Board of Directors and setting their remunerations, naming the Commissaries and their Deputies, naming counselors with a right to attend to and vote during the sessions of Board of Directors. The Shareholders Meeting discusses, approves, or modifies the Financial Statements presented in view of the report of the Commissaries, it decides on the decree of dividends and payment of same, as well as the amount, frequency and when these are to be paid, all of this in conformity with the Law and the Articles of Incorporation.

The Shareholders Meeting also knows and decides on any other issues for which it has been called.

### Board of Directors

The main objective of the Board of Directors of Banesco Banco Universal, C.A. is the general direction and management of the Bank's businesses and operations, including the corporate social responsibility policies. The purpose of the Board of Directors is vital to define the corporate strategies, determine the business policies and establish, set and control the strategies of the

institution. The Board of Directors, in turn, also controls the work being carried out by the various operating and functional areas of the Bank and, at the same time, assesses the results of each fiscal exercise, and compares same to the business projections and results of the previous years. In general, the Board of Directors meets once a week. On the other hand, the Board can hold special meetings each time it should deem necessary, prior call and compliance with the formalities set forth in the Articles of Association.

In conformity with the recommendations presented by the National Securities Commission, as well as in terms of the best practices on Corporate Government, the General Shareholders Meeting decided on September 30 of 2005, to increase the number of the members of the Board of Directors to 10, a decision which has been authorized by the Superintendence of Banks and Other Financial Institutions by means of document SBIF-DSB-II-GGI-GI3- 00998 dated January 25 of 2006. This has been finally recorded before the Fifth Mercantile Registry of the Judicial Circuit of the Federal District and state of Miranda on February 10 of 2006. And so, the Board of Directors of Banesco now consists of 10 members, of which no less than one fifth are Independent Directors, who



## Corporate Government

also conform the majority of the Audit Committee, i.e. the entity in charge of assisting the Board of Directors in the implementation of measures to preserve the integrity of the financial information and to supervise the internal and external audits of the institution.

In addition, and to guarantee the correct execution of the corporate policies established by the Board of Directors, the Board has deemed necessary to constitute following committees:

**Audit Committee:** In compliance with the recommendations presented by the National Securities Commission, as well as in terms of the best practices on Corporate Government, we modified the existing audit committee and adjusted same to the standards of the aforementioned regulation.

Therefore, the committee now consists, mainly, of Independent Directors, and their work comprises getting to know the Financial Statements to be considered by the Board of Directors and to be submitted to the approval of the Shareholders Meeting, assist the Board of Directors in the implementation of measures to preserve the integrity of the partnership's financial information, cooperate in the supervision of the internal and external audits of the Bank, and to make the necessary recommendations to the Bank's Management.

**Risk Committee:** Its main responsibility is to set the risk limits in each one of the bank's activities, for a healthy operating and business risk management in conformity with the internal regulations and the best international banking practices. In addition, the Risk Committee acts as consulting entity to the Board of Directors and the various Credit Committees in the taking of credit decisions, and also establishes the guidelines and policies to be followed for the purposes of preserving an adequate risk exposure.

**Credit Committees:** In Banesco Banco Universal, C.A., the Board of Directors has decided to delegate in a number of credit committees its credit granting powers in up to certain amounts.

In such sense, the Metropolitan Credits Committee and the different Regional Credit Committees have been created, always in compliance with the various autonomies and delegation of powers. These Committees are responsible, within the limits of their powers and authorities, for the consideration and approval of the various credit applications filed by our customers, as well as of informing the Board of Directors on the findings and results of their management proceeding. In addition, in like manner, they have to comply with the diverse risk policies established by the Risk Committee of the Institution.

### President of the Board of Directors

The President of the Board of Directors, subordinated to the Shareholders Meeting and the Board, presides over its deliberations. In addition, he represents the institutions and, in the name of same, executes and awards contracts, agreements, covenants and, in general, all kinds of documents of whatever nature. In general, the President of the Board of Directors carries out all those functions and duties assigned by the Board of Directors. Together with the Executive President and the Board of Directors, he is responsible for conducting the activities of the Bank and representing the Bank before all political and administrative authorities.

### Executive President of the Bank

The Executive President is responsible for the administration and general management of the Bank. He submits the policies, objectives, and strategies to the consideration of the Board of Directors, as well as all decisions, which are transcendental to the organization. At the same time, he is also responsible for executing the resolutions passed during the Board Meetings.



