



SEMESTER REPORT • SECOND HALF 2006

**Banesco**  
BANCO UNIVERSAL

## TO OUR STOCKHOLDERS, CLIENTS, AND SOCIAL PARTNERS



Dear stockholders, clients, vendors, social partners, and related:

We hereby present to you our financial statement corresponding to year 2006, a year we closed with excellent news for all.

We are pleased to inform that Banesco Banco Universal held the first place within the ranking of the Venezuelan financial system in regards to managed third-party-resources (FAOV in Spanish, third-party investments and deposits), with a figure equivalent to the 16.3% from the total of funds manager by the commercial and universal bank of the country, which represents Bs. 26,5 trillions.

In regards to the total of deposits, we reached Bs. 25,23 trillions, out of which Bs. 16,13 trillions correspond to deposits, segment that grew 81.0% in 2006. The difference, Bs. 9.09 trillions, which represent third-parties investments, do also qualify Banesco as the leader in this last item, with a participation of 27% in the market.

Likewise, we consolidated the first place of the ranking in resources manager from the Fondo de Ahorro Obligatorio para la Vivienda (Mandatory Housing Savings Fund), by totalizing Bs. 1,23 trillions at 2006 closure, thus contributing with 14,516 Venezuelan families (some 73,000 people) in solving their housing problem.

In the trustees business, we arrived to the end of the year with a total of Bs. 6,11 trillions (9,2% participation in the market), thus raising 1,6 percentage points in regards to the level reached in December 2005.

Additionally, we managed to channel a great quantity of resources in order to fulfill and satisfy the financing needs of our clients. During 2006, we increased our portfolio to 71,7%, which is equivalent to Bs. 8,72 trillions, thus occupying in this segment the first place in the national finance system ranking.

In this manner, we contributed to the drive of productive activities in the country and to the fulfillment of our clients' goals.

Upon closure of the 2006 second quarter, the balance of the Micro credits portfolio was at 372 billions of bolivars. This implies a growth of 61.05% compared to the 2006 first quarter, and of 141,90% compared to the 2005 second quarter, period that registered a balance of 154 billions of bolivars.

The agro credits portfolio at 2006 closure grew 102% in regards to December 2005, by going from Bs. 448 billions to Bs. 906 billions. 1,090 credit operations were carried out for a cash disbursements total of Bs. 1,09 trillions. Just only in the 2006 second quarter, 512 new credits were paid for a total amount of Bs. 473 billions.

The increase in the volume of registered operations and the good financial performance of Banesco during 2006 led to a Net Result of Bs. 438,2 billions, which has allowed the institution continuing to capitalizing and securing its financial soundness.

Upon 2006 closure, we have 413 agencies nation wide.

We hereby announce that we are committed to harvest more successes in 2007. One of the most important initiatives we plan to undertake during this exercise is the investment plan to widen our presence all throughout the national territory. This year we have planned to open 40 new offices that will consolidate us as the first banking network of the country with 452 agencies all over Venezuela. Additionally, we have placed a strong bet on the Banca Comunitaria (Community Bank), with which we plan to "bank" an important number of persons that have been so far excluded from the financial system.

We hereby thus ratify our commitment to the country and guarantee that we will be trustworthy before our stockholders, clients, workers, social partners, and the general community. We will remain open to dialogue and to the new voices that will allow us to enrich ourselves and make even more efficient our strategies.

We thank you for all the trust you have put in us.



Juan Carlos Escotet Rodríguez  
Chairman of the Board of Directors



## FINANCIAL HIGHLIGHTS \*

(STATED IN BILLION VEB)

	First Half 2005	Second Half 2005	First Half 2006	Second Half 2006	Growth			
					II Half 2006 I Half 2006		II Half 2006 II Half 2005	
					Absolute	%	Absolute	%
<b>Total Assets</b>	<b>9,443.6</b>	<b>10,475.4</b>	<b>12,555.1</b>	<b>18,366.8</b>	<b>5,812</b>	<b>46.3%</b>	<b>7,891</b>	<b>75.3%</b>
Cash and Due from Banks	1,530.0	1,784.4	2,598.6	5,526.2	2,928	112.7%	3,742	209.7%
Security Investments	4,472.3	2,621.1	2,652.8	2,923.3	271	10.2%	302	11.5%
Credit Portfolio	2,507.8	5,080.8	6,293.6	8,721.5	2,428	38.6%	3,641	71.7%
<b>Deposits from Clients</b>	<b>8,075.0</b>	<b>8,914.1</b>	<b>10,445.7</b>	<b>16,134.3</b>	<b>5,689</b>	<b>54.5%</b>	<b>7,220</b>	<b>81.0%</b>
Deposits in current accounts	3,255.0	4,917.9	6,196.1	9,729.3	3,533	57.0%	4,811	97.8%
Savings Deposits	1,489.9	1,957.7	2,401.7	3,580.2	1,179	49.1%	1,622	82.9%
Time Deposits	3,064.0	1,805.2	1,450.9	1,532.8	82	5.6%	-272	-15.1%
Other Deposits	266.1	233.2	397.0	1,292.0	895	225.4%	1,059	454.1%
<b>Total stockholders' equity</b>	<b>1,073.3</b>	<b>1,201.9</b>	<b>1,244.6</b>	<b>1,618.5</b>	<b>374</b>	<b>30.0%</b>	<b>417</b>	<b>34.7%</b>
<b>Trust Assets</b>	<b>4,387.1</b>	<b>4,433.9</b>	<b>4,909.0</b>	<b>6,112.4</b>	<b>1,203</b>	<b>24.5%</b>	<b>1,679</b>	<b>37.9%</b>
<b>Debtor Accounts Due To Trust Assignments (FMH)</b>	<b>821.0</b>	<b>930.5</b>	<b>1,038.3</b>	<b>1,232.3</b>	<b>194</b>	<b>18.7%</b>	<b>302</b>	<b>32.4%</b>
Financial Revenues	512.2	585.3	630.9	845.4	214	34.0%	260	44.4%
Financial Expenses	219.6	227.4	199.2	239.3	40	20.1%	12	5.2%
Gross Financial Margin	292.6	358.0	431.7	606.1	174	40.4%	248	69.3%
Financial Intermediation Margin	475.3	574.3	631.0	845.1	214	33.9%	271	47.2%
Transformation Expenses	301.7	376.2	439.9	519.6	80	18.1%	143	38.1%
Income Taxes	0.6	0.6	0.6	0.6	0	0.0%	0	0.0%
<b>Annual Net Income</b>	<b>152.7</b>	<b>166.9</b>	<b>161.5</b>	<b>276.7</b>	<b>115</b>	<b>71.3%</b>	<b>110</b>	<b>65.8%</b>
<b>Yielded Investments</b>	<b>2,471.9</b>	<b>6,077.0</b>	<b>7,672.1</b>	<b>9,096.3</b>	<b>1,424</b>	<b>18.6%</b>	<b>3,019</b>	<b>49.7%</b>
<b>Accumulate Agriculture Portfolio</b>	<b>347.7</b>	<b>448.2</b>	<b>835.3</b>	<b>906.5</b>	<b>71</b>	<b>8.5%</b>	<b>458</b>	<b>102.2%</b>
<b>Official Institutions Deposits</b>	<b>2,851.6</b>	<b>1,657.8</b>	<b>1,873.4</b>	<b>1,726.0</b>	<b>-147</b>	<b>-7.9%</b>	<b>68</b>	<b>4.1%</b>
<b>Micro Loans</b>	<b>105.7</b>	<b>153.6</b>	<b>230.7</b>	<b>371.6</b>	<b>141</b>	<b>61.0%</b>	<b>218</b>	<b>141.9%</b>
<b>Commercial Loans</b>	<b>1,872.2</b>	<b>3,380.0</b>	<b>3,587.7</b>	<b>4,355.2</b>	<b>767</b>	<b>21.4%</b>	<b>975</b>	<b>28.9%</b>
<b>Credits to Consumer</b>	<b>583.1</b>	<b>906.9</b>	<b>1,259.4</b>	<b>1,827.3</b>	<b>568</b>	<b>45.1%</b>	<b>920</b>	<b>101.5%</b>
Vehicles	1.7	10.2	50.6	145.7	95	187.6%	135	1328.2%
Credit Cards	581.4	896.7	1,208.8	1,681.6	473	39.1%	785	87.5%
<b>Mortgage Loans</b>	<b>52.5</b>	<b>292.2</b>	<b>503.7</b>	<b>841.2</b>	<b>338</b>	<b>67.0%</b>	<b>549</b>	<b>187.9%</b>
<b>Number of Depositors</b>	<b>2,522,499</b>	<b>2,899,601</b>	<b>3,286,125</b>	<b>3,887,810</b>	<b>601,685</b>	<b>18.3%</b>	<b>988,209</b>	<b>34.1%</b>
In Current Accounts	912,498	1,131,613	1,274,019	1,462,595	188,576	14.8%	330,982	29.2%
In Savings Accounts	1,608,957	1,766,968	2,011,152	2,424,127	412,975	20.5%	657,159	37.2%
In Time Accounts	1,044	1,020	954	1,088	134	14.0%	68	6.7%
<b>Credit Cards</b>	<b>1,633,612</b>	<b>1,747,685</b>	<b>1,958,840</b>	<b>2,162,672</b>	<b>203,832</b>	<b>10.4%</b>	<b>414,987</b>	<b>23.7%</b>
<b>Ratios</b>								
Loan Portfolio Provisions/Non Accrual Loans	<b>317.83%</b>	<b>444.87%</b>	<b>407.15%</b>	<b>335.42%</b>				
Non Accrual Loans/ Gross Loan Portfolio	1.08%	0.43%	0.47%	0.56%				
Net Results / Average Assets	3.58%	3.50%	2.80%	3.26%				
Net Results / Average Equity	30.22%	29.83%	25.82%	33.21%				
Liquidity	53.98%	34.15%	36.65%	41.69%				



## STOCKHOLDERS MEETING NOTICE

### **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.**

Stock Capital Bs. 554,372,983,000.00

By order of the Board of Directors, and in conformity to Articles 10, 12, and 27, numeral 2 of bylaws, the stockholders of BANESCO UNIVERSAL BANK, C.A. are hereby invited to a stockholders ordinary board meeting on Friday, March 30, 2007, at 8:00 a.m., in Hall Fernando Crespo Suñer located in the third floor of building Ciudad Banesco (Banesco City), located in the Avenida Principal de Bello Monte, between streets Lincoln and Sorbona at Caracas city, for the purposes of discussion of the following matters:

**One:** Approval of financial statements upon closure of financial exercise on December 31, 2006, and the report from the Board of Directors.

**Two:** Allocation of Dividends.

**Three:** Modification of Articles 5 and 20 of bylaws, and bring them together in one and only text.

**Four:** Appointment of Board of Directors for period 2007 - 2008.

**Five:** Appointment of statutory auditors for the period 2007 - 2008 and set their remuneration.

**Six:** Authorize the Board of Directors to acquire at their profit their own shares and offer them as securities whenever deemed convenient, all in conformity with stipulations of the Stock Market Law.

**Seven:** Consider and resolve on the obligations emission and public offer from Banesco.

On behalf of the Board of Directors

**JUAN CARLOS ESCOTET RODRÍGUEZ**

Chairman

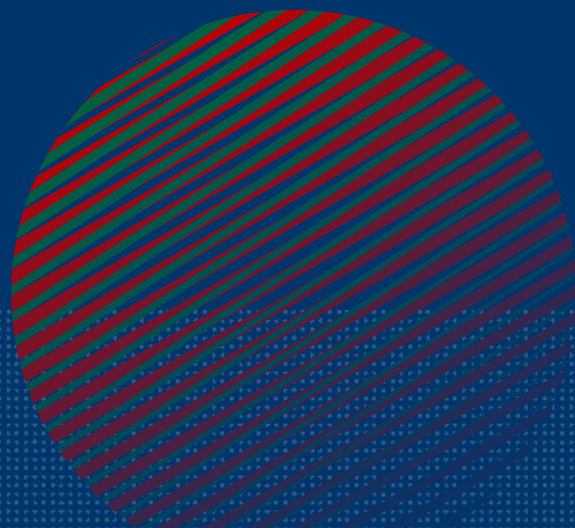
Note: Let it be known to all shareholders on the financial statements audited, the board of director's report, and the statutory auditors report, which will be available fifteen (15) days prior to the board meeting at the offices located in the building Ciudad Banesco, third floor, legal department, located at Avenida Principal de Bello Monte, between streets Lincoln and Sorbona, Urbanización Bello Monte, Caracas city.

