

J-07013380-5

SEMESTER REPORT • FIRST HALF 2007

**Banesco**  
BANCO UNIVERSAL

# To Our Stockholders, Clients, and Social Partners



We hereby present to you Banesco Banco Universal's financial results in order to hold an open dialogue with our stockholders, clients, vendors, and related, with the transparency and rigor that have always been our trademark.

In accordance to laws in force, we submit to your consideration our results corresponding to the very last semester already ended.

On June 30, 2007, the total of assets for Banesco Banco Universal increased to Bs. 20.34 trillions, after a record of a growth in the order of Bs. 1.9 trillions (10.8%) versus December 2006 and Bs. 7.79 trillions versus the first semester of last year.

Such expansion is founded on the fostering for the bank's credit portfolios, which attained a level of Bs. 11.43 trillions in June 2007, after an increase in the order of 31.1% on the semester that just ended, and of 81.6% during the past twelve months.

At the same time, this behaviour had an impact on the percentage that represents the credit portfolios on the bank's assets, which attained a 56.2% in June 2007, higher in 6 points to the rate over the same period last year, and above the average of commercial and universal banking in 11 points (45.4%).

Banesco's credit portfolio held its quality with a doubtful debt indicator record upon semester closure of barely 0.7%, inferior to the banking average. The institution attained the first position in the ranking of the Venezuelan financial system in regards to third-parties resources managed (FAOV ("Mandatory Housing Savings Fund" in Spanish), third-party investments and deposits), with a figure of Bs. 25.17 trillions, equivalent to 14.80% of the total of funds managed by the commercial and universal banking of the country.

In deposits and third-party investments we attained the figure of Bs. 23.66 trillions, out of which Bs. 17.86 trillions correspond to public's deposits, a segment that showed a growth of 10.66% versus December 2006. The difference, Bs. 5.8 trillions, which represent third-party investments, grants Banesco the leadership on this last item with a market share of 14.1%.

Likewise, this financial institution consolidated the first place in the ranking of manager resources for the Fondo de Ahorro Obligatorio para la Vivienda (Mandatory Housing Savings Fund) with a total of Bs. 1.52 trillions over the first semester 2007, thus contributing with Venezuelan families in solving their housing problem.

In the trustees business, the semester ended with a total of Bs. 6.68 trillions (10.28% of the market share), on account of the increased of 9.3% versus December 2006 level.

The bank held an orientation towards credit intermediation, and as a consequence, the contribution over security investments decreased and

represented 21.1% of Banesco's total assets during the first semester 2006 at 14.2% upon closure of such yearly period, whereas the average of the bank is over 20%.

Banesco registered upon semester closure a net income of Bs. 296 millions, which represents an increase of Bs. 135 millions versus the same time period in year 2006.

Such growth is mainly due to higher income from said semester credit operations, which in turn contributed to a higher growth in financial incomes, 66.7% versus closure by June 2006 and 24.6% during the elapsed past six months.

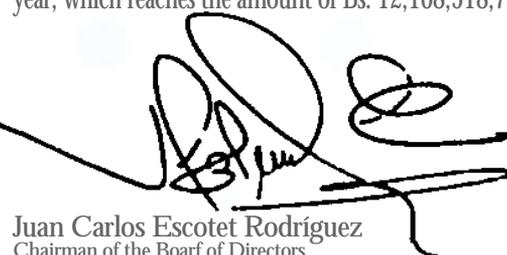
We are pleased to inform that upon closure of the 2007 first semester Banesco held the first place in the ranking of the Venezuelan financial system within the following segments:

- Managed Resources (Bs. 25,174 millions)
- Deposits (Bs. 17,855 millions)
- Third-Party Investments (Bs. 5,803 millions)
- FAOV (Bs. 1,516 millions)
- Total Assets (Bs. 20,347 millions)
- Credit Portfolio (Bs. 11,432 millions)
- Term Deposits (Bs. 1,746 millions)
- Patrimony (Bs. 1,736 millions)
- Deposits plus Third-Party Investments (Bs. 23,658 millions)
- Micro-credits (Bs. 504 millions)

Besides the efficient managing of one of the most solid and profitable institutions of the country, we are committed to support those initiatives and actions leading to procuring a higher level of education and health for ever more Venezuelans. For more than a decade we have ratified our commitment to Venezuela and at present, more than ever, it is very clear that we have to reattribute the trust and support received from our customers and acknowledge the responsibility we have towards all Venezuelans.

We have repeatedly expressed that we believe in open dialogue. The exchange of ideas makes us stronger, for they make us learn, listen, and set in motion our best banking practices and those that will allow us to fostering sustainable development through our actions.

We hereby ratify that from the position we held in this society we shall stand steady and faithful to the commitment we have acquired before Venezuela. A proof of this is the social balance corresponding to the first semester of this year, which reaches the amount of Bs. 12,108,518,761.