## Corporate Government

### Internal Comptroller

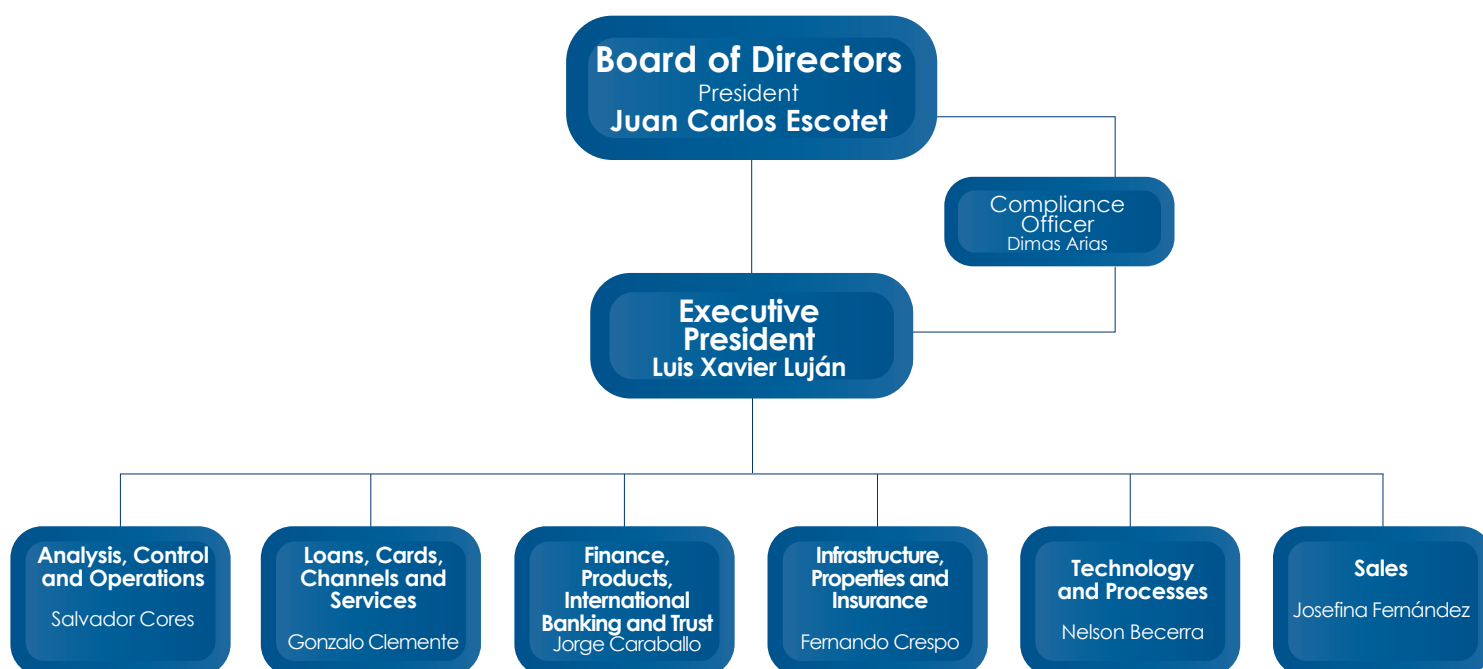
The internal comptroller is the person in charge of internally coordinating the analysis of the various operations of the institution and, together with the Audit Committee, he reports to the Board of Directors on the findings and results of the different audits performed with the purpose of improving the processes and addressing any weaknesses that could arise.

### Compliance Officer

In conformity with the applicable standards and regulations, Banesco Banco Universal, C. A. hired the services of a Compliance Officer who is responsible for the supervision and control of the Banks' Money Laundering Prevention Unit. Among the Compliance Officer's functions and duties are presiding the Money Laundering Prevention Committee and reporting to the Board of Directors on the findings and results of his / her activities.

In addition, the Compliance Officer is responsible for the investment of resources to train the members of Banesco's personnel in this issue. In like manner, he / she also render counseling services to the Audit Committee and the Board of Directors in matters of his / her competence and represent the institution before the different regulatory authorities in matters of Money Laundering Prevention activities.

### Management





### International Banking Products

#### International Checking Account Plan Non-Active Commercial Account

#### Commercial Checking Account Plan Active Account

#### Personal Checking Account Plan

#### International Savings Account Plan

- All accounts bear interest on daily balances.
- Deposit Certificates.
- Free Life Insurance.
- Fund transfers to other banks in other countries.
- Traveler Checks.
- And many other services.

#### Letters of Credit for Imports anywhere in the world.

#### Confirmation of Letters of Credit for Exports.

#### Money Orders anywhere in the world.

#### International Financing Operations.

#### Documentary Collections.

### Management

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### Affiliated Banks

Banesco International Bank Inc., Panamá  
Banesco International Bank Corp., Puerto Rico

### Branches

Banesco Banco Universal C.A., Sucursal Panamá

### Representative Office

Banesco Banco Universal C.A.,  
Bogotá Representative Office

### Mailing Address:

Banesco, Banco Universal C.A.  
8424 NW, 56 Street,  
Suite CCS00283,  
Miami, Florida 33166, U.S.A.