**Caracas, March 13, 2007**

2006 ECONOMY



## VENEZUELAN ECONOMY DURING YEAR 2006







## VENEZUELAN ECONOMY DURING YEAR 2006

### Gross Domestic Product GDP (PIB in Spanish)

Venezuelan economy had a steady and sustained growth, which registered an increase in GDP over 10.3% as compared to the same period in year 2005, based on the expansion of non-oil related activities, which showed a positive variation of 11.7% in regards to year 2005. In a detailed manner, financing and insurance institutions 39.2%, construction 32.1%, and communications 23.2%, they all showed great dynamism throughout the whole lapse, thus registering an important contribution on the conformation of the GDP.

The industrial sector grew to 10.4%, thus explaining a sixth part of the product growth, while oil-related activities decreased in 1.9%.

We must point out the constant growing tendency of the commercial sector since the fourth quarter of year 2003, registering at year 2006 closure an annual yearly variation of 19.9%, which is associated to higher levels of consumption present in the economy.

### Balance of Payments

The balance of payments reached a global surplus of US\$ 4,736 millions, evidencing a setback of 13.2% in comparison to the register of US\$ 5,457 millions obtained during 2005.

Such deterioration was due to the deficit in the capital account (US\$ 19,468 millions), which was compensated by the surplus in checking accounts, with a record figure of US\$ 27,167 millions. However, mistakes and omissions registered a negative balance of US\$ 2,963 millions.

The surplus in checking accounts was of 6.4% less than in 2005, due to the lesser growth rhythm experienced by the commercial balance, which registered an annual yearly variation of 3.8%, inferior to the one reflected in year 2005 (40.3%), compensated by the oil high prices, which drove oil exports to US\$ 58,438 (89.6% of total exports). Nevertheless, the change rate over evaluation and the increase of the internal demand have encouraged the growth of imports to US\$ 32,226 millions and the reduction of non-oil exports (-8.5%).

Venezuelan economy had a steady and sustained growth, which registered an increase in GDP over 10.3%



government investment on emerging market stock and Brady bonds expected purchase.

### International Reserves

International Reserves ended in year 2006 at US\$ 37,238 millions, considering that this figure does not include accumulated foreign exchange reserves in Fonden and other funds such as Bandes. From the total international assets, US\$ 36,470 millions correspond to the BCV, whereas US\$ 768 millions correspond to the Fondo de Estabilización Macroeconómica (FEM) (Macro Economic Stabilization Fund).

The behavior of the oil prices and the foreign currency exchange control in force in the country have contributed to the growth of the international reserves in 20.1% as compared to the previous year, when they were at US\$ 30,368 millions.

### Currency Exchange Market

The type of foreign currency exchange has not undergone any variation over the last two years, since the adjustment in February 2005, staying at Bs./US\$ 2,144.60 for purchase, and Bs./US\$ 2,150.00 for sale.

Upon 2006 closure, the Foreign Exchange Administration Commission (CADIVI in Spanish) authorized funds for purchases abroad for an amount of US\$ 16,805 millions, which represents 61.4% from the total of foreign currency approved, which go up to US\$ 27,368 millions. The daily average authorization foreign currency exchange was US\$ 110 millions over year 2006.

The sectors that are at the top of the list for allocation of foreign currency were the auto motor sector (16.3% of the total amount), followed by commerce and foods with 13.7% and 12.4%, respectively.

International Reserves ended in year 2006 at US\$ 37,238 millions

The Venezuelan oil basket registered an average price of US\$/b 56.46 in year 2006, superior to the price of US\$/b 46.03 corresponding to 2005.

On the side of the capital account, we can see that the portfolio investment showed a negative balance of US\$ 7,622 millions, due to the foreign currency outflow from the country caused by

## VENEZUELAN ECONOMY DURING YEAR 2006

### Internal Aggregate Demand

The internal aggregate demand registered an increase of 20.2% versus 2005, due to a steady expansive tax and monetary policy that favored credit intermediation activities to stable interest rates during the whole period.

It is worthwhile mentioning the growth registered by the gross growth in fixed capital (33.5%), which is consistent to the level of the period public investment. The private consumption level increased in 18.8% in regards to 2005, being this higher dynamism associated to an increase in acquisition power, the progressive and sustained decrease in the unemployment rate, and to the higher level of coverage for social programs proponed by the Government, whereas the public consumption level increased in 7.4%.

### Monetary Market

The growth of the monetary base and controls, both in interest rates as in foreign currency exchange, set the performance of the monetary market during year 2006, thus registering an increase of the monetary flow availability of 68.1% in comparison to the previous year closure, placing itself in Bs. 119 trillions by December 2006.

In this manner, the average rate for active operations concluded in year 2006 in 15.36% (15.44% in December 2005). On the other hand, the average liability rates was located at 10.04% and 6.62% for term and saving deposits, respectively, which situated the financial margin between 5 and 9 points.

### Inflation

The Consumer Price Index for the Metropolitan Area of Caracas (IPC in Spanish) registered in 2006 a growth of 17.0%, a level 2.6 points above the one reflected in year 2005 (14.4%), and significantly superior to the goal proposed by the BCV and the Government at the beginning of the year (between 10.0% and 12.0%).

This result evidences the inflationary outburst registered during the second quarter 2006, which is explained by several factors such as the strong expansion of the spending and subsequent

increase in accrued cash and the increase of the parallel foreign currency exchange type.

The presidential elections contributed to drive the public expenditure and the overprice of basic consumption products, just as much the increase over the parallel foreign currency exchange type had an impact over imported products that are not part of the segments authorized by Cadivi.

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The Inflationary Core, indicator that excludes segments with controlled prices and those that respond to seasonal factors, reveals that the accumulated inflation measured through this indicator was in year 2006 at 16.4%. On the other hand, cumulative inflation at the wholesale level (IPM in Spanish) for year 2006, closed at 15.2%.

The private consumption level increased in 18.8% in regards to 2005, being this higher dynamism associated to an increase in acquisition power

### Unemployment

According to figures provided by the Instituto Nacional de Estadísticas (Statistics National Institute) (INE in Spanish), upon closure of year 2006 the unemployment rate was at 8.4% (1.04 millions of unemployed persons), inferior to the figure over the same period in the previous year (8.9%). On the other hand, the employed population increased to 91.5% (11.29 millions of persons).

The decrease in the unemployment rate went along to a decrease in the informal workforce rate (44.5%), 3.5 points below the one reflected upon closure of year 2005 (48%), due mainly to the rise of public and private consumption that is being driven by the national economy, which is hand to hand with diverse social programs created by the Central Government.

### Financial System

The behavior of the financial sector, in general, was positive, stimulated by the steady growth of the economy over the last thirteen quarters and of the cash aggregates. The increase of the latter has had an impact on the inflation level despite the fact that the monetary policy has leaned over the monetary sign as a nominal anchor, and the authority over this matter has taken restrictive measures, reason by which the result on the variation of such aggregates has not turned into a higher level of prices.

The performance of the financial system during year 2006 was of oriented towards the compliance new dispositions, which meant bigger challenges to continue with the financing intermediary role and task, such as fixation of caps and floors for active and passive rates, preferential rates for determined sectors, and modification of the mandatory bank reserves.



## VENEZUELAN ECONOMY DURING YEAR 2006

According to information published by the Banks Superintendence, upon closure of year 2006 the bank system comprised 58 institutions, out of which 48 come from private capital and 10 belong to the Government. The Commercial and Universal Bank comprises at present 36 institutions, concentrating the 98% of the assets, credits, and investments, whereas the Specialized Bank merely counts with the 2% of the market distributed among 22 institutions.

Year 2006 represented for the banking system a growth in assets of 75.4%, reaching a level of Bs. 151,351 billions. This variation was in great measure due to the strong monetary expansion generated in the high level of public expenditure that, one way or another, contributed to the improvement of the general level of financial activity and its subsequent positive impact on the credit portfolio evolution, which furthered the expansive cycle initiated in year 2003. Matter of fact, the bank allocations registered a growth of 63.3% in year 2006 versus the previous year, 12.6% below last year increase.

The considerable operations volume of the Venezuelan financial system was likewise reflected in a higher number of agencies, which went from 2,970 in December 2005 to 3,171 agencies upon 2006 closure, with the subsequent increase of job positions, thus generating 63,016 direct employments, which represents a variation of 9.7% (5,575 employees) during such lapse.

Even considering the favorable performance of the credit portfolio of the banking system, the higher pace of deposits growth (83.5%), determined a decrease of the financial intermediation index, by going from 54.9% in December 2005, to 48.8% in December 2006. This result is explained partly by the increase from 15% to 30% of the cash available rate for public deposits received by the bank after July 14, 2006.

In regards to the portfolio quality, past-due credits under litigation as percentage of gross portfolio of the system held a similar level to year 2005, reaching 1.06%, with a volume of



Year 2006 represented for the banking system a growth in assets of 75.4%, reaching a level of Bs. 151,351 billions. Matter of fact, the bank allocations registered a growth of 63.3%

adequate allowances (2.2 times) to cover the past-due portfolio.

During year 2006, the percentages for the mandatory portfolios were held, addressed to the agro, micro credits, tourism, and mortgage sectors, until reaching a level equivalent to 31.5% of the total gross portfolio.

The sector shows a change in composition of the credit portfolio, having the credit portfolio of the commercial and universal bank lose relevance, and having the segment of credit cards and automobile acquisition a significant growth.

The commercial credit portfolio went to represent from 65.6% of the gross credit portfolio in December of year 2005, to 55.5% in December of year 2006.

Over the same period, the credit portfolio covered by products destined to natural persons went from 14.7% to 20.1%.

On the other hand, commercial and universal bank attracted funds reached a growth by the end of 2006 of 82.6%, which basically expanded on the base of the drive shown by checking accounts.

Figures published by the Banks Superintendence indicate that the finance system registered a net profit of Bs. 1,843 billions during the second half of year 2006, which represents an increase of 33.3% in comparison to the same period last year, which was Bs. 1,382 billions.

The addition of the net results of the two halves year 2006 result in a benefit during said year of Bs. 3,346 billions, which compared to results in year 2005 (Bs. 2,602 billions) is equal to an increase of Bs. 744 billions.

Relating this result to the average equity of the banking system (Bs. 10,915 billions), results in a return of 30.65%, a level that though superior to the year's inflation, is below the monetary flow availability growth rate, a fact that does not favor the evolution of the proper equity index.



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SEMIESTER REPORT • SECOND HALF 2006



## BANESCO BANCO UNIVERSAL

In year 2006 Banesco consolidated its position as leader within the banking segment, holding high quality standards in all and each one of its service segments, becoming the reference framework of the financial system, both in and out our frontiers.

We assume the challenge set by the new regulatory framework in force from a management perspective, modifying our strategy, an approach that has allowed us to escalate positions in terms of market participation, modifying our commercial strategy gearing all our efforts towards the growth of the credit portfolio, segment in which we achieved the undisputable leader position, a change in our business philosophy.

The business aggressive strategy of Banesco has made it move upwards from the 3<sup>rd</sup> position within the credit portfolio ranking in December 2005 to the 1<sup>st</sup> place in December 2006, with a participation in the market of 14.4%, 0.6 points above our main competitor in this segment. This we did by keeping a quality portfolio since the bad debts index was at 0.56%, inferior to the average of the commercial and universal bank (0.89%).

In regards to security investments, we moved up from the 4th position to the 6th position in the same time with a participation of 6.6%.

The strategy of the second quarter in other banks was to acquiring – in proportion – a higher quantity of security investments rather than granting credits.

In the first semester of the year, Banesco was the institution that showed the highest growth of its portfolio credit (23.9%), which together with an increase of 38.6% in the second semester of 2006 allowed Banesco to consolidate as the market leader, closing 2006 with an annual growth of 71.7% in this segment, whereas for the security investments was of 11.5%, with a re-composition of assets, this being one of the biggest achievements of the exercise in consideration.

Upon segregating the bank credit portfolio by destiny, we can appreciate our new leadership in activities so important for the country economy such as commercial, where we occupied the first place within the ranking of universal and commercial banks, with an amount at December 2006 closure of Bs. 4,855 billions, equivalent to 14.1% of the market, overcoming our closest competitor by approximately Bs. 600 billions.

Credits consumption through credit cards have found in Banesco a strong support, holding the first place with a portfolio that overcame 1,600 billions of bolivars by the closure of the second semester of year 2006, representing 24.3% of the market.

We likewise fostered development of the mortgage segment, granting approximately 16.7% of the market credits within the commercial and universal bank, with an amount by December 2006 of Bs. 841 billions.

During year 2006, Banesco became the private universal bank that destined the highest quantity of funds for the development of the national tourist activity, concentrating by the period closure 17.4% of the market.

It is also important to point out the financing granted to the agro and micro-business activities of the country, where we participated with market quotas of 13.0% and 14.0%, respectively. Resources managed by Banesco increased upon closure of the second semester 2006 to Bs. 26,463 billions, holding leadership within the national banking system, with a participation in the commercial and universal bank of 16.3%, after an increase of Bs. 10,541 billions in regards to year 2005.