Juan Carlos Escotet Rodríguez  
Chairman of the Board of Directors



# Financial Highlights\*

Stated in Billion Veb

	First Half 2006	Second Half 2006	First Half 2007	Growth			
				I Half 2007 Absolute	- II Half 2006 %	I Half 2007 Absolute	- I Half 2006 %
<b>TOTAL ASSETS</b>	12,555	18,367	20,347	1,980	10.8%	7,792	62.1%
Cash and Due from Banks	2,599	5,526	4,775	-751	-13.6%	2,176	83.8%
Security Investments	2,653	2,923	2,882	-41	-1.4%	229	8.6%
Credit Portfolio	6,294	8,722	11,432	2,710	31.1%	5,138	81.6%
<b>DEPOSITS FROM CLIENTS</b>	10,446	16,134	17,855	1,720	10.7%	7,409	70.9%
Deposits in current accounts	6,196	9,729	9,401	-328	-3.4%	3,205	51.7%
Savings deposits	2,402	3,580	3,859	279	7.8%	1,457	60.7%
Time deposits	1,451	1,533	1,746	213	13.9%	295	20.3%
Other Deposits	397	1,292	2,849	1,557	120.5%	2,452	617.6%
<b>TOTAL STOCKHOLDERS' EQUITY</b>	1,245	1,619	1,736	117	7.3%	491	39.5%
<b>TRUST ASSETS</b>	4,909	6,112	6,680	568	9.3%	1,771	36.1%
<b>DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (FMH)</b>	1,038	1,232	1,516	284	23.0%	478	46.0%
Financial Revenues	631	845	1,052	206	24.4%	421	66.7%
Financial Expenses	199	239	316	76	31.9%	116	58.5%
Gross Financial Margin	432	606	736	130	21.4%	304	70.5%
Financial Intermediation Margin	631	845	993	147	17.4%	362	57.3%
Transformation Expenses	440	520	607	87	16.8%	167	38.0%
Income Taxes	1	1	30	29	4900.0%	29	4900.0%
<b>ANNUAL NET INCOME</b>	162	277	296	20	7.1%	135	83.5%
<b>YIELDED INVESTMENTS</b>	7,672	9,096	5,803	-3,293	-36.2%	-1,869	-24.4%
<b>ACCUMULATE AGRICULTURE PORTFOLIO</b>	835	906	1,227	321	35.4%	392	47.0%
<b>OFFICIAL INSTITUTIONS DEPOSITS</b>	1,873	1,726	1,787	61	3.5%	-87	-4.6%
<b>MICRO LOANS</b>	231	372	504	133	35.7%	273	118.5%
<b>COMMERCIAL LOANS</b>	3,588	4,355	6,202	1,846	42.4%	2,614	72.9%
<b>CREDITS TO CONSUMER</b>	1,259	1,827	2,549	722	39.5%	1,290	102.4%
Vehicles	51	146	220	74	51.1%	169	334.4%
Credit Cards	1,209	1,682	2,329	648	38.5%	1,120	92.7%
<b>MORTGAGE LOANS</b>	504	841	1,046	205	24.3%	542	107.7%
<b>NUMBER OF DEPOSITORS</b>	3,286,125	3,887,810	4,308,826	421,016	10.8%	1,022,701	31.1%
In Current Accounts	1,274,019	1,462,595	1,618,736	156,141	10.7%	344,717	27.1%
In Savings Accounts	2,011,152	2,424,127	2,689,201	265,074	10.9%	678,049	33.7%
In Time Accounts	954	1,088	889	-199	-18.3%	-65	-6.8%
<b>RATIOS</b>							
Loan Portfolio Provisions/Non Accrual Loans	407.2%	335.4%	226.8%				
Non Accrual Loans/ Gross Loan Portfolio	0.5%	0.6%	0.7%				
Net Results / Average Assets	2.8%	3.3%	3.1%				
Net Results / Average Equity	25.8%	33.2%	36.1%				
Liquidity	36.7%	41.7%	33.9%				

\* Operations in Venezuela

# Stockholders Meeting Notice



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

**BANESCO UNIVERSAL BANK, C.A.**  
Stock Capital Bs. 641.499.327.000

**Vicepresident of the Board of Directors**  
Luis Xavier Luján Puigbó

## **Directors**

María Josefina Fernández Maroño  
Nelson Becerra Méndez  
Gonzalo Clemente Rincón  
Fernando Crespo Suñer  
Salvador Cores González  
Miguel Ángel Marcano Cartea  
Carlos Acosta López

## **MEETING NOTICE**

By order of the Board of Directors, and in conformity to Articles 10, 12 of bylaws, the stockholders of BANESCO UNIVERSAL BANK, C.A. are hereby invited to a stockholders ordinary board meeting on Friday, September 28, 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:** In view of the statutory auditor's report, submit to discussion and resolve both the approval of the Financial Statements prepared by independent public accountants, corresponding to the semester exercise ended on June 30, 2007, and the Board of Director's report.

**Two:** Allocation of Dividends.

**Three:** 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.

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, September 12, 2007

# The Economy During First Half 2007



# Gross Domestic Product



## Gross Domestic Product GDP (PIB in Spanish)

During the 2007 first semester, this macro-economic aggregate – which is a measure of the locally produced goods offer – attained a 9%, driven by the positive performance of the non-oil-related segment, which grew in 10.8%. The Oil segment decreased in 4.8% mainly due to changes in its legal framework, which has affected the investment policies of the companies that comprise such segment.

The private segment higher growth rhythm held fast upon expansion of its activity level in 11.1%, whereas the public segment attained a 2.0%.

All non-oil-related activities grew during the first semester of year 2007: communications 28.0%, financial and insurance institutions 20.5%, repair businesses and services 17.9%, construction 15.5%, and transportation services 14.8%, among those that underwent higher expansion rates. The mining segment, though it recorded a positive behavior during the 2007 second semester (3.4%), is the only one that reflects a negative semester variation in the order of 0.7%.

The behavior of the construction segment is linked to the public spending. Such segment has benefited by programs implemented by the national Government designed to foster it, given the multiplier effect of this activity over the global economy. This segment records an average growth of 26.2% over the past fourteen quarters. Its quarterly performance was driven by the increase of residential and non-residential works required by the private segment (18.7%) and by the public segment (12.7%).

The impulse of the financial and insurance institutions is mainly founded on the rise of credits within the framework of a sustained financial environment over the last fifteen quarters, which has made possible the increase of business activities.

The general industry had a growth of 8.2% mainly due to the favorable performance of rubber and plastic segments



# Supply and Demand Balance of Payments International Reserves

(28.3%), non-metallic minerals fabrication (15.8%), metal products (15.6%), foods, beverages, and tobacco (13.7%), common metals fabrication (12.5%), chemical substances and products fabrication (8.0%), and vehicles fabrication (4.3%).

The fast response of the food industry is remarkable, given the growing demand. Such activity records a sustained growth since the 2005 second quarter (12.4% average).

## Supply and Demand

The second quarter 2007 registered an increase of aggregate supply in the order of 17.2% due to the significant growth of the GDP and imports. Likewise, there was an important growth of the global demand as a result of the internal aggregate demand components expansion: private final consumption cost (19.0%), general government final consumption cost (4.5%), and fixed gross investment (27.0%).