### Main Offices

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Caracas - Venezuela  
Telephone Banking: 0500BANCO24 - 0500 226.26.24  
Master Phone: (0212) 501.71.11  
[www.banesco.com](http://www.banesco.com)



## Correspondent Banks

<b>Argentina:</b>	Banco de la Provincia de Buenos Aires, Banco de la Nación Argentina, Banco Supervielle, Banco Credicoop.
<b>Australia:</b>	ANZ Bank.
<b>Austria:</b>	Bank Austria Creditanstalt A.G.
<b>Belgium:</b>	Dexia Bank, Fortis Bank.
<b>Bolivia:</b>	Banco Económico, Banco Do Brasil.
<b>Brasil:</b>	Banco Bradesco, BICBANCO, Banco Do Brasil, Banco Itau S.A., Unibanco., HSBC Bank, Banco Fibra Banco Banif Primus, Banco ABC Brasil, Banco Safra, Banco Santander, Banespa, Deutsche Bank.
<b>Canada:</b>	Toronto Dominion Bank
<b>Chile:</b>	Banco Estado, Banco Santander, Bci Banco de Crédito e Inversiones, Banco do Brasil.
<b>China:</b>	American Express Bank, Commerzbank A.G., Wachovia Bank, HSBC Bank
<b>Colombia:</b>	Banco de Bogotá, Bancafé, Bancolombia, Bancoldex, Banco de Occidente.
<b>Costa Rica:</b>	Banco Nacional de Costa Rica, Banco de Costa Rica, Banco Banex, Banco Cuscatlan, Banco Interfin.
<b>Curazao:</b>	Maduro & Curiel's Bank.
<b>Denmark:</b>	Danske Bank.
<b>Dominican Republic:</b>	Banco de Reservas, Banco BHD, Banco Popular
<b>Ecuador:</b>	Banco del Pichincha, Banco del Pacífico, PRODUBANCO, Banco de Guayaquil
<b>El Salvador:</b>	Banco Cuscatlán, Banco Agrícola, Banco Salvadoreño.
<b>England:</b>	The Royal Bank of Scotland, HSBC Bank P.L.C., Wachovia Bank
<b>Finland:</b>	Nordea Bank.
<b>France:</b>	Credit Industriel et Commercial, BNP Paribas Group, Societe Generale
<b>Germany:</b>	Commerzbank A.G., American Express Bank Ghmb, HVB A.G., Deutsche Bank.
<b>Guatemala:</b>	Banco Industrial, Banco GT Continental, Banco Agromercantil
<b>Holland:</b>	Commerzbank A.G.
<b>Honduras:</b>	Banco Atlántida, Grupo Financiero Ficohsa, Banpais, Banco Continental
<b>Hong Kong:</b>	American Express Bank, Wachovia Bank
<b>India:</b>	American Express Bank, Wachovia Bank
<b>Ireland:</b>	Bank of Ireland
<b>Israel:</b>	Bank Leumi Le Israel, Bank Hapoalim B.M.
<b>Italy:</b>	Banca Nazionale del Lavoro, Unicredito Italiano, San Paolo IMI. S.p.a
<b>Japan:</b>	The Bank of Tokyo and Mitsubishi Bank, American Express Bank, Wachovia Bank.
<b>Korea:</b>	American Express Bank, Wachovia Bank.
<b>Malaysia:</b>	Bumiputra Commerce Bank Berhad, American Express Bank
<b>Mexico:</b>	Banamex, S.A., HSBC Bank, Banco Santander Serfin
<b>New Zealand:</b>	ANZ Bank
<b>Nicaragua:</b>	Banpro, Bancentro
<b>Norway:</b>	Nordea Bank.
<b>Panama:</b>	Banesco International Bank Inc., Banesco Banco Universal, BLADEX, Banco Uno, Banitsmo, HSBC Bank.
<b>Paraguay:</b>	Banco Do Brasil.
<b>Peru:</b>	Banco de Crédito del Perú, Banco Financiero, Interbank, Banco Sudamericano
<b>Portugal:</b>	Banco Espírito Santo S.A., Banco Banif
<b>Puerto Rico:</b>	Banesco International Bank Corp., Banco Popular de Puerto Rico
<b>Spain:</b>	Banco Sabadell, Grupo Banco Popular
<b>Singapore:</b>	American Express Bank
<b>Sweden:</b>	Nordea Bank, Svenska Handelsbanken
<b>Switzerland:</b>	U.B.S. Credit Swiss First Boston, HSBC Private Bank, BNP Paribas
<b>Uruguay:</b>	Banco de la Nación Argentina, Banco Credit Uruguay.
<b>U.S.A.:</b>	American Express Bank, JP Morgan Chase Bank, Wachovia Bank, Regions Bank, Citibank N.A, HSBC Bank.