In regards to public deposit attractions, Banesco showed a growth of 81.0% (Bs. 7,220 billions) in comparison to year 2005 closure, concluding in 2006 with a balance of Bs. 16,134 billions, based on the increase (97.8%) of the checking accounts balance, which went from Bs. 8,014 billions upon closure of 2005 to Bs. 9,729 billions in 2006.

We kept the public preference for Banesco saving accounts and plans, registering an increase of Bs. 1,622 billions (82.9%) in comparison to the balance of 2005, increasing our participation to 12.3% in December 2006.

For Banesco, the growth of traditional deposits attraction was higher than the variation reported by the flow availability, which allowed us consolidating in the second place of the ranking with a participation of 13.0%.

The right re-composition strategy of the attracted funds blend was a determining factor for the decrease of financial costs of the bank, considering the present ceilings of interest rates for saving and term accounts.

Thus by the end of year 2006, we observed a lesser weight in term deposits, which represented 9.5% upon closure of December 2006, contrary to what was reflected in 2005, when they made up for 20.3% of the public attractions.

The relative importance of sight deposits increased to 60.3% in December 2006, five points above what was reported upon closure of year 2005, when they represented 55.2%, going from the 3<sup>rd</sup> position to the 2<sup>nd</sup> in the ranking.

## BANESCO BANCO UNIVERSAL



The increase of the mandatory bank reserves upon the second semester of the year had a negative impact on banks, since the unproductive asset of the commercial and universal banking increased in 2.1 points in regards to the first semester of year 2006. For Banesco, this increase was of 3.9 points, representing for the peer group - reference group for large banks - an average increase of 2.9 points.

This negative effect has been compensated by the upgrading of the structure of funds attraction and the drive it has had on the credit portfolio, which has allowed us to achieve for the second semester of the year that the financial assets margin held similar levels to those on the first semester. This effect has occurred both to the peer group and for the totality of commercial and universal banks.

As per financing results attained, Banesco was able to improve its efficiency in expenses by having the merger and acquisition costs to assets rate from 5.45% upon closure of the second semester 2005 to 4.37% in the same period of 2006, being the shortest of the peer group.

Thanks to the successful commercial management of all and each one of the areas that make up our institution, we were able to attain a net result of Bs. 277 billions in the second semester of year 2006, which represents an increase of 71.3% (Bs. 112 billions) versus the same period in 2005, ending the financial exercise in 2006 with a net annual income of Bs. 438 billions.

In spite of the regulatory measures that since the second semester the bank has had to face, and given the performance in growth of the portfolio, attracted funds blend re-composition, improvements in the efficiency index, Banesco was able, by the end of the second semester 2006, the highest net income in comparison to the peer group, reaching a return on equity of 33.21% and a return on assets of 3.26% during the second semester 2006, overcoming in both cases the average of the commercial and universal bank, which is explained not only by an increase in its leverage, but also by a more favorable financing structure.

During year 2006, Banesco was able to achieve an important increase in its patrimony, based mainly on the capitalization of a substantial part of the bank net income, going from Bs. 1,202 billions in December 2005 to Bs. 1,518 billions in December 2006, equivalent to a variation of 26.3%.

Finally, on behalf of the Board of Directors, we wish to express our deepest gratitude to all our clients, related, social partners, and employees for their valuable contribution to the achievement of the results we hereby present today.



Juan Carlos Escotet Rodríguez  
Chairman of the Board of Directors.

QUALITY OF LIFE



BANESCO: SOCIALLY RESPONSIBLE







## QUALITY OF LIFE FOR OUR HUMAN CAPITAL

### Quality of Life and Professional Upgrading for Our Human Capital

#### Sports present in all the Venezuelan geography

We carried out in each one of the headquarters nation wide, the Mini Olympics "It is possible without Drugs 2006" in which a total of 4,001 employees of the Centro Los Llanos, Occidental Andina and Zulia Falcón, besides the Caracas Metropolitan Zone regions participated.

During year 2006 two salary adjustments were processed during the months of January and July, granting an average above our reference market.

#### Their Own House for Our employees

The Board of Directors kept on contributing to upgrade the quality of life of the Organization Employees upon granting 432 mortgage loans for an amount of Bs. 2,420 millions.

#### Talents Recruitment

Effective income during year 2006 showed an increasing tendency by surpassing 2,572 in year 2005 to 3,640 in year 2006, which represents 41.52% of increase.

#### Compensation

During year 2006 two salary adjustments were processed during the months of January and July, granting an average above our reference market.

#### Competences

The "Corporate Model of Competences Banesco" was defined, and under the advice of Martha Alles, the Dictionaries of Competences and Behaviors were designed through work sessions with our team of directors and vice-presidents.

We have a team of 40 human capital advisors trained on the competences management methodology to line up internal processes of recruitment, development, planning, and compensation.

#### Training Activities

- Certification and update for our agencies network personnel and business advisors of the various client segments.
- Massive training in credits to decentralize the process. Projects Management in order to prepare Project leaders lined up to an unique strategy and methodology.
- Quality of Service as Strategic Management to improve interaction with clients and generate successful sales.
- Development of Supervisory Skills to reinforce the role of our supervisors and managers.

#### E-Learning

The platform e-learning was installed as a base to initiate the culture of self-development through the mass implementation of training activities with important costs reduction.

The platform e-learning was installed as a base to initiate the culture of self-development





## SOCIAL RESPONSIBILITY HAND IN HAND WITH OUR SOCIAL PARTNERS

**Covenant with Fe y Alegría – Banesco, through a Trust for Bs. 10 billions, signed in August 2002, and granted to Fe y Alegría during the last five years, today there are three centers of Superior Education**

### By the hand of our Volunteers and Social Partners

Covenant with Fe y Alegría – Banesco, through a Trust for Bs. 10 billions, signed in August 2002, and granted to Fe y Alegría during the last five years, today there are three centers of Superior Education: one in Caracas, another in Maracaibo, and a third in Barquisimeto, thus enhancing study

possibilities for more than 4,500 young Venezuelans.

Banesco also fulfilled its commitment for the construction and equipment supply of the Centro de Asociación para la Música (Music Association Center), infrastructure remodeling of 36 AVEC schools, and facilities enlargement of the Escuela Canaima de La Vega to offer high-school education to adolescents in such Parrish.

### Fe y Alegría

In August 2002 we signed a covenant whereby we set up a Trust for Bs. 10 billions, which were paid over 5 years to Fe y Alegría for the purposes of enlarging and supplying equipment to the Jesús Obrero University Institute Catia, as well as to constructing the University Institute San Francisco de Maracaibo and the University Institute Jesús Obrero de Barquisimeto.

Today, the three above mentioned educational centers are fully operating, thus enhancing study possibilities for more than 4,500 young Venezuelans.

In July 2007, we delivered the full totality of the resources stipulated in this covenant and, additionally, we committed ourselves to grant another Bs. 12.5 billions within a period of 5 years starting August of this year.

### FESNOJIV

With the Fundación del Estado para el Sistema Nacional de las Orquestas Juveniles e Infantiles de Venezuela (The Venezuelan Foundation for the National System of Youth and Children Orchestras of Venezuela), we also fulfilled our commitment upon totalizing in 2006 the amount granted of Bs. 3 billions for the construction and equipment supply of the Centro de Acción Social por la Música (Center of Social Action for Music).

**During 2006 we kept supporting the following universities: Central de Venezuela, Católica Andrés Bello, Simón Bolívar, del Zulia, de Los Andes and de Oriente, with an amount that reaches Bs. 917.26 millions.**

### AVEC

During 2006 we contributed with different projects presented by 36 schools belonging to the Asociación Venezolana de Educación Católica (Catholic Education Venezuelan Association), mainly destined to its infrastructure remodeling, which implied an investment of Bs. 2.87 billions. Likewise, the total amount destined to the AVEC, Bs. 571.9 millions were handed in to the Escuela Canaima (Canaima School), located in La Vega, belonging to this association, whose board of directors work in the construction of facilities to offer high-school education to adolescents of said Parrish.

### Museum of Children

With the Museum of Children we have had along term relationship. In 2006, we granted Bs. 75 millions destined to cover the operational needs of this cultural and educational center, as well as the exposition “La Emoción de Vivir sin Drogas” (The Excitement of Living without Drugs), an experience Banesco employees children and a group of youngsters from the Fe y Alegría schools enjoy.

### Universities

During 2006 we kept supporting the following universities: Central de Venezuela, Católica Andrés Bello, Simón Bolívar, del Zulia, de Los Andes and de Oriente, with an amount that reaches Bs. 917.26 millions. We must point out:

- Conclusion of Works for the Paseo de los Ilustres Sucrenses (UDO).







## ALL PATHS LEAD TO OUR CLIENTS

- Construction of the Aula Magna (Magna Hall) and publishing of the book "Visión Histórica de L.U.Z"
- Construction of the Library (UCAB-Guayana).

### Corporate Volunteers in Action

The Banesco Corporate Volunteers was present in activities of training, integration, and recreation promoted by our Social Partners.

#### Training

Contribution in Caracas with training of students from the University Institute Jesús Obrero de Fe y Alegría in Catia, where courses were dictated among which we may highlight: "The teacher's role and emotions", "Industrial Hygiene and Safety", "Word", "Ceremony and Protocol", "First Aids", "Prevention against Money Laundering", "Photocopy Machines Maintenance", "Labor Legislation" and "Speech".

On the other hand, and continuing with the project "Primary Attention in Health and Disasters Preparation" included in the program of the Venezuelan Red Cross, training was provided to the Las Lapas community in Tacarigua de la Laguna, Miranda State on: "Water, different ways to purify it and how to prevent diseases produced by non-treated waters".

#### Integration

In Maracaibo, Zulia state, in the facilities of Human Capital, the first encounter Voluntariado Fe y Alegría – Banesco (Volunteers for Fe y Alegría – Banesco) was carried out.

#### Recreation

In order to foster healthy life styles, there was active participation with the Los Chiquiticos de Fundana (Fundana's Little Ones) in recreation activities for the Vacation Plan 2006, and in the celebration of the Children's Day, donating 176 toys.

## Novelties Always Novelties for our Clients

### Free Vacations

In order to promote public preference to Banesco's credit cards, we launched at the beginning of the semester the promotion Free Vacations, with which Banesco would grant 200 winners all their consumptions for free between July 15 and September 15.

### Special Discounts on Back to School

Since for Banesco education is important, we carried out the promotion Back to School by offering discounts up to 10% on prices in businesses and commercial chains upon payment with a Banesco credit card.

### Promo-Credit

In compliance to our guidelines to promoting the best credit offers of the financial market, we carried out a promotion where all new clients participated in the products Multi-Credit 48, Extra-Credit, and Car-Credit, with which Banesco paid winners credits. There were 100 prizes.

### Car-Credit through Internet Innovation of the year in Credits for Automobiles.

Now it is much easier and master to get credit approval for automobiles, because with Credit-Car through Internet you get immediate credit pre-approval, and the only thing left to do is to presenting the requirements for its final approval.

**Your purchase could be for free!**  
unique promotion to close up the year.

With a unique promotion: Banesco Awarded Ticket 5,000 clients were rewarded instantaneously upon purchase with upon paying their purchases with a Banesco Credit Card in a Banesco Sale Points.

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## ALL PATHS LEAD TO OUR CLIENTS

### Educating our Clients on Safety Matters

During 2006, we carried out an education continuous program for our clients and general public on safety during business transactions in order to promote prevention against frauds in the various electronic points of Banesco. This campaign had coverage in newspapers, radio commercials, account status report pamphlets, billboards in the agencies network.

### The first and largest bank service network

Banesco launches into the market a new concept in bank attention: Banesco Express with Personalized Attention.

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### Banesco Express

During 2006 Banesco launches into the market a new concept in bank attention: Banesco Express with Personalized Attention. With presence in Los Ruices and Petare, we offer our clients more speed in their transactions.

### There are already 413 attention points

We keep on consolidating ourselves as leaders in office networks, adding during this semester the following attention points:

**Caracas:** Casa Mall Los Naranjos, Banesco Express Petare.

**Los Teques:** Miranda Government.

**Valencia:** Box Office General Motors

**Mérida:** Box Office Mérida Market.

**Apure:** Satélite San Fernando de Apure.

**Cumaná:** Carúpano Municipal Market, Popisca Carúpano.

**Puerto Ordaz:** The Dorado Mall.

### Present in Spaces that Move the Country Around

- We were present in the Caracas and Maracaibo Auto Show, where our clients received information on our automobile credits, especially on the innovation of Credit-Car through Internet.
- Likewise, we promoted our credit products in the International Fare celebrated in the city of Barquisimeto.
- In Caracas we participated in the Franchise International Hall with our Micro-Credits offer.