The private final consumption is still driven by household income recoveries, government transfers to sectors of lesser resources through social programs, the lesser rate of unemployment, the increase of average remunerations in real terms, and the higher use of credits.

## Balance of Payments

The Balance of Payments showed a global deficit in the order of US\$ 7.231 millions upon closure of 2007 first semester as a result of a surplus in current accounts of US\$ 5.126 millions and a negative balance in financial accounts of US\$ 11,534 millions.

The surplus in current account reduced in 40% in regards to the second semester of the previous year as a result of reduction in oil exports and an increase in imports, counteracted by the financial account performance given the increase of national assets abroad, the purchase by the Government of companies considered strategic to the country, and bonds issue by PDVSA.

Temporary figures indicate that goods import grew to an annual rate of 38.7% driven by the higher demand associated to financial growth. We must point out goods acquisition for fixed capital gross formation, such as machinery and equipment, trucks and vehicles for goods transportation, medical instruments, radio, television, and communications equipments; those destined to final consumption such as passengers vehicles, cell phones, pharmaceutical and chemical products; and those destined to intermediate consumption such as chemical substances mainly, common metals, electrical equipment, parts, pieces, and other machineries.

## International Reserves

Global International Reserves reached US\$ 25,213 millions upon closure of first semester 2007, out of which US\$ 24,424 corresponded to BCV reserves and US\$ 789 millions to FEM, equivalent to a reduction of 32.7% versus closure of 2006. The drop in reserves level is mainly due to the annual transfer of resources to the Fonden, which this year reached the amount of US\$ 6,770 millions, corresponding to the surplus on the adequate level of reserves (amount estimated by the BCV around US\$ 29,000 millions) upon closure of previous year. The transfer of these funds was carried out through three disbursements by the end of February, March, and April.

Upon exclusion of transfers to Fonden from the analysis, the reduction of reserves during the first semester reaches US\$ 5,457 millions (17.8%), which is associated to an important deficit in capital account, and in a lesser measure to the decreasing surplus in current account that recovered during the second semester thanks to the higher oil income and despite continuous imports expansion. For the rest of the year, there are enough reserves to face imports and all other international commitments.

According to projections of the Finance Ministry, reserves shall recover during the second semester of the year to conclude in approximately US\$ 30,790 millions despite higher imports expectations and low foreign direct investment. This implies



that next year the Fonden – if the BCV maintains without modifications the adequate level of reserves – is going to face less raw resources to finance the out-of-the-budget government investment.

## Oil

The average closing price for the Venezuelan basket during the first semester was 55.1 US\$/barrel, lower than the one registered during the same period in 2006 when it averaged 57.1 US\$/barrel, which represents a drop of 3.5%. In regards to income, oil exports reached during the first semester of the year US\$ 27,240 millions, dropping in 10.8% versus sales in US\$ 30,524 millions over the first semester 2006 mainly due to price dropping.

Prices are expected to hold within the range of this last year for the remaining of year 2007 despite expectations of American economy slow-down associated to the Real State crisis that may drag over the rest of the world economy to a recession if there is no other outer, climate, and/or political factor that affects the production or stimulate the demand.

## Currency Exchange Market

The type of foreign currency exchange remains unmodified at 2,144.6 Bs./US\$ for purchase and 2,150 Bs./US\$ for sale. The National Government has reiterated that it will not adjust the currency exchange rate during the remaining period of 2007 nor at the beginning of 2008 on occasion of the currency reconversion.

During the period January-June 2007, Cadivi authorized US\$ 19,215 millions at an average of US\$ 156 millions per day, thus increasing in more than 60% the amount of foreign currency authorized versus the first semester of 2006, whereas imports increased to 42.8% over the same period.

Authorizations cover approximately 85% of imports for goods and services.

The possibilities of a future reform introducing a dual foreign currency exchange (a preferential foreign currency exchange for first-need products and another for luxury products), given the sustained growth of imports, seems little feasible at least at short term, for it does not seem necessary from a tax point of view as long as oil profits and international reserves hold between the present range.

## Currency Exchange Market

Over the first semester of 2007 the monetary base increased to 1.64% versus December, and at 70.44% versus June 2006, influenced by the contraction of international reserves and by transfers from the Venezuela Central Bank to the FONDEN.

Monetary availability grew to 3.0% reaching the amount of Bs. 123.4 billions upon June's closure. This performance is mainly due to the increase of mandatory bank reserves that affect financial institutions and moderate growth of the monetary base.

The record figure of imports and constant issues of financial instruments in foreign currency and payable in Bolívares by the National Government, have limited the progress of this variable.

## Interest Rates

The average active rate of the six main banking institutions reached 16.06% upon closure of June 2007, which represents a decrease of 0.66 points in regards to average during year 2006 (15.40%) and of 1.37 points if we refer to the average rate of last year first semester (14.69%). On the other hand, the interest rates for 90 days term deposits closed at 10.06%, equivalent to an increase of 0.66 points versus closure of 2006 (9.40%).

## Inflation

The Consumer Price Index for the Metropolitan Area of Caracas (IPC in Spanish) registered in June an accumulated



# Unemployment Financial System

variation of 7,76%, higher in 2.22 points to the one registered in June 2006 (5.54%), having the IPC reach an annual variation of 19,43%, higher in 11.79% to the one reflected over the same period last year.

This increase is related to the expansion of Money Availability and the growth of the aggregate demand, being the latter a result of the population acquisition power increase. This is evidenced upon observation of the inflationary core performance, an indicator that excludes segments with controlled prices and those that respond to season factors and the Wholesale Level (IPM in Spanish), having the first one of these last mentioned a growth of 9.29% over the year, whereas the IPM was at 8.99% over the same period.

## Unemployment

The unemployment rate reached in June 8.3% according to the Instituto Nacional de Estadísticas (Statistics National Institute) (INE in Spanish), which translates into 1,026,561 unemployed persons within an active population of 12,305,364 persons, a decrease in regards to June of year 2006 when the unemployment rate closed at 9.7%. Said variation is equivalent in absolute terms to an increase in employment level of 415,287 persons.