In Venezuela baseball is written with B of Banesco

### In Venezuela baseball is written with B of Banesco

- We sponsored several games of the Venezuelan professional baseball league during the 2006 season through the Banesco Tournament, which was disputed

in different games celebrated in the cities of Maracaibo, Valencia, and Caracas.

- Tradition with Light of its own: we sponsored the lighting-up of the Samán in the city of Valencia, thus starting Christmas 2006, in contribution to the fostering of Christmas tradition for the people of Carabobo.
- Present in 38 malls nation wide, both with the brand physical presence and in the most important events within the commercial segment. Thanks to this, we are the most remembered brand in malls all over the country.

We are the most remembered brand in malls all over the country.

## All Paths Lead to Our Clients

All processes do consider the "client's voice". Banesco strategy is focused in understanding, anticipating, and satisfying clients' needs.

### Surveys for Segments Satisfaction

Monitoring clients satisfaction allows observing upgrading aspects and potential growth of each segment, anticipating and segmenting needs of bank users:

All processes do consider the "client's voice". Banesco strategy is focused in understanding, anticipating, and satisfying clients' needs.

**Audits of Agencies Service:** Validates the compliance of standards established by the Organization for service rendering, thus achieving an average point of 6.111 on the scale of 7, in regards to the satisfaction with service in Banesco agencies.

**Specialized Banks:** Survey carried out to Corporate Bank clients, Companies, Energy, Agro, and Government, reaching 4 on 5 points for quality service.

**Commercial Clients:** Surveys in cities of higher penetration, resulting in being the preferred bank by 2/3 de subscribed clients.

**BanescOnline:** The transaction analysis allows identifying in clients of this channel high use levels, reaching 4.6 points of satisfaction with the service on a scale of 5.

**Telephone Banking:** For this period, it is worth mentioning that the average on-hold time to be attended is 39 seconds, and the service quality of operators has been ranked at 6.40 in a scale of 7.



## ALL PATHS LEAD TO OUR CLIENTS

We manager a monthly average of 9.14 millions of transactions and Bs.1,154 billions, 136% more than in 2005.

### Brand Equity Advertisement Follow-up

**Brand value and RSE:** Reports that the knowledge of the brand reaches the highest levels – between 96 and 99% of mentions – with sound preferences

in clients and non-clients, making out of Banesco the most aspired-to of the national market.

**Purchasing Habits and Media Use:** We validated preferences of key audiences in regards to communication media, which represents an important input for the planning and media management in search of the utmost efficiency of investment.

**Advertisement Tracking:** Results in this period keep the brand Banesco as the indisputable leader in memory advertisement with a gap of more than eight points with its closest competitor.

### Not Easy... Very Easy!... Banesco Electronic Bank

Upon closure of 2006, BanescOnline presents a monthly average of 9.14 millions of transactions and Bs. 1,154 billions; 136% more than in 2005.

We launched the brand new text message system SMS “Banesco Text Message”, for balance check-up and transactions through cell phones, affiliating in few months some 20,000 clients.

We hold the leadership in transactions as purchaser of Conexus and Suiche 7B, with an average market share of 17.22%.

Upon closure of 2006, the average transaction through electronic means experimented a growth of 35.77%, with an average participation of 76.09% out of the total of the organization transactions, which represented an improvement of 2.69 points versus closure of de 2005.

We launched the brand new text message system SMS “Banesco Text Message”, for balance check-up and transactions through cell phones, affiliating in few months some 20,000 clients.

Banesco counts with 913 automatic cash dispensers, 176 self-service equipment, and the widest met in the market of dispensers and sale points (POS in Spanish), with 246 and 26,979 devices, respectively.

Holding leadership in transactions as purchaser in Suiche7B and Conexus network with an average market share of 17.22%.

The average transaction, as issuer and purchaser in automatic cash dispensers increased in 21.1% and 16.6%, respectively in regards to last year, holding leadership in transactions as purchaser in Suiche7B and Conexus network with an average market share of 17.22%.

We were able to achieve a growth of 82.3%, 32.99%, and 44.03% in monthly average of transactions processed by the Self-Service network, Check Books Dispensers, and Sale Points in businesses, respectively.

### BanescOnline

- We were able to achieve an increase of 61.4% in the volume of average transactions, raising subscribed clients base in 41% in regards to Closure of December 2005.
- We manager a monthly average of 9.14 millions of transactions and Bs. 1,154 billions, 136% more than in 2005.
- Carried out the launching of the product Credit-Car through Internet.
- We installed – for the benefit of more comfort for our clients – the new modality of Movilnet payments for pre-payment and post-payment services.

### Telephone Attention Center (CAT in Spanish)

- We were able to reach an average of 3.09 millions in phone calls and 1.65 millions of transactions pre month, with the participation of the robot (IVR) of 90.67%.





## DO IT YOURSELF ...

- In the area of authorizations, the general acceptance level of Credit Cards (national and international) reached 84.24%, placing national acceptance in 90.15%, with an improvement of 3 points in regards to the second semester of the previous year.

### Do It Yourself... Banesco Self-Service

We launched an aggressive campaign on the massive media to promote the brand new Self-Service Equipment located in the main agencies Banesco of the country, offering comfort and speed upon request of bank references, account balances, deposits, and more! ... without waiting for no one.

### Cash Management Services

We were able to achieve an increase of 24.70% in transactions and of 55% in amounts manager through payroll payment services, payment to vendors and direct billings, as well as an increase of 34.95% in affiliated clients.

We count with about 5,000 clients affiliated to payroll services, vendors and direct billings, and a total of Bs. 17.5 trillions during the year was processed.

### Services Collection

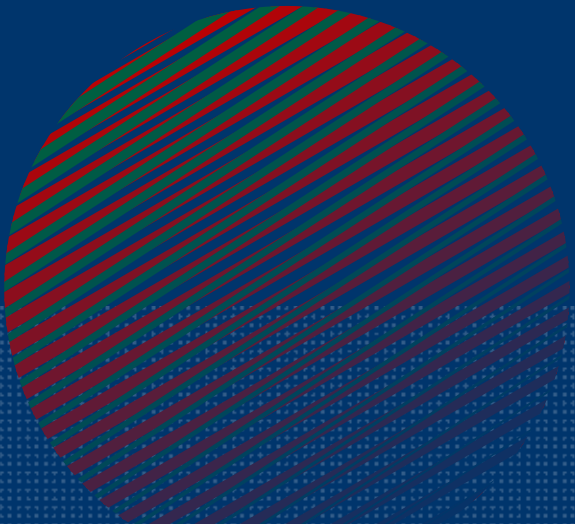
In 2006 we collected Bs. 8.4 trillions, 78.58% above the amount collected in 2005, totalizing 3.1 millions of transactions, equivalent to a growth of 41.09% versus the number of transactions managed last year.



ALWAYS LEADERS



CREDITS FOR ALL





## CREDITS FOR ALL

### Always a reference in the market of the plastic

In the last semester 2006, there was an increase of 75% in sales with Credit Cards, holding its leadership in the Venezuelan market.

### Debit Cards Issuer Business

- Banesco reaffirms its leadership in the market of debit cards in Venezuela, increasing its participation in POS sales to 20.77% upon closure of November 2006, an increase of 2.09 points in regards to December 2005 (18.68%), thus widening the gap of its closest competitor in 2.85 points.
- To offer a better service, we implemented strategies to increase approval levels of debit transactions, anticipating card-holders needs during important consumption periods, thus offering higher funds availability in their financial accounts.

### Credit Cards Issuer Business

- For this semester there is a registered increase of 75% in sales, surpassing the 2 millions of card-holders, for which we hold leadership in the Venezuelan market.
- We widened the scope of the product Extra-Credit the category of travels, reinforcing the launch with the promotion "Get dressed, for you are leaving", for which several strategic alliances were carried out with three major wholesale travels in the country (Canguro, All Ways Tours, and Carnival).
- In order to increase clients' fidelity on this product, we launched for Christmas the promotion "Your purchase could be for free", where 5,000 clients were instantaneously benefited upon doing their shopping.

### Credits for Everything

Destined to finance construction of housing developments, the credits management placed Bs. 300 billions, reflecting a growth of 106.90%.

### Moving Forward in Credits for Micro-Entrepreneurs

Upon closure of the second semester 2006, the portfolio of Micro-Credits Banesco was at Bs. 372 billions, undergoing a growth of 61.05% in regards to the first semester of 2006, and of 141.90% in regards to the second semester 2005.

Banesco reaffirms its leadership in the market of debit cards in Venezuela, increasing its participation in POS sales to 20.77% upon 2006, an increase of 2.09 points in regards to December 2005 (18.68%), thus widening the gap of its closest competitor in 2.85 points.

For this semester there is a registered increase of 75% in sales, for which we hold in the Venezuelan market.





## CREDITS FOR ALL

Upon closure of the second semester 2006, the portfolio of Micro-Credits Banesco was at Bs. 372 billions, undergoing a growth of 61.05% in regards to the first semester of 2006

Banesco was able to escalate during 2006, from the 4th to the 2nd position of the national banking ranking in this mandatory portfolio, thanks to the following strategies:

- Opening of agencies in popular zones, thus providing attention to non-banked sectors.
- Development of products specifically addressed to the micro-finance segment.
- Support in a state-of-the-art technological platform.
- Aggressive reduction in reply times for credits request.
- Policies for competitive interest rates.
- Continuous upgrading of personnel professional training.
- Promotion of products associated to micro-credits in sale points.

In this manner, Banesco fully fulfills regulations in matters of micro-entrepreneurs financing, surpassing in Bs. 179 billions and 2.79 points stipulations in the Law for Creation, Encouragement, Promotion, and Development of the Micro-Finance System.

The required percentage in regards to the gross credit portfolio of the first semester 2006 is 3.00%, keeping Banesco upon closure of second semester 2006, 5.79% of such portfolio. The non-performing loans index of Banesco micro-credit portfolio turned out to be inferior in 1.71 points in regards to average of the national banking system (2.79%), making the quality of our portfolio stand out.

### Mortgage Credits

We ratified leadership in attraction of resources for the Fondo de Ahorro Obligatorio de Vivienda (FAOV in Spanish) (Mandatory Housing Savings Fund), registering a record figure in new investors for housing acquisition through the subscription of important companies in the public and private sectors, reaching a market share of 27.53%.

Contributions through Banesco were at closure of 2006 in Bs. 306 billions, which represents an increase of 37.73% in regards to closure of the first semester 2006 and of 65.76% upon closure of the financial exercise 2005.

Banesco placed its mortgage credits portfolio for housing acquisition in Bs. 1,204 billions, with this, 14,516 new families have their own roof.

During the last six months, these loan placements increased significantly, granting Bs. 551 billions among 7,753 families with high service capacity and record reply time.

Long term mortgage credits with own resources reached Bs. 213 billions, in full compliance to norms in force over financing matters for the housing acquisition with subsidy interest rates, surpassing in Bs. 57 billions and 1.11 points stipulations of the Special Law of the Mortgage Debtor, being the required percentage related to the gross credit portfolio of year 2006 at 3.00%, holding Banesco upon closure of second semester 2006 at 4.11%.

The credits granting management to the construction segment destined to the financing of housing development increased significantly, placing Bs. 300 billions during 2006, reflecting a growth of 106.90% in relation to resources destined to this important segment during year 2005.

It is important to point out that the financing to the construction segment was exclusively addressed to the compliance of the Special Law of the Mortgage Debtor implemented at the beginning of 2005, destining an important amount of own resources to the financing construction works with subsidy interest rates (9.87% for the second semester of 2006).

Families from the most important cities of the country (Valencia, Maracaibo, Puerto La Cruz, Barcelona, Margarita, San Fernando de Apure), with

Banesco placed its mortgage credits portfolio for housing acquisition in Bs. 1,204 billions, with this, 14,516 new families have their own roof.

Families from the most important cities of the country, with monthly incomes between 55 and 150 revenue units



## COMMUNITY BANK

monthly incomes between 55 and 150 revenue units. Hill be benefited with these new housing developments financed by Banesco, through acquisition of houses with primary market quality and very accessible prices (between Bs. 55 millions and Bs. 165 millions), in accordance to the norm in force on this matter.

### Credits to the Tourism Segment

At closure of 2006, Banesco granted Bs. 112 billions destined to the financing of the national tourist activity, thus contributing with an important segment of the national economy and development, and achieving a market share of 14.57%.

We ended the year in place N° 7 of the bank ranking, which represents an increase of 10 places with regards to the portfolio size at closure of 2005, when we occupied place number 17.

We ended the year in place N° 7 of the bank ranking, which represents an increase of 10 places with regards to the portfolio size at closure of 2005, when we occupied place number 17.