Additionally, it must be noted that the Employees Remuneration Index Índice de Remuneraciones a los Asalariados (IRE in Spanish) calculated by the BCV that measures price variation of the work factor (salary) within the economy formal workforce, both public and private, has grown in real terms during the first semester of the year to 15.7%, which means that the real income of employees within the formal workforce has increased subsequently.

## Financial System

Upon closure of first semester 2007, the Venezuelan financial system comprised a total of 59 institutions, out of which 47 are commercial and universal banks (62.7%), and the

remaining 37.3% corresponds to the specialized bank and institutions ruled by special laws. The agencies network of the system rose to 3,323, thus generating at present a total of 66,108 direct employments.

The environment of the Venezuelan banking has several characteristics, among which we have:

- Steady recovery of the financial activity, which contributes to the expansion of credits demand.
- Negative interest rates in real terms.
- Persistent growth of money availability and monetary base.
- Steady foreign currency exchange rate established at the beginning of 2003.
- Intense competition within the banking system.
- Changes in regulatory framework such as mandatory bank reserves, mandatory portfolio ("gavetas crediticias"), transfer of third-party investments into liabilities.



# Financial System



- From the evolution of the main segments of the commercial and universal bank balance during the present first semester of the year, the following is derived:
- Significant increase of global asset (66.5%) during the last twelve months elapsed up to Bs. 174,260 billions upon closure of the first semester 2007, which represents a growth between semesters of Bs. 26,095 billions and a growth between years of Bs. 69,373 billions.
- Said increase was the product of a growing tendency held by the credits portfolio during the last semesters, which corresponds to the favorable behavior of the economy, taking into consideration that the GDP (PIB) has undergone a sustained growth over 15 consecutive quarters.
- In this manner the balance of the commercial and universal bank increased to a level of Bs. 79,582 billions on account of the increase registered over the last 12 months (Bs. 35,157 billions) and of Bs. 18,849 billions in regards to closure of December 2006.
- The higher granting of credits translated into an intermediation coefficient (net credit portfolio over deposits) of 55.8%, 3,4 points higher than the one reflected in June 2006, showing a past-due debt rate of barely 1.1% at June 2007 closure.
- The tendency holds steady towards a higher level of credits intermediation, considering that while security investments increased to 44.0% in regards to closure of first semester 2006, the credit portfolio grew up to 79.2%.
- Upon breakdown of the portfolio according to the destine of credits, we can observe the strong drive of commercial credits during the last semester at the occurrence of a variation of 28.2%, equivalent to Bs.9,709 billions, followed by consumption. Specifically, the consumption with credit cards increased in Bs. 2,788 billions (40.3%), whereas the vehicles segment increased to Bs. 1,849 billions (33.5%), a behavior in accordance to the higher levels of consumption of the population, as well as of the automobile industry.
- Mortgage credits were also favored by the levels of active rates for acquisition, construction, and remodeling of housing upon an expansion versus closure of December 2006 of Bs. 1,851 billions, equivalent to a variation of 36.8%.
- Loans within the segment of tourism presented a growth between semesters of 250 billions, which represents the 0.9% of loans granted during the period.
- The breakdown of the portfolio shows the higher importance of long-term credits, above 360 days, which represent the 53.7% of credits granted and the 46.2% of the amounts in bolivars, from a total of 7,314,976 loans.



# Financial System

- Important growth on deposits (68.1%) in comparison to balance in June 2006 and of 14.9% during the first semester of this present year.
- This behavior is consistent with the expansion of money availability reflected by a considerable increase in resources, which surpassed the barrier of 140 thousand billions of bolívars, out of which the 52.4% corresponded to current accounts, whereas the importance of term deposits seems stable in time for commercial and universal bank average (10% of deposits).
- Though the variety of deposits has been altered by the inclusion of rights and participations over securities, which have an actual weight of 5.28% average, upon their subtraction we can appreciate that term deposits hold a tendency to drop, whereas current and saving accounts seem to move seasonally.
- The net result of the commercial and universal bank of Bs. 1,467 billions during the first semester 2006 went to Bs. 2,013 billions in 2007 (+37.0%). The Bank's Superintendence in its Report corresponding to June 2007 allocates revenues on assets in 2.54% and revenues on patrimony in 31.47%, which represents a decrease of the ROA from 0.6 points and an increase of the ROE of 1 point in regards to indicators during the first semester of the previous year.





The evolution of Banesco Banco Universal upon closure of 2007 first semester reconfirms our leadership within the Venezuelan financial system, attaining the first position on:

- Managed Resources (Bs. 25,174 millions)
- Deposits (Bs. 17,855 millions)
- Third-Party Investments (Bs. 5,803 millions)
- FAOV (Bs. 1,516 millions)
- Total Assets (Bs. 20,347 millions)
- Credit Portfolio (Bs. 11,432 millions)
- Term Deposits (Bs. 1,746 millions)
- Patrimony (Bs. 1,736 millions)
- Deposits plus Third-Party Investments (Bs. 23,658 millions)
- Micro-credits (Bs. 504 millions).

Total assets upon June 2007 closure reached Bs. 20,347 billions after a growth of Bs. 1,980 billions (10.8%) in regards to December closure of 2006 and of Bs. 7,792 billions (62.1%) in comparison to first semester 2006.

Said expansion was based on the drive of our credits portfolio, which reached a level of Bs. 11,432 billions in June of 2007, after increases in the order of 31.1% in the semester that ended, and of 81.6% during the last twelve months elapsed.

This behavior was reflected in the percentage that represents the credits portfolio over the Bank's assets by reaching 56.2% in June 2007, higher in six points to the rate over the same period last year, and above the average of the commercial and universal bank in 11 points (45.4%).

We held an orientation towards credit intermediation, thus decreasing the contribution of security investments, which represented the 21.1% of Banesco's global asset in the first semester 2006, and a 14.2% upon closure of the same period during this year, whereas the average of the banking still surpasses the 20%.