Likewise, we have participated in the granting of credits under the Program Venezuela Mobile, modality under which 35% of received requests are.

### The most innovating bank model

Under the slogan, "Now the Bank Comes to You" the Banesco Community Bank initiated its pilot plan in August 2006, approving for the year's closure, 1,412 micro-credits for Bs. 6,139 millions, 2% above expectations.

The Banesco Community Bank has surpassed expectations in regards to services demand and financing products of non-banked persons and segments during the first five months of operations.

5 community agencies were opened in La Vega, Catia, Petare, Antimano, and La Isabelica in Valencia.

The Community Bank initiated its operations through a pilot program in August 2006, and already by December 31<sup>st</sup> counted with 1,412 micro-credits approved for Bs. 6,139 millions, surpassing set goals.

Credits recovery has been excellent, as shown by a non-performing loans rate of only 0.1%.

### Innovating bank model

Turning the slogan "Now the Bank Comes to You" into a reality, 5 community agencies were opened in La Vega, Catia, Petare, Antimano, and La Isabelica in Valencia, which count with community advisors to attend in a personal manner credit requests by micro-entrepreneurs.

This innovating bank model has a net of 56 commercial allies located in different popular zones, and provide withdraw, deposits, review consults, and transfer services between accounts, as well as credit request processing, accounts opening, and affiliation to saving plans.

This bank model also provides access to traditional Banesco sale points, net of automatic cash dispensers, Self-Service Equipment in Banesco agencies, bank through Internet at [www.bancacomunitariabanesco.com](http://www.bancacomunitariabanesco.com) and telephone attention at 0-500-TUBANCO (8822626).

### Alternatives for Saving

The acceptance of passive products has been excellent, and it is possible to open an account from zero bolivars and make transactions with the debit cards in businesses identified with "Banca Comunitaria Banesco" (Banesco Community Bank). Due to this modality, 3,141 Community Accounts were opened totalizing Bs. 1,455 millions.

Another alternative for popular investors is the one called Ahorro Paso a Paso (Step by Step Saving). This instrument allows saving an amount agreed upon the investor and the institution from three months and with installments from Bs. 5,000, which must be provided for every week, every fifteen days, or monthly.

And in compliance to one of its primary goals, the Banesco Community Bank has contributed to the banking of popular sectors, finding that 48% of the clients have accessed to credits for the first time and 26% have opened an account in a bank for the first time.

Under the slogan, "Now the Bank Comes to You" the Banesco Community Bank initiated its pilot plan in August 2006, approving for the year's closure, 1,412 micro-credits for Bs. 6,139 millions, 2% above expectations.



## SEGMENTED BUSINESSES

In this manner, the Banesco Community Bank has turned out to be a profitable business with social responsibility, thus contributing to the development, dignity, education, and independence of popular communities of the country.

### Bank of the Agro

The Bank of the Agro stood out during the second semester 2006 for the payment of 512 new credits, for a total amount of Bs. 473 billions.

Banesco underwent a growth in its agro portfolio of 102%, thus being able to fulfill and surpass stipulated goal and surpass the goal established by the Law in a 109% upon closure of year 2006, with a portfolio of Bs. 906 billions, achieved through 1,090 credit operations for a total of Bs. 1,098 billions in cash disbursements, standing out during the second semester the payment of 512 new credits for a total amount of Bs. 473 billions.

Thanks to the support of the technology area, the Sistema de Análisis Financiero Integral para Crédito Agropecuario (Wholesome Financial Analysis System for the Agro Credit) was developed.

Finally, in order to upgrade service to client, information to the public was made available on products of the agro bank, attention centers, and requirements through the web page.

### Energy Segment

Upon closure of exercise year 2006, Banesco is the first bank to consolidate the energy segment nationwide with a credit portfolio of Bs. 874 billions and a liability position of two trillion bolivars.

We are the first bank to consolidating the energy segment by approaching the electricity, syderurgic, metallurgic, oil, gas, petrochemical, and downstream segments, with a structure supported by highly qualified personnel for clients' attention, which allowed closing year 2006 with a credit portfolio of Bs. 874 billions and a liability position of about two trillion bolivars.

Among the most important business transactions closed during the last semester we can mention:

- Attraction of 11 of the 21 operational strategic associations of the CVG, allowing us positioning as the leader in this business.
- Leadership upon one of the most important contracts, such as the Trustee on SIDOR assets, to achieve higher compliance among segments.
- Contract for 2 years over the insurance policies bid of all the companies' plants in the segment located in the eastern side of the country through Banesco Insurances.
- Sub-sector leader in Western Hydrocarbons and of the main polytilene companies, from which it also won the bid for insurance policies for two years through Banesco Insurances.
- Financing plans for transportation enterprises nationwide with an initial quota of Bs. 25 billions to foster the development of the value chain and attend weaknesses of this segment.

### Premium Segment

By December 2006 we were able to attain a growth level of 92% in the premium credit portfolio, registered in the following portfolios: mortgage, commercial, micro-credits, and automobile credits, with an increase of 81%, 89%, 93%, and 202%, respectively.

The Bank of the Agro stood out during the second semester 2006 for the payment of 512 new credits, for a total amount of Bs. 473 billions.



## SEGMENTED BUSINESSES

By the end of the second semester 2006, the Premium Vice-Presidency presented a growth in the passive portfolio of 52% versus the previous semester, upgrading the structure of attractions in 15% sight 61%, and term in 39%.

The Premium Segment has a participation of 17% of the net passive, showing a growth of 27% of clients from this segment. In order to achieve the strategic intent oriented to keep a significant presence in the agency net, 29 new advisors were incorporated for a total of 182 nationwide.

The premium segment is present in 65% of the Banesco Net.

The portfolio is segregated according to the following: Bs. 3.5 trillions correspond to the private segment assets (58%) and Bs. 2.5 trillions to resources from the Government (42%) centralized and decentralized entities.

30% of funds correspond to administration Trustees (Bs. 1,796 billions); 37% to security trusts (Bs. 2,287 billions); 22% to collective (Bs. 1,369 billions), and 9% to the investment ones (Bs. 542 billions).

Businesses reached 6,554 plans, out of which 4,460 are administration trusts, 831 collectives, 1,212 of investment, and 49 of security.

Banesco, in its trustee condition attained the second place in relation to private sector banks with a portfolio of Bs. 6,122 billions and a participation of 21.37%. In relation to the trustee market total, Banesco is in the 4th place with a participation of 7.84%.

With support from the technology area, new functionalities in Trusts administration were developed as well as upgrades of critical processes. Likewise, migration, conversion, and data quality was carried out for the Trusts Settlement Administration.

### Operational Risk

Year 2006 represented for Banesco an important step forward in mass use of operational risks management in critical areas of the Organization upon conclusion and implementation of the operational risk management model for critical processes in its agencies network, thus determining risk profiles and key indicators for measurement and control, through the design of strategies to mitigate identified risks.

Within the framework of methodology design and line-up to the best international practices, development of operational

The Trustee portfolio was at Bs. 6,112 billions, which means an increase of Bs. 1,203 billions (24%) during the second semester.

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By December 2006, we were able to attain a growth of 92% in the credit portfolio, registering increases in the mortgage, commercial, micro-credits, and automobile credit portfolios of 81%, 89%, 93%, and 202%, respectively.

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One of the great challenges in 2006 was the allocation of credit lines in checking accounts, reporting an increase of 71% in settled lines.

The index of financial intermediation was at 24.39%, with a pondered average interest rate over required levels and a profitable spread, as a result of the accelerated and continuous growth of the active portfolio.

The training process of premium advisors included training oriented to the development of their skills for products sales, thus achieving higher penetration in the market.

### Trust

The Trustee portfolio was at Bs. 6,112 billions over the month of September, which means an increase of Bs. 1,203 billions (24%) during the second semester.



## MASS USE OF RISK MANAGEMENT

risks management was concluded for new products and services. This methodology together with corporate approaches (top down) and critical processes (bottom up), complements the full management of operational risks within the value chain of the Organization, providing competitive advantages and ratifying our position as leaders in risks management within the financial segment.

### Safety of Information and Business Continuity

Important upgrades in the Organization structure went along with achieved goals, as an answer to a need for change and constant adaptability, with which we plan to empower and develop investigation skills in new management technologies and incidents response.

On the other hand, the integration of different business continuity plans was initiated, being able to develop recovery procedures for the most critical processes of the business.

Elements of technological platform for processes support were evaluated, thus implementing identified upgrades.

New mechanisms and processes were defined and activated to enhance and strengthen monitoring capacities for safety of information, provide a safer treatment of data within production environments, move forward within centralized administration of identities, and incorporate automatic upgrades to the process of clients' identification.

Operational continuity was also an issue of special attention, mainly on safety incidents attention, cases of detected phishing, resolved quickly and efficiently. Centralization of safety of information administration functions was also initiated, thus complying with norms established by regulating entities and international best practices, which prepares us for the international safety certification granted by ISO.

In year 2006, the area had an active participation in the coordination with external organizations – specifically with Suiche TB, and the Bank Association – being able to achieve jointly the upgrading of the foreign currency exchange control, as well as the information safety requirements all banks subscribed to the net must comply with, which allow mitigating risk exposition levels associated to this service.

Likewise, we keep on strengthening this culture in this area through the realization of the III Symposium for Safety of Information and Business Continuity.

### CADIVI

Since November 5, 2006 the Client Attention Management of CADIVI - up to this moment subscribed to the Vice-Presidency of Operations – was made part of the International Push Management in order to line up sale strategies within the strategic planning of the Organization for year 2007.

Thanks to the support from the Technological area, the integral automation of processes related to foreign currency between Banesco and regulating entities (CADIVI and BCV) was carried out.

### Bank Vault

In order to obtain a tool technologically viable for the decision-making cash inventories, the Project on the feasibility survey for Cash Forecast Module was concluded. The evaluation resulted in the feasibility to continue with the selection of a technological enabler, which must come into reality from the second semester 2007.

We keep on strengthening this culture in this area through the realization of the III Symposium for Safety of Information and Business Continuity.

### Central Test

Establishment of a mathematic control, which consists in choosing randomly and automatically agencies average, daily notifying detected irregularities in competent areas in order to minimize frauds and financial risks.

### Compensation

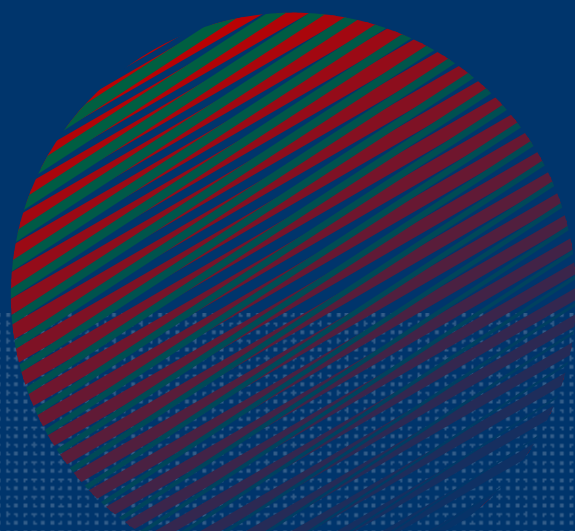
The compensation platform monitoring has an added value, which is a report of failures or drops of some service that might show up during the process of the Clearing House.



QUALITY IN INFORMATICS



TECHNOLOGY AT THE SERVICE OF OUR CLIENTS



## TECHNOLOGY AT THE SERVICE OF OUR CLIENTS

### Quality in Informatics

#### Securing Quality

Successful conclusion of the first phase of the Project for quality securing, including check up lists and process design, which leads us to sound achievements for year 2007.

#### Architecture

Architecture evaluations were carried out on critical applications for the Organization, which represent a competitive advantage for the business, among them: Visual Banker, Electronic Payment, Inter-phases and Channels, Bank Management Integral System.

#### Methodological Framework

- Total of Tutorships in 11 sessions to project users: Commercial Management Integral System, Document Management.
- Methodological Facilities for 14 projects.
- Integration into Software Factory.
- 3 Information Bulletins publication.
- Carried out the first out-walls session with vice-presidents and division managers to define implementation strategies for 2007.
- The course Rupcorb Basics was designed, Banesco version. Training provided for 90 persons and 25 leaders, including business areas.

#### Enabler for Administration Requirements and Information Systems Maintenance

Cleared up inter-phase with internal services platform: Service Desk, widening users universe to all those with access to the Intranet; implementation in Quality, Processes, and Control Executive Vice-Presidencies to 203 users, thus achieving the figure of 9,328 requirements processed from July to December 2006, 342.30% more as compared with same period in year 2005.

### State of the Art Technology

We can mention some achievements that benefit different areas of the Organization in order to consolidate our State of the Art technology.

#### Human Capital

- Service Platform for Internet training (e-Learning).

#### Treasure

- New functions in Administration of Value Titles Custody.

#### Electronic Bank, Internet, and Electronic Payment means

- Technological enabler for royalty programs.
- Technological upgrade for cell phones recharge in lottery operators.
- Strengthening of technological platform for automatic cash dispensers.
- BanescoOnline Trust.
- Fees and Commissions.
- Strengthening of recollection platform and incorporation of payment for Electricidad de Caracas (Caracas Energy Company) through agencies and Internet.
- Community Banking – Internet Banking.
- Increase of capacities and availability of Internet critical services.







## TECHNOLOGY AT THE SERVICE OF OUR CLIENTS

### Credit Cards and Collection Management

- Release Visa October 2006.
- Project Sales Receipt Proof.
- Revision and Renewal Certificates 2007 Cadivi Module.
- Automatic generation of payment, information, and technological enablers for drawing lots and credit card promotions.
- Credit Card Management Integrated System.
- Multiple loading process for credit cards requests per client.
- Credit limit and credit cards automatic massive raises.
- Enabler for collection management through phone messages.



### Support Systems to the Business and Process Automation

- Community Banking: Programmed Savings, Electronic Account, POS Web, Statistics Module.
- Business Plan Account.
- “Raise Your Salary Yourself” promotion
- Special Payments: plans and reimbursement of massive payments.
- Control of Money Laundering.
- Cash Extra-Credit.
- Balance purchase in credit cards.
- Alarm module for clients missing data.

### Quality and Processes

It is worthwhile mentioning the following business areas:

**Technology and Risk:** implementation of incidents administration process (TIPS in Spanish Phase IV) of Rupcorb business modeling methodology in the Quality and Processes Executive Vice-Presidency and installation of Processes Modeling Center.

**Trust:** implementation of processes and technological enabler "Gestor" to efficiently support Trusts administration management of simple payments and investments, and therefore satisfy present demand and increase capacities for new businesses.

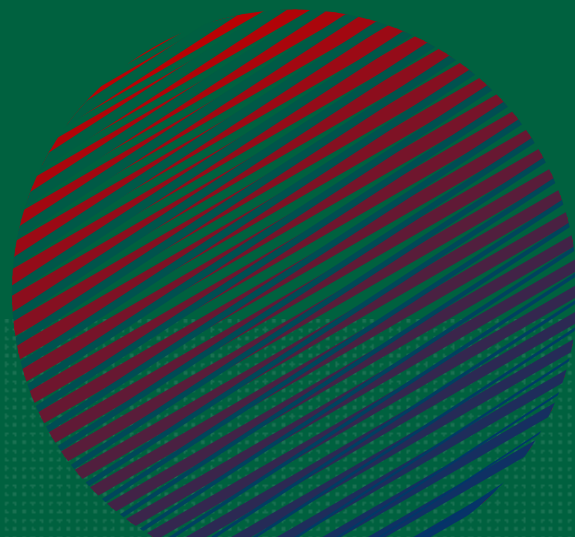
**Treasure:** implementation of the Corporate Table to directly attend through the Treasure Vice-Presidency corporate clients, which allows having a shorter and more efficient business cycle to close operations and seize business opportunities.

**International:** implementation of upgrades for dollars transfers management.





BALANCE SHEETS AS OF DECEMBER 31, 2006 AND JUNE 30, 2006



## BALANCE SHEETS

### BANESCO BANCO UNIVERSAL, C.A. BALANCE SHEETS AS OF DECEMBER 31, 2006 AND JUNE 30, 2006 (STATED IN MILLION VEB)

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Dec-06	Dec-06	Jun-06	Jun-06
<b>ASSETS</b>				
<b>CASH AND DUE FROM BANKS</b>	<b>5,526,213</b>	<b>5,586,707</b>	<b>2,598,568</b>	<b>2,634,345</b>
Cash	430,320	430,329	198,162	198,171
Central Bank of Venezuela	4,477,824	4,477,824	2,029,425	2,029,425
Local banks and other financial institutions	55,129	55,129	11,024	11,024
Foreign banks	56,697	117,181	49,769	85,537
Notes receivable	506,243	506,243	310,189	310,189
Provision for Bank Accounts	0	0	0	0
<b>SECURITY INVESTMENTS</b>	<b>2,923,310</b>	<b>3,261,301</b>	<b>2,652,761</b>	<b>2,944,317</b>
Investments in Central Bank	0	0	2,672	2,672
Security investments for negotiation	0	0	0	0
Available for sale security investments	1,199,527	1,401,800	1,227,245	1,430,600
Security investments held until maturity	1,386,174	1,519,907	1,386,395	1,472,619
Other security investments	335,333	337,319	40,600	42,578
Limited availability investments	2,276	2,276	549	549
Provision for Security Investments	0	0	-4,700	-4,700
<b>CREDIT PORTFOLIO</b>	<b>8,721,549</b>	<b>8,723,095</b>	<b>6,293,581</b>	<b>6,296,386</b>
Outstanding credits	8,808,372	8,810,613	6,348,510	6,350,655
Restructured credits	30,426	30,426	38,005	49,471
Past due credits	44,547	44,547	29,715	29,882
Credits in litigation	5,257	5,257	542	542
Provision for Credit Portfolio	-167,051	-167,747	-123,190	-134,162
<b>INTEREST AND COMMISSIONS RECEIVABLE</b>	<b>198,569</b>	<b>206,539</b>	<b>116,463</b>	<b>123,189</b>
Interest receivable from cash and cash equivalents	0	1,376	0	760
Interest receivable from security investments	106,753	113,359	45,765	53,102
Interest receivable from credit portfolio	85,346	85,359	65,105	65,128
Commissions receivable	15,472	15,472	10,166	10,166
Provision for interest receivable and other	-9,002	-9,026	-4,573	-5,966
<b>INVESTMENTS IN SUBSIDIARY COMPANIES, AFFILIATES, AND BRANCHES:</b>	<b>156,165</b>	<b>4,245</b>	<b>120,430</b>	<b>4,373</b>
Investments in subsidiary companies and affiliates	4,245	4,245	4,373	4,373
Investments in branches	151,920	0	116,057	0
Provision for investments in subsidiary companies, affiliates and branches	0	0	0	0
<b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>	<b>330</b>	<b>329</b>	<b>3,601</b>	<b>3,601</b>
<b>PROPERTY IN USE</b>	<b>493,407</b>	<b>493,808</b>	<b>450,278</b>	<b>450,680</b>
<b>OTHER ASSETS</b>	<b>347,274</b>	<b>347,337</b>	<b>319,412</b>	<b>319,646</b>
<b>TOTAL ASSETS</b>	<b>18,366,818</b>	<b>18,623,362</b>	<b>12,555,094</b>	<b>12,776,537</b>

**BANESCO BANCO UNIVERSAL, C.A.**  
**BALANCE SHEETS AS OF DECEMBER 31, 2006 AND JUNE 30, 2006**  
 (STATED IN MILLION VEB)

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Dec-06	Dec-06	Jun-06	Jun-06
<b>LIABILITIES</b>				
<b>DEPOSITS FROM CLIENTS</b>	<b>16,134,374</b>	<b>16,405,115</b>	<b>10,445,694</b>	<b>10,664,589</b>
Deposits in current accounts-	9,729,282	9,729,282	6,196,133	6,196,133
Non-remunerated checking accounts	5,014,547	5,014,547	3,100,335	3,100,335
Remunerated checking accounts	4,714,735	4,714,735	3,095,798	3,095,798
Other demand liabilities	459,225	459,225	396,389	396,389
Savings deposits	3,580,223	3,741,631	2,401,658	2,505,079
Time deposits	1,532,807	1,642,141	1,450,902	1,566,377
Securities issued by the institution	497	497	571	571
Restricted deposits from clients	43	43	40	40
<b>OBLIGATIONS WITH BCV</b>	<b>832,297</b>	<b>832,297</b>	<b>0</b>	<b>0</b>
<b>DEPOSITS FROM CLIENTS AND OBLIGATIONS WITH BANAP</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER FINANCING OBTAINED</b>	<b>63</b>	<b>63</b>	<b>165</b>	<b>165</b>
Liabilities with local financial institutions up to one year	158,583	143,925	435,272	433,015
Liabilities with foreign financial institutions over one year	137,576	122,918	424,982	422,724
Liabilities for other financing over than one year	19,648	19,648	8,375	8,375
<b>OTHER FINANCIAL OBLIGATIONS</b>	<b>1,359</b>	<b>1,359</b>	<b>1,916</b>	<b>1,916</b>
<b>INTEREST AND COMMISSIONS PAYABLE</b>	<b>59,705</b>	<b>59,705</b>	<b>88,874</b>	<b>88,874</b>
Expenses payable due to deposits from clients	55,063	55,126	7,256	7,335
Expenses payable due to deposits from clients and liabilities with BANAP	54,811	54,873	5,423	5,502
Expenses payable due to other financing obtained	55	55	55	55
Expenses payable due to other financial obligations	198	198	1,778	1,778
<b>ACCRUALS AND OTHER LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>440,494</b>	<b>440,892</b>	<b>333,279</b>	<b>338,005</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>16,848,282</b>	<b>17,104,826</b>	<b>11,310,540</b>	<b>11,531,983</b>
Capital paid-in	554,373	554,373	487,996	487,996
Capital reserves	329,787	329,787	274,449	274,449
Accumulated income	642,332	642,332	532,929	532,929
Non-realized gain or (loss) on available for sale security investments	26,934	26,934	-15,930	-15,930
Treasury stock	-34,890	-34,890	-34,890	-34,890
<b>Total stockholders' equity</b>	<b>1,518,535</b>	<b>1,518,535</b>	<b>1,244,554</b>	<b>1,244,554</b>
<b>Total liabilities and stockholders' equity</b>	<b>18,366,818</b>	<b>18,623,362</b>	<b>12,555,094</b>	<b>12,776,537</b>
Contingent Debtor Accounts	1,130,364	1,224,276	508,089	526,314
Trust Assets	6,112,414	6,112,414	4,908,961	4,908,961
Other Trusts Assignments	129,520	129,520	61,766	61,766
Debtor Accounts Due to Trust Assignments (FMH)	1,232,294	1,232,294	1,038,253	1,038,253
Other Debtor Accounts from FMH	5,946	5,946	6,013	6,013
Other Debtor Memorandum Accounts	32,740,832	32,747,055	25,339,945	25,346,233
Other Debtor Book Accounts	50,575	50,575	65,561	65,561

STATEMENTS OF EARNINGS  
AS OF DECEMBER 31, 2006 AND JUNE 30, 2006  
(STATED IN MILLION VEB)

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Dec-06	Dec-06	Jun-06	Jun-06
<b>FINANCIAL REVENUES</b>	<b>844,397</b>	<b>857,811</b>	<b>630,948</b>	<b>643,214</b>
Revenues from cash and cash equivalents	1,061	1,856	937	1,734
Revenues from security investments	195,985	207,999	161,578	172,377
Revenues from credit portfolio	621,330	621,934	448,516	449,186
Revenues from other accounts receivable	26,022	26,022	19,917	19,917
Other financial revenues	0	0	0	0
<b>FINANCIAL EXPENSES</b>	<b>239,287</b>	<b>241,558</b>	<b>199,199</b>	<b>201,333</b>
Expenses due to deposits from clients	206,845	209,115	186,863	188,900
Expenses due to deposits from clients and obligations with BANAP	329	329	329	329
Expenses due to other financing obtained	12,414	12,414	11,218	11,315
Expenses due to other financial obligations	39	39	28	28
Other financial expenses	19,661	19,661	761	761
<b>GROSS FINANCIAL MARGIN</b>	<b>605,110</b>	<b>616,254</b>	<b>431,749</b>	<b>441,881</b>
Income from recovered financial assets	14,824	26,680	9,676	9,676
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	64,133	64,133	27,403	27,403
<b>NET FINANCIAL MARGIN</b>	<b>555,801</b>	<b>578,801</b>	<b>414,022</b>	<b>424,154</b>
Other operating income	393,838	374,722	258,016	253,350
Other operating expenses	104,494	107,859	41,085	44,847
<b>FINANCIAL INTERMEDIATION MARGIN</b>	<b>845,145</b>	<b>845,663</b>	<b>630,953</b>	<b>632,657</b>
<b>TRANSFORMATION EXPENSES</b>	<b>519,630</b>	<b>520,780</b>	<b>439,938</b>	<b>440,507</b>
Personnel expenses	218,379	218,963	187,903	188,138
Administrative and general expenses	256,173	256,738	212,066	212,400
Contributions to Deposit Guarantee and Bank Protection Fund	33,470	33,470	31,572	31,572
Contributions to Superintendency of Banks and Other Financial Institutions	11,608	11,608	8,397	8,397
<b>GROSS OPERATING MARGIN</b>	<b>325,515</b>	<b>324,884</b>	<b>191,015</b>	<b>192,150</b>
Income from adjudicated goods	6,348	6,348	2,854	2,854
Income from sundry accounts	1,879	2,517	1,541	1,556
Expenses due to realizable property	1,921	1,921	1,905	1,905
Expenses due to sundry accounts	49,527	49,534	26,268	27,415
<b>NET OPERATING MARGIN</b>	<b>282,294</b>	<b>282,294</b>	<b>167,237</b>	<b>167,240</b>
Extraordinary income	0	0	0	0
Extraordinary expenses	5,004	5,004	5,091	5,093
<b>GROSS INCOME BEFORE TAXES</b>	<b>277,290</b>	<b>277,290</b>	<b>162,147</b>	<b>162,147</b>
<b>INCOME TAXES</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>
<b>NET INCOME</b>	<b>276,690</b>	<b>276,690</b>	<b>161,547</b>	<b>161,547</b>
<b>APPLICATION OF NET INCOME</b>				
Legal Reserve	55,338	55,338	32,309	32,309
Statutory Utilities	820	820	565	565
Accumulated income	217,765	217,765	127,056	127,056
LOSEP Contribution	2,767	2,767	1,615	1,615
Third-Party Investments	9,096,293	9,096,293		
Monthly Agriculture Credit Portfolio	129,249	129,249		
Accumulated Agriculture Credit Portfolio	906,492	906,492		
Public Sector Deposits	1,725,954	1,725,954		
Micro-Credits	371,560	371,560		
Credits to the Segment of Tourism in accordance to law in force.	111,849	111,849		
Mortgages according to the Special Law for the Protection of the Housing Loan Debtor	603,219	603,219		
Financial Soundness Ratio	8.97%	8.97%		