The detail over the credits portfolio according to destine reaffirms the orientation towards intermediation of Banesco Banco Universal, for we are the number-one bank in the country in commercial loans granting (13.6% of the banking system) with an amount upon closure of June 2007 of Bs. 6,201 billions. Credits to consumption reflected a similar tendency, occupying the first place in credit cards, with an amount in portfolios above to Bs. 2,300 billions. The acquisition of housing through mortgage loans found in Banesco a strong ally, which makes our institution concentrate 14.4% of portfolio granted to such ends by the national banking system. Banesco continued providing support for the country's productive sector, being one of the most important institutions within the commercial and universal bank over finance granting, where we stood out, among others, in the following financial activities:

- Construction, Bs. 923 millions, first place, equivalent to a participation of 17.1%.
- Retail and Wholesale Businesses, Restaurants and Hotels, first place, Bs. 2,258 billions (11.7%).
- Finance Establishments, Insurances, Real State, and Services to Companies (Bs. 5,534 billions), equivalent to 20.4% of the commercial and universal banks market.
- Agriculture, Fishing and Forest Industries, second place, with a portfolio of Bs. 1,227 billions and a participation of 13.5%.
- Textile Industry, second place, with a market share of 14.6% (Bs. 984 billions).
- Mines and Hydrocarbons Exploitation, fourth place, Bs. 144 billions, 13.4% of the market.

We hold an excellent clients portfolio and an important quality over loans granted, since even considering a significant increase of credit operations over the analyzed period, the indicator that measures the level of default ended the semester at a level 0.7%, lower than the average of the commercial and universal bank.

Banesco's funds cost average (3.3%), though below the average of commercial and universal bank (3.6%) is slightly superior to our closest competitors. The blend of funds was slightly more expensive due to the significant increase (+ Bs. 1,457 billions) of saving deposits and remunerated current accounts (+ Bs. 1,543 billions) in regards to closure of first semester year 2006, showing a lesser relative weight of current accounts, which represented 59% of deposits in June 2006 and 53% in June 2007.

We registered upon closure of the semester a net profit of Bs. 296 billions, which represents an increase of Bs. 135 billions in regards to the same time period in year 2006. Such growth was the result of higher income from the semester's credit operations, which contributed to a higher pace of growth in financial incomes, 66.7% in comparison to closure of June 2006, and 24.6% during the last six months elapsed.

Thanks to this management, we have reached a return over patrimony in the order of 36.1%, way above estimated inflation.



Juan Carlos Escotet Rodríguez  
Chairman of the Board of Directors

# Banesco Areas



# Quality of Life for Our Human Capital

## Better contractual conditions for the period 2007-2010

Negotiations with the Workers National Union of Banesco Finance Group (Sindicato Nacional de Trabajadores del Grupo Financiero Banesco) (SITRABANESCO) were carried out to approve the text of Banesco Banco Universal Labor Collective Convention for the period 2007-2010. This contractual instrument was presented on May 24 before the National Labor Inspection Office Division and Other Collective Matters of the Private Sector, and will be used as the framework of labor relations for said period.

## Biannual Salary Adjustments

To remunerate based on performance and goals fulfillment in order to position ourselves above market's average in the finance sector. For the second consecutive year, the Salary Policy has been to carry out evaluations and biannual adjustments. The average salary increase surpassed estimations for the rest of the peer group of the banking sector, and even the one granted by other companies of other sectors.

The average salary increase surpassed estimations for the rest of the peer group of the banking sector, and even the one granted by other companies of other sectors.

A final form of evaluation per objectives was implemented for the Management Role in order to link the performance to the salary revision, thus the Performance Evaluation Process, the fixation and evaluation sustained upon agreed and effectively fulfilled objectives are incorporated.

## Committed Volunteers Fundana

The group of volunteers donated toys to the children of Villas de Los Chiquiticos, and later on they visited said Villas to celebrate Day of the Earth.

## Fe y Alegría

- The project Mural Instituto Universitario Jesús Obrero was started, which will count with the spaces of IUJO in

Catia, with the collaboration of the student and professors community. 239 students and 5 professors benefited from 167 complementary workshops (Speech, Role of the Pedagogue, and Power Point) dictated by workers from Banesco, who voluntarily provided such training as facilitators in IUJO of Catia.

- Projects to be developed during this year between Banesco and Fe y Alegría were presented in the Community House San Gabriel (La Tahona), to which facilitators from Banesco, students and teachers from IUJO assisted, and the second semester of Complementary Formation Workshops addressed to the students of the Instituto Universitario Jesús Obrero (Catia) started.

## Venezuelan Red Cross

In order to coordinate social activities for year 2007, work sessions were carried out with representatives from the Venezuelan Red Cross, among which we find:

- Company and orientation to mothers hospitalized in the Maternidad del Hospital Carlos J. Bello in Caracas.
- Support and orientation to deaf children on disaster situations.
- Visits to the Guarenas community (Asoplacer I and II) in the State of Miranda.

## Strengthening organizational competences

Important improvements within training program policies have been carried out to line up training plans with corporate strategies, competences model, and optimization of training hours estimates per job position.

In this direction, we lined up 93% of all activities for personnel development to the business strategy.

For the second semester, we lined up 81% of these activities, thus surpassing in both cases the initial goal established in 70%



# Facts as Proof of Social Responsibility

in regards to the alignment of development actions carried out by the Executive Vice-Presidency of Human Capital.

Continuity was provided to the lay-out and delivery of results for Individual and Group Competences Diagnosis on sales areas, and the association of identified competences with each position within the Organization was initiated.

## Facts as Proof of Social Responsibility

In alliance with our social partners, we have undertaken a series of activities related to education and health, which contribute day by day with the quality of life of more Venezuelans.

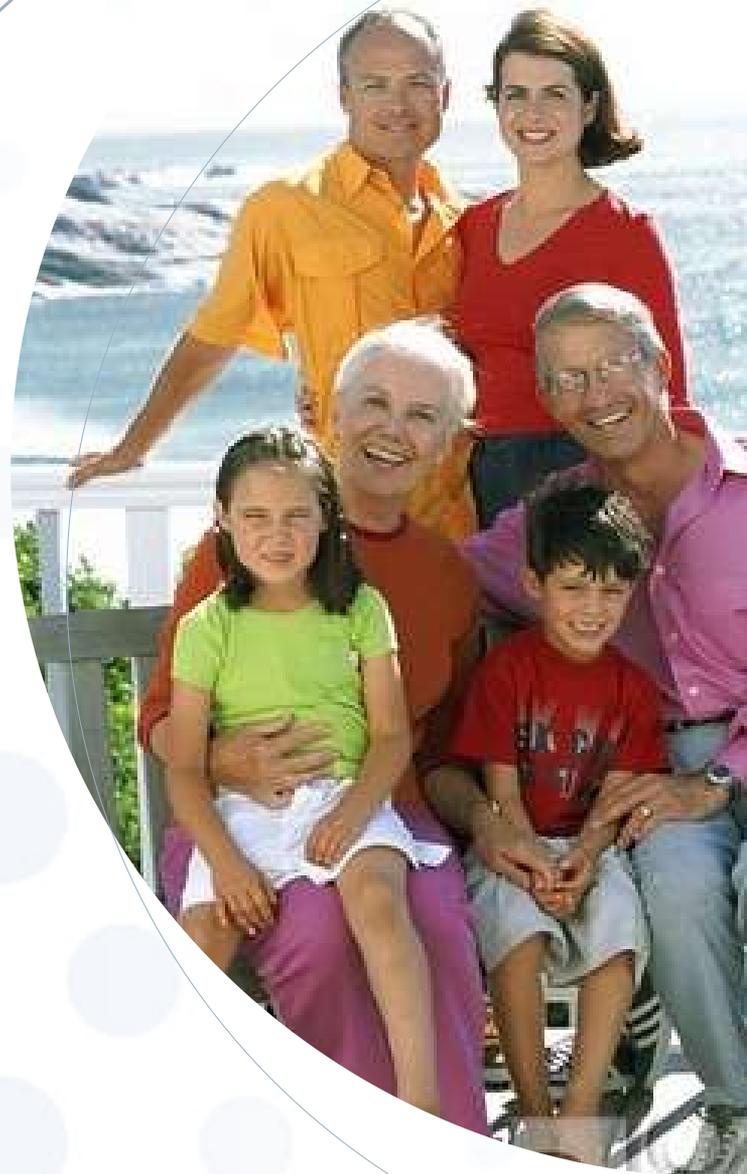
### Association of Salesian Ladies

Together with this Civil Association and thanks to a contribution of Bs. 226.4 millions, we will benefit more than 200 low-resources youngsters from the capital area that undertake studies in the Centro Don Bosco 88. Resources will be destined to consolidate the Training Program for Work as Accounting Analyst and Administrative Assistant for Companies through equipment donation, facilities infrastructure upgrade, and financial support to facilitators.

### Don Bosco Houses Network Civil Association

Don Bosco Houses Network and the Sin Fronteras Civil Association started actions in 2004 to rescue children from risk situations within the Caracas metropolitan zones, with financial and technical support from the Banco Interamericano de Desarrollo, the Venezuelan Government together with the Fondo de Inversión Social de Venezuela (Fonvis) (Social Investment Fund of Venezuela) and Banesco Banco Universal.

The Project for Attention and Social Reinsertion of Children and Adolescents will allow attending annually more than 400 children in a mobile unit and 130 children at the back-up centers of the Don Bosco Houses Network.



We are committed to donating them Bs. 1.4 billions between 2004 and 2008 in order to further this work, and up to this date we have granted them Bs. 973.0 millions, from which Bs. 370.2 were paid during the first semester of this year. The resources donated by the BID, Fonvis and Banesco were invested in the construction of a bus equipped to provide medical and educational attention and to the re-conditioning of the Don Bosco Houses Network in order to enhance the number of internal places for new incomers.

### UCAB

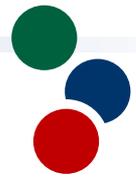
We invested Bs. 105.4 on the development of several programs together with the Universidad Católica Andrés Bello. These resources were destined for scholarships to 5 students at the headquarters of this house of studies in Coro, the construction and enlargement of the Los Ángeles School in La Vega, and the sponsorship of the XIX Congreso de Actualidad Económica (Financial Update Congress) in Caracas.

### Venezuelan Red Cross

This year we renewed our support to the Venezuelan Red Cross with a contribution of Bs. 1,003.7 millions In order to further



# Social Responsibility



two important initiatives developed by this organization: The training of 135 children with hearing deficiencies within the Program of Disasters Prevention, and the construction completion of the Maternidad Carlos J. Bello in order to upgrade the obstetrics service in this hospital.

## FUNDANA

We donated Bs. 98.5 millions for the maintenance of the Las Villas de Los Chiquiticos and support for the annually held auction carried out to collect funds destined to the maintenance of their main headquarters in Caurimare.

## Los Roques

We destined Bs. 153.7 millions to three projects for the community of the Archipiélago de Los Roques: the reinforcement of the Marine Biological Station Dos Mosquises, developed by the Scientific Foundation Los Roques; full equipment for a computers hall at the Unidad Educativa Bolivariana located in the archipelago, and a program of visits from experts in Biology, Biodiversity, Conservation of Birds and Marine Species and Archeology for special conferences to students of said educational center.

## Juan Cuchara de La Vega Park

Aware of all needs in our community, we donated Bs. 145.3 millions to recover the centenary Parque Infantil Juan Cuchara, located in the community of La Vega. Thanks to this contribution, children studying in these pre-schools of the zone will be able to enjoy this park.

## School Nuestra Señora del Encuentro at Petare

The Asociación Benéfico Cristiana Promotora del Desarrollo Integral (Christian Charitable Association Promotor of Global Development) supports the construction of two extra floors to the School Nuestra Señora del Encuentro, located in the Barrio El Mirador del Este at Petare. To provide support to this initiative that will benefit the children of this area, we donated Bs. 100 millions.



# Words for Venezuela 2007 Luxury Edition



The Event “Words for Venezuela” is already a reference for our clients, related, and our community. In this third edition, we again invited two very important Nobel Prizes, as a contribution to the initiative and hope for all Venezuelans.

Muhammad Yunus, Peace Nobel Prize 2006. Born in Bangladesh in 1940, developed the concept of micro credits and is the founder of the Grameen Bank (Rural Bank), which main function is the distribution of micro credits among the millions of those impoverished all over his country.