## PRINCIPAL FINANCIAL INDICATORS

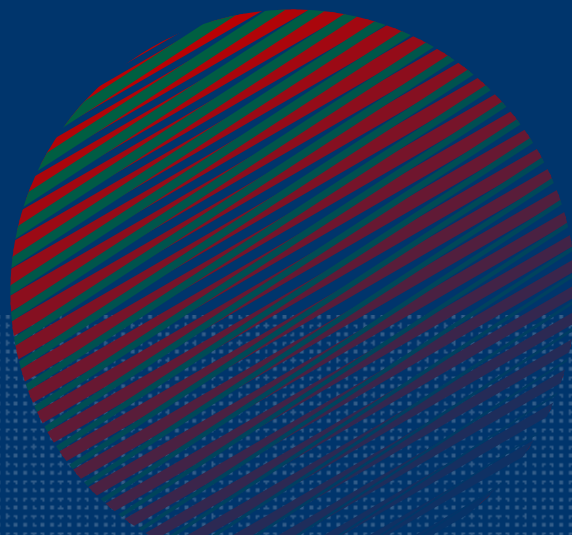
Principal Financial Indicators	Dec-06	Dec-05
Equity + Operative Management / Total Assets	8.97	11.47
Non-Productive Assets / Equity + Operative Management	392.16	179.74
Loan Portfolio Provisions / Gross Loan Portfolio	1.88	1.93
Non Accrual Loans / Gross Loan Portfolio	0.56	0.43
Personnel Expenses + Operative Expenses / Average Productive Assets *	8.71	9.03
Personnel Expenses + Operative Expenses / Financial Income *	59.28	59.82
Net Results / Average Assets *	3.26	3.50
Net Results / Average Equity *	33.21	29.83
Availability / Customer Funds	34.25	20.02
Availability + Investment in Securities / Customer Funds	41.69	34.15

\* Annual Percentages

CORPORATE GOVERNMENT



CORPORATE GOVERNMENT





## CORPORATE GOVERNMENT

**BANESCO UNIVERSAL BANK, C.A.** is a Venezuelan banking institution authorized to carry out all operations and businesses permitted by universal banks, in conformity to stipulations of the Bank General Law and other Financial Institutions, subject to control and supervision of the Banks Superintendence and other Financial Institutions. Additionally, it is subject to all regulating norms of the stock market as it is a company which shares are registered at the National Stock Register, and consequently, is also subject to control and supervision of the National Stock Committee. The domicile of the institution is the city of Caracas, and has branches and agencies in the whole national territory. At present, it is the bank within the Venezuelan financial system with the highest stock capital, which as of this date reaches the amount of Bs. 554,372,983,000.00, represented in 5,543,729,830 common and nominal shares with a value of Bs. 100.00 each, distributed among a total of 4,915 stockholders.

BANESCO BANCO UNIVERSAL, C.A., holds a government structure that comprises the Shareholders Meeting, Institution Board of Directors, Board of Directors Chairman, Executive President of the Bank, Enforcement Officer, the Internal Supervisor (auditor), as well as Credit, Risks, and Audit Committees. The latter was created as per recommendations on Corporate Government dictated by the Stock National Committee.

### Shareholders Meetings

Represents the universality of shareholders, and has the supreme direction of the company, and all its acts and resolutions legally bind the company and all its shareholders. Among other authorities, the Shareholders Meeting has the authority the appointment of Board of Directors members, and fix their remuneration, the designation of the Statutory Auditors and substitute; likewise, it appoints advisers with right to vote and assistance in Board of Directors meetings, discusses, approves, or modifies the Financial Statements presented before them, in view of the Statutory Auditors Report, decides on the decree of dividends and their payment, its amount, frequency and opportunity they must be honored in conformity to the Law and Bylaws, as well as also knows and decides over any other matter for which it has been notified.

### Board of Directors

The Board of Directors of Banesco Universal Bank, C.A. main function is to directing and general administering of the bank's businesses and operations, including company social responsibility policies. The work of the Board of Directors is vital for the definition of corporate strategies, determination of business policies, and the fixation and control of the institution strategy. The Board of Directors also controls the different operational and functional areas of the bank, and at the same time comparatively

evaluates business forecasts and the result of previous years and each fiscal exercise. Normally, it meets once a week, even though extraordinarily can meet at times and when necessary, prior Meeting Notice and compliance of the formalities stipulated in Bylaws.

In conformity to recommendations dictated by the National Stock Committee, and as per better practices on Corporate Government, the Shareholders General Board decided as of 09-30-05 to increase the number of Board of Directors members to 10, decision authorized by the Bank Superintendence and other Financial Institutions by official minutes SBIF-DSB-II-GGI-GI3- 00998 dated January 25, 2006 and finally registered before the Fifth Mercantile Register of the Federal District and Miranda State Judicial Circumscription on February 10, 2006.

Thus the Board of Directors is composed of 10 members, from which no less that a fifth are Independent Directors, who besides make up for the majority of the Audit Committee, organization in charge to assisting the Board of Directors for the implementation of measures oriented to preserving the integrity of the society financial information, as well as supervising internal and external audits of the institution.

Likewise, to secure the correct execution of corporate policies established by the Board of Directors, the latter has deemed necessary the constitution of the following committees:





∞**Audit Committee:** In adherence to Recommendations that on Good Corporate Government has issued the Stock National Committee, the existing audit committee was modified and adjusted to the norms required before mentioned. Thus the committee is made up mostly by Independent Directors, and their work entails knowing financial statements to be submitted for consideration before the Board of Directors and for approval by Shareholders Meeting, assist the Board of Directors on the implementation of measures destined to preserve the integrity of financial information of the society, collaborate on the supervision of bank internal and external audit, and issue recommendations deemed necessary to the Management Notification.

∞**Risk Committee:** Its primary function is to fixing the risk limits on each one of the bank activities, in order to foster a sound administration for operational risks and businesses in accordance with internal norms and best practices international wide. Additionally, advises both the Board of Directors and different Credit Committees on credit decisions making and fixes the guidelines and policies for compliance to preserve an adequate exposure to risk.

∞**Credit Committees:** At Banesco Universal Bank, C.A., the Board of Directors has decided to delegate on several credit committees – up to a certain amount – its authority for credit granting. Always in compliance of different autonomies and authority delegations, the Credit Metropolitan Committees and several Credit Local Committees have been created. They are in charge – within the limit of their authorities – for the consideration and approval of different credit requests presented by our clients, and inform the Board of Directors on its management results. Likewise, they must comply with different risk policies fixed by the Risk Committee of the Institution.

### Board of Directors Chairman

The Board of Directors Chairman is subordinated to the Shareholders Meeting and the Board of Directors conducting their deliberations. Additionally, it represents the institution and grants in its name contracts, agreements, covenants, and in general, all classes of documents of any nature, and in general all requirements assigned by the Board of Directors. Together with the Executive President and the Board of Directors, exercises the

supreme direction of the Bank activities and represents it before any political and administrative authority.

### Bank Executive President

The Executive President is in charge of conducting the administration and general management of the bank. Submits to consideration of the Board of Directors the policies, goals, strategies, and decisions transcendental for the organization and at the same time, is also in charge to execute the resolutions decided upon by the Board of Directors.

### Internal Auditor

He is in charge for the internal coordination analysis of several operations of the institution, and acting jointly with the Audit Committee informs the Board of Directors on the results for different audits carried out in order to upgrade process and sort out any deficiency.

### Enforcement Officer

In conformity of applicable norms, Banesco Universal Bank, C.A., has appointed an Enforcement Officer in charge for the supervision and control of the Bank Funds Prevention and Legitimacy, and informs the Board of Directors on the results of their activities and investment of resources allocated for training and personnel formation of Banesco personnel on this matter. It also provides advice to the Audit Committee and the Board of Directors in matters of their competence and represents the institution before different regulating organisms in matters of Funds Prevention and Legitimacy.

### Report on Compliance Level for Good Corporate Government Norms as of June 30, 2006.

Finally, we hereby reiterate that for Banesco Universal Bank, C.A. the compliance of corporate government principles means to continue performing our activities in accordance with the following Standards:

**Efficiency:** Oriented to generate maximum value with minimum resources available.

**Fairness:** Strict respect to equal treatment rights for shareholders, workers, and suppliers, as well as any person related to the society.



## CORPORATE GOVERNMENT

**Respect** to political and economical rights of shareholders.

**Transparency and communications:** Generate the highest level of trust and credibility for the public, through whole and true disclosure of all necessary information for full knowledge of the company.

At BANESCO UNIVERSAL BANK, C.A., we therefore follow the principle of one action one vote. We thus recognize the proportion to be secured between stock participation percentage and the corresponding participation right to bring forth the institution will, always through the informed exercise of shareholders political rights. For all the previous, BANESCO UNIVERSAL BANK, C.A. has a Shareholders Unit, a department in charge of the flow for corporate information from those who administer the society to shareholders in an opportune, complete, and truthful manner. The Shareholders Unit is a way for the investor to gathering corporate information of his interest, examines documents related to the management and activities of the bank, and through an expedite channel satisfy any concern.

In exercise of good corporate government practices, the Board of Directors of BANESCO UNIVERSAL BANK, C.A., has made decisions leading to maintain transparent and trustworthy standards adequate for the contribution and generation of highest efficiency and seriousness in the Venezuelan stock market:

- In meeting N° 1073 dated January 18, 2006, qualified the independence of two (2) of its members, so the administration organ be composed of a fifth part from independent directors.
- In the previously mentioned meeting N° 1073, the Board of Directors modified the existing Audit Committee of Banesco Universal Bank, C.A., thus, the Audit Committee is mostly composed by independent directors, who approved the Operational Norms in meeting 001 as of August 30, 006.
- In the corporate web page all shareholders and public in general have access to the curricular resume of each one of the Board of Directors and Audit Committee members.
- In session 001, dated August 2006, results on external audit corresponding to semester ended in June 30, 2006 were submitted to the knowledge and discussion of the Committee. In said session, the Committee approved its Norms for Operation.
- In session 002, dated December 06, 2006, the audit Committee of *Banesco Banco Universal*, C.A. followed up all points treated in session 001, in relation to the external audit corresponding to semester ended in June 30, 2006.