Derek Walcott, Literature Nobel Prize 1992. Born in St. Lucy in 1930 and has devoted his whole life to the teaching of Literature and Creative Writing, specially his poetry based on the Caribbean traditions. His work “Omeros” made him worthy of such recognition.

Stars were also our social undertakers, who have set into motion many of their dreams through the financial support and participation in the Banesco Community Bank, an initiative specially designed to create a bank tailored to the needs of those sectors with lesser resources, at the reach of every one, in touch with our new clients wherever they may be, as the slogan reads: Now the Bank comes to you!

These experiences, together with the voices of Mr. Juan Carlos Escotet, President of Banesco and Mr. Luis Xavier Luján, Vice-President of the Board of Directors, ratify Banesco’s commitment in order to work together to build day by day the country we all dream of.

This social action as a contribution to knowledge was disclosed through a national campaign, which main contribution was the live broadcast of the event through Vale TV and several other nationwide and/or local TV and radio stations in order to make these testimonies reach all the corners of the country.

# Innovation to Satisfy Our Clients



## Before 10 a.m., your transfers are valid

In line with Banesco's positioning strategy as leader in Electronic Banking, the campaign of electronic transfers to increase the use of electronic payment means was launched, thus supporting the Banco Central de Venezuela on the creation for Compensations through this technological way.

## Protect yourself by changing code and win!

Reinforcing the awareness of our clients on safety of electronic transactions and in search of decreasing frauds through this mean, the campaign "Protect Yourself just like the Chameleon" was launched, through which clients participate in a raffle of three Optra cars zero Km by changing their own code and performing transactions in Banesco's Electronic Cashpoint.

This campaign was reinforced on-line through different preventive messages. This type of campaign contributes to the consolidation of our position as leaders in the segment of Electronic Banking.

## At the request of the public: Prized Ticket Permanent Promotion

Due to the success of the Prized Ticket Promotion, it was decided to extend it during the year 2007, as a permanent promotion, where the purchase may be totally free for the client if performed with Banesco's Credit Cards at a Banesco's Sales Point. By June 2007, 14,000 prizes have been granted.

## Credit for Payrolls: You request it today, you have it today!

Addressed to employees of affiliated companies and corporations, its main feature is to grant financing up to an amount 5 times client's monthly income available in less than 24 hours. By June 2007 more than 9,000 credits have been granted for payrolls since its launching in April. With this, Banesco ratifies its leadership in fast and timely credits for all segments of its clients.

## Suma Tarjetum Extra Credit in Cash

In order to increase preference of our clients over consumption with Banesco's credit cards, "Extra Credit in Cash" was implemented, the only system in the market that provides access up to 100% of the limit of Credit Cards without affecting our clients credit limit. With only one phone call to the Phone Attention Center, once requested the credit is deposited into the client's account immediately. In June, more than 14,000 credits have been paid, which speaks of the great success of this product.

## The sky is black and infinite: Banesco Cards Signature and Black

Through a shocking direct marketing program, more than 20 thousand cards from the exclusive lines of Banesco Signature of Visa and Banesco Black of MasterCard were launched. This so expected product that came about through a very special package has overcome the expectations of our clients.

## You are Number 1

Reaffirming the value of our clients, we launched the campaign in Banesco "You are Number 1" because our success is mainly due to the global management that has allowed us to conquering the trust of our most valuable capital: our clients.

The objective of this communication is the retribution and recognition of those who have led us towards the leadership within the Venezuelan banking system, thus ratifying our orientation towards our center: the client.

## Fe y Alegría

Conceived as a support to the Project of Fe y Alegría Superior Education sponsored by Banesco, a very emotional campaign was launched to foster sensibility within the collectivity in order to support such an important project oriented to the fulfillment of personal development and social participation of our youngsters that belong to financially less favored sectors.

Reaffirming the value of our clients, we launched the campaign in Banesco "You are Number 1"



# Daily Contact with Our Clients

## Towards Currency Reconversion

During the first semester of this year, the first steps towards awareness for the Currency Reconversion process were taken. During this first stage, a direct link to the Central Bank page was established with a space conceived to facing the most common questions on this process.

## Refreshing Online

In order to fostering the use of information of the site Banesco, we carried out changes in style of the online pieces image, as well as modifications in the menu structure of the corporate page in accordance to the brand's image guidelines.

## Technology for Your Comfort

A campaign in place was initiated to foster the change of Credit and Debit Cards secret codes of employees from companies with payroll accounts Banesco.

The first actions were coordinated and executed in view to the image change of Statement Accounts in order to handle an integrated and efficient process focused on the service (delivery to client) with better response times.

## Leaders in Attention Network: 419 points

Always with the best and most timely service quality in mind, our attention points network both in open and closed shopping markets keep on growing with the opening of eleven new points and their various modalities, but with the same goal: our clients.

- Aragua:** Counter Automercado Global San Diego, C.C. Galerías Plaza.
- Barinas:** Coca-Cola Barinas.
- Carabobo:** Ford Motors, Counter EPA San Diego.
- Lara:** C.C. Metrópolis Barquisimeto.
- Miranda:** Counter Makro Ocumare del Tuy, Counter C.C. Valle Arriba.
- Táchira:** Makro San Cristóbal.
- Zulia:** Coca-Cola Maracaibo, Counter Makro Costa Oriental.



During the first semester of this year, the first steps towards awareness for the Currency Reconversion process were taken.

## Banesco present!

During the first six months of year 2007 we were present in:

- **Automotor Segment:** ExpoCírculo Automotriz, Auto Show Maracaibo, Automarket Caracas and 50 Anniversary of FIAT of Venezuela in order to promote our attractive products Credicarro by Internet and Credivehículo.
- **National reference events:** X Edition of the University Book International Fair (Feria Internacional del Libro Universitario) in Mérida (FILU 2007), ExpoBodas and Expocrédito in Caracas, offering a variety of attractive options in fast credit options.
- **Energy:** We were present at the XVII Oil Latin-American Exposition (Exposición Latinoamericana del Petróleo), the largest Oil Fair in our country, where we promoted the Bank of Energy and specialized products for this sector of the economy.