## CORPORATE GOVERNMENT

### Banesco Banco Universal, C.A.

#### Board of Directors

Juan Carlos Escotet  
Luis Xavier Luján  
Jorge Caraballo  
Salvador Cores  
Josefina Fernández  
Nelson Becerra  
Fernando Crespo  
Gonzalo Clemente  
Carlos Acosta  
Oswaldo Padrón Amaré

#### Statutory Auditors

##### Main Auditors

Gordy Palmero Luján  
Igor Williams de Castro

##### Substitute Auditors

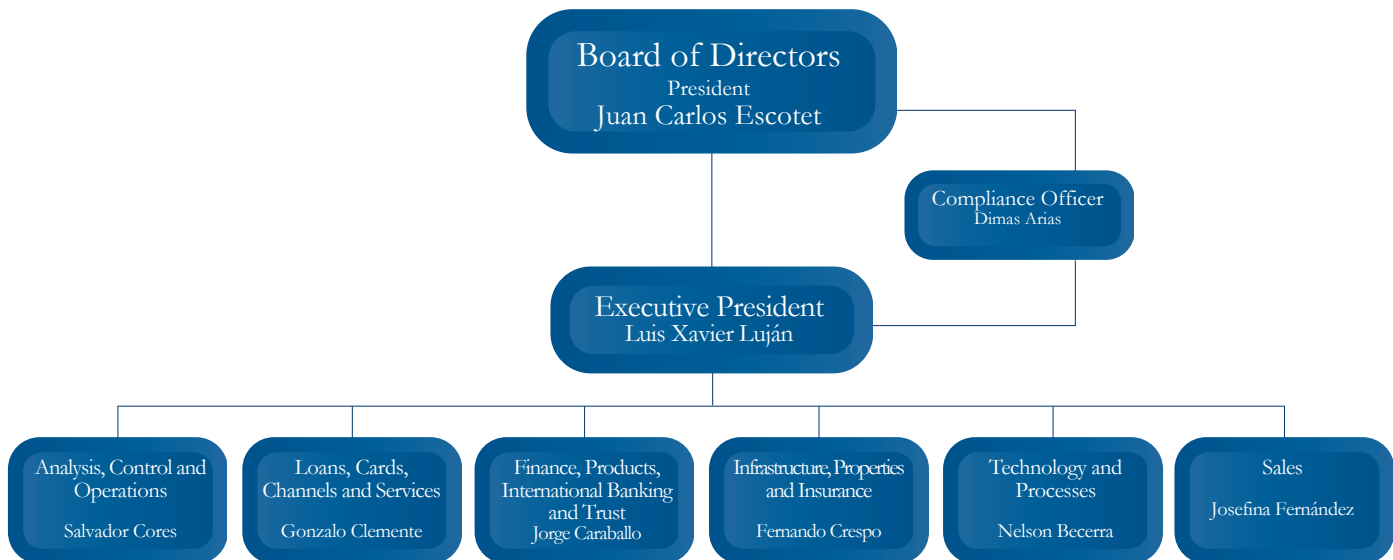
Pedro Miliani Torres  
Régulo Martínez

#### Secretary of Directive

Marco Tulio Ortega Vargas

#### Judicial Representative

Marco Tulio Ortega Vargas





# EVERY PIECE IS IMPORTANT

## SOCIAL BALANCE

EXPRESSED IN BOLIVARS

SOCIAL INVESTMENT	2006	ACCUMULATED 1998 - 2006
<b>Application of Resources Third Parties and Banesco</b>	<b>14.931.972.000</b>	<b>50.138.223.000</b>
Solidarity (Capital and Regional)	-	1.792.017.000
Social Knowledge Enterprise Network IESA	1.113.000	141.113.000
FUNDANA Foundation	51.000.000	970.582.000
Words for Venezuela	-	2.814.143.000
Fe y Alegría Foundation	2.269.305.000	9.737.013.000
State Foundation for the National System of Juvenile and Children's Orchestras of Venezuela	2.042.082.000	3.092.969.000
Don Bosco Housing Program	-	160.000.000
Association of Salesian Ladies	165.405.000	307.473.000
Venezuelan Association for the Catholic Education (AVEC)	764.924.000	764.924.000
Canaima School	-	506.336.000
Maracaibo Archdioceses	80.000.000	200.000.000
Venezuelan Foundation against Child Paralysis	129.556.000	327.362.000
San Juan de Dios Hospital	196.734.000	196.734.000
Donation of Christmas Toys to the Community	802.912.000	1.655.451.000
Editorial Projects	41.040.000	426.440.000
Donation of Computer Equipment	72.680.000	391.378.000
Other Contributions	2.486.063.000	6.034.442.000
Universities	917.261.000	3.312.308.000
Investments in works in Colinas de Bello Monte	118.836.000	888.418.000
Banesco Life-long Scholarships	49.328.000	188.527.000
Governorships, Governments and Other Organisms of the State	166.643.000	525.313.000
Social Benefits Noncontractual for Banesco Employees	4.556.905.000	15.651.873.000
Contribution Corporative Voluntary Service	20.185.000	53.407.000
<b>Application of Article 96 of the LOSEP</b>	<b>5.398.634.000</b>	<b>14.437.365.000</b>
Venezuelan Association for the Catholic Education (AVEC)	1.535.076.000	4.434.352.000
Children's Museum	75.000.000	300.000.000
FUNDANA Foundation	-	110.000.000
Alliance for a Venezuela without Drugs	-	100.000.000
ABC Prodein (Santamaría City Petare -CISAMA)	-	276.000.000
Educational Foundation Canaima Schools	571.950.000	571.950.000
Don Bosco Housing Program	308.466.000	508.217.000
Education, Antidrug Campaigns and Sports	2.908.142.000	8.136.846.000
<b>TOTAL SOCIAL INVESTMENT</b>	<b>20.330.606.000</b>	<b>64.575.588.000</b>
<b>CONTRACTED COMMITMENTS</b>		
Fe y Alegría Foundation	1.333.324.000	1.333.324.000
Don Bosco Housing Program	777.334.000	777.334.000
<b>TOTAL CONTRACTED COMMITMENTS</b>	<b>2.110.658.000</b>	<b>2.110.658.000</b>
<b>TOTAL SOCIAL INVESTMENT AND CONTRACTED COMMITMENTS</b>	<b>22.441.264.000</b>	<b>66.686.246.000</b>

We are aware that enterprise – resides financial actors – are also social actors and as such van not be set apart of what occurs in society. Banesco Banco Universal has so made this concept its own and therefore, we inter-act with our community, establish dialogues with its members, learn from them, and attend their expectations.

We are not only set in motion by the exercise of an efficient banking practice to report profits for its shareholders. We are also set in motion by a vision that goes beyond an enterprise that generates employment. We work towards sustainable development and on this path we trend we contribute with social process and environment protection.

We behave pro-actively, anticipating all and each one of our strategies in each determined moment. This is why we permanently innovate, and are ahead general accepted proposals in matters of Enterprise Social Responsibility in our community. We decided to conduct ourselves hand-in-hand of our Social Partners, institutions, and organizations well renown all over the country, whose actions on social areas have a positive impact in an important number of Venezuelans.

Together with them, we have developed projects and initiatives that in 2006 were focused on education of ever more Venezuelans. For this purpose, we invested Bs. 20,330,606,000, where we included a series of non-contractual benefits for our workers.

We commit ourselves to keep tirelessly working for the Venezuela we all dream with, supported by our organizational values: social and individual responsibility, integrity and reliability, innovation and service quality, initiative, interdependence and leadership, renovation and personal excellence, as well as diversity and adaptability.

#### Directors:

Juan Carlos Escotet  
Luis Xavier Luján  
Jorge Caraballo Rodríguez  
María Josefina Fernández  
Nelson Becerra Méndez  
Gonzalo Clemente Rincón  
Fernando Crespo Suárez  
Salvador Cores González  
Carlos Acosta López  
Oswaldo Padrón Amaré



## INTERNATIONAL AREA

### 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

**Verónica Cubek**  
General Manager Affiliated Banks  
Telf. (58212) 501.9940  
e-mail: veronica\_cubek@banesco.com

**Olga Mifsut**  
Treasury Vicepresident  
Telf. (58212) 501.8414  
e-mail: olga\_mifsut@banesco.com

**Rafael Eduardo Padrón**  
Correspondent Banking Division, Manager  
Telf. (58212) 501.9943  
e-mail: rafael\_padron@banesco.com

**Rosa Mariela Padrino**  
International Treasury Manager  
Telf. (58212) 501.9108  
e-mail: rosa\_padrino@banesco.com

**José Rafael León**  
International Bussines Division, Manager  
Telf. (58212) 501.9839  
e-mail: jose\_leon@banesco.com

**Mariana Serrano**  
International Operations Division, Manager  
Telf. (58212) 501.7918  
e-mail: mariana\_serrano@banesco.com

### 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

Ciudad Banesco, Avenida Principal de Colinas de Bello Monte,  
entre calles Sorbona y Lincoln, Municipio Baruta.

Caracas - Venezuela

Telephone Banking: 0500BANCO24 - 0500 226.26.24

Master Phone: (0212) 501.71.11

**[www.banesco.com](http://www.banesco.com)**



## CORRESPONDENT BANKS

ARGENTINA	Banco de la Provincia de Buenos Aires, Banco de la Nación Argentina, Banco Supervielle, Banco Credicoop, Grupo Macro, Banco Patagonia, Deutsche Bank.
AUSTRALIA	ANZ Bank.
AUSTRIA	Bank Austria Creditanstalt A.G.
BELGIUM	Dexia Bank, CIB Fortis Bank.
BOLIVIA	Banco Económico, Banco Do Brasil, Banco de la Nación Argentina.
BRASIL	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.
CANADA	Toronto Dominion Bank, Royal Bank of Canada.
CHILE	Banco Estado, Banco Santander, Bci Banco de Crédito e Inversiones, Banco Do Brasil.
CHINA	American Express Bank, Commerzbank A.G., Wachovia Bank, HSBC Bank, Deutsche Bank A.G., Citibank, N.A., HVB Ag, Bank of China, The Industrial and Commercial Bank of China.
COLOMBIA	Banco de Bogotá, Bancolombia, Bancoldex, Banco de Occidente, Davivienda.
COSTA RICA	Banco Nacional de Costa Rica, Banco de Costa Rica, Banco Banex, Banco Cuscatlán, Banco Interfin.
CURAZAO	Maduro & Curiel's Bank.
DENMARK	Danske Bank.
DOMINICAN REPUBLIC	Banco de Reservas, Banco BHD, Banco Popular.
ECUADOR	Banco del Pichincha, Banco del Pacífico, PRODUBANCO, Banco de Guayaquil.
ENGLAND	The Royal Bank of Scotland, HSBC Bank P.L.C., Wachovia Bank, Deutsche Bank.
EL SALVADOR	Banco Cuscatlán, Banco Agrícola, Banco Salvadoreño.
FINLAND	Nordea Bank.
FRANCE	Credit Industriel et Commercial, BNP Paribas Group, Societé Generale.
GERMANY	Commerzbank A.G., American Express Bank, Ghmb,HVB A.G., Deutsche Bank, Dresdner Bank A.G.
GUATEMALA	Banco Industrial, Banco GT Continental, Banco Agromercantil.
HOLAND	Commerzbank A.G.
HONDURAS	Banco Atlántida, Grupo Financiero Ficohsa, Banpais, Banco Continental.
HONG KONG	American Express Bank, Wachovia Bank, Deutsche Bank A.G., Citibank N.A., HVB Ag.
INDIA	American Express Bank.
IRELAND	Bank of Ireland.
ISRAEL	Bank Leumi Le Israel, Bank Hapoalim B.M.
ITALY	Banca Nazionale del Lavoro, Unicredito Italiano, Banca Intesa.
JAPAN	The Bank of Tokyo and Mitsubishi Bank, American Express Bank, Wachovia Bank, Citibank N.A., HVB Ag.
KOREA	American Express Bank, Wachovia Bank, Citibank N.A., Deutsche Bank.
MALAYSIA	Bumiputra Commerce Bank Berhad, American Express Bank.
MEXICO	Banamex, S.A., HSBC Bank, Banco Santander Serfin, Banco del Bajío.
NEW ZEALAND	ANZ Bank.
NICARAGUA	Banpro, Bancentro.
NORWAY	Nordea Bank.
PANAMA	Banesco International Bank Inc., Banesco Banco Universal, BLADDEX, HSBC Bank.
PARAGUAY	Banco Do Brasil, Banco de la Nación Argentina.
PERU	Banco de Crédito del Perú, Banco Financiero, Interbank, Scotia Bank.
PORTUGAL	Banco Espirito Santo S.A., Banco Banif, Millennium BCP.
PUERTO RICO	Banesco International Bank Corp., Banco Popular de Puerto Rico.
SINGAPORE	American Express Bank, HVB Ag.
SPAIN	Banco Sabadell, Grupo Banco Popular, La Caixa.
SWEDEN	Nordea Bank, Svenska Handelsbanken.
SWITZERLAND	U.B.S. Credit Swiss First Boston, HSBC Private Bank, BNP Paribas, Banco Mercantil (Schweiz ) A.G.
URUGUAY	Banco de la Nación Argentina, Banco Credit Uruguay.
U.S.A.	American Express Bank, JP Morgan Chase Bank, Wachovia Bank, Regions Bank, Citibank N.A., HSBC Bank, Deutsche Bank A.G., Banco Latinoamericano de Exportaciones (Bladex).