## Commercial Malls

In order to be present into the lives of our clients and provide support for them upon goods consumption and entertainment, Banesco is present in the 42 most important malls of the country, thus contributing to the affinity of Venezuelan public to our brand.



# Electronic Banking: The Bank we all dream of is a reality



## Thematic Park Yupiii at the Sambil Mall Valencia

Banesco is the exclusive sponsor of another innovating project: the Yupiii Park at the Sambil Mall Valencia where we hold a children-tailored agency.

At this space, our future clients carry out different types of transactions, and the habit for saving is reinforced by interacting with our appointed entertainers, who spread our values and service mission among other subjects.

## Measuring service...securing quality

For the first semester 2007, quality measurement and follow-up programs were carried out, which results hold the performance levels established by the Organization, reaching qualifications in the order of 6 points in a scale from 1 to 7.

Among investigations performed, we must point out: Agencies Network Service Audits and Banesco Telephone Bank, Clients Satisfaction Surveys, Commercial Clients, Mystery Shopper, Trust and Offer Compliance of the product "MultiCrédito 48 hours".

Beyond Banesco's permanent programs for execution, new ways for synergy were established between the different components -Quality and Organization, Electronic Channels, Attention to Client, Marketing, as well as the areas for Business and Sales-, securing actions to facilitate service follow-up during the various stages of attention to clients, thus complying with strategic guidelines and brand differentiation.

## To know...to make decisions

As a guideline for decisions making and support to the

development of communications, brand positioning, products marketing, and business actions, market surveys and analysis were carried out, thus identifying opportunities, minimizing risks, orienting campaign designs, differentiating and innovating offers based on expectations and needs of the various segments.

For the first semester 2007, quality measurement and follow-up programs were carried out, which results hold the performance levels established by the Organization, reaching qualifications in the order of 6 points in a scale from 1 to 7.

## Electronic Banking: The Bank we all dream of is a reality

At closure of the first semester 2007, the average transactions through electronic channels had undergone a growth of 26.74% in regards to average from last year, reaching during this period an average relative participation 78.33% within transactions total of the Organization, which represented an improvement of 2.24 points versus closure of year 2006.

## BanescOnline: One million clients affiliated

- We attained an increase of 47% within the average transaction volume in regards to last year, increasing our affiliated clients' base in 16% versus closure of December 2006.
- By June 2007 the channel holds more than 980,000 affiliated clients that handled a monthly average of 13.4 millions of transactions, and Bs. 2,000 billions in amounts, 73% more than last year.
- Production set-in-motion of the following services:
  - Return Checks Consult
  - Clearance Checks Visualization
  - Deposit Details
  - Management Check Detail
  - Commercial Account Statement for Juridical and Natural Person.



## Telephone Attention Center (CAT) Highly Competitive Center

At closure of the first semester, the channel handled an average of 3.56 millions of phone calls and 1.71 millions of transactions per month, with participation from the robot (IVR) of 90.83%. From the total of phone calls, more than 700.000 are serviced through telephone attention agents if the bank with highly competitive service levels.

- In the area of authorizations, the general acceptance level TDC for the first semester (national and international) attained 85.48%. On the other hand, the level of national acceptance reached 87.07%, registering an upgrade of 0.25 points versus year 2006.
- Set-in-Motion in production of the following services in IVR: Particular Consult for the product Credit for Payrolls, Consult of Credit Cards requests, ExtraCrédito in Cash, ExtraCrédito in Purchases.

## The widest sale points network and checks dispenser

At closure of the first semester 2007, Banesco possesses 1,021 automatic counters, 176 self-service equipments, and the widest network of the market for dispensers and sale points (POS), with 246 and 39,177 devices respectively.

- Average transactions, as issuer and acquirer at automatic counters, experienced a growth in the order of 7.10% and 10.49% respectively versus last year, maintaining the leadership in transactions as acquirers over nets Suiche7b and Conexus with an average market share of 17.22%.
- We attained a growth of 46.82%, 8.93% and 19.59% in monthly average for transactions processed by self-service networks, dispensers, and POS respectively.
- We incorporated a new function for PIN change with

We maintained the leadership in transactions as acquirers over nets Suiche7b and Conexus with an average market share of 17.22%.

which we obtained important advances in matters of safety with the implementation of keys dynamic exchange and figures migration to 3DES in our network of automatic counters.

- We implemented a pilot plan for the new channel Deposit in Cash: Banesco Multifunctional Equipment allow our clients to carry out cash deposits in line, “instant cash” with the most up-to-date technology for paper currency recognition. The equipment is able to return currency coins if required, and also allows performing withdrawal operations, consult, and transfers.

## Cash Management Services Transactions Growth

By June 2007 closure, we reached an increase of 13.08% in transactions and of 31.23% in amounts handled through our services Payroll Payment, Supplier's Payment and Direct Billing.

By the end of the first semester 2007, we managed to obtain the affiliation of 866 new clients to the various services of Cash Management. The Bank counts to this date with 5,789 clients affiliated to the Services of Payroll Payment, Supplier's Payment and Direct Billing, which represents a relative growth of 17.59% in regards to closure 2006. The increases recorded per service between both periods are: 18.89% for Payroll, 30.68% in Suppliers, and 6.32% in Direct Billing.

## Rising Recollection

Between January and June of this year we were able to recollect and amount of Bs. 5.8 trillions, which represents 38.65% and of what was collected in year 2006, registering during the same time period 1,953,601 transactions, which represents a growth of 21.61% in comparison to last year.

# Leader in the Segment of Cards with More than 4,000,000 Plastics



## New Technological Developments: Innovation is our Goal

### Electronic Clearance Chamber for Direct Credits and Direct Billings

We implemented in January the Phase II of this project as part of the initiatives driven by the Central Bank and Financial Institutions towards the modernization of the National Payment System.

Banescó modified its systems to send files of Payment to Third Parties over accounts into other banks, Credit Cards Payments to other banks, and Third-Parties Transfers to other banks, which are paid on the same business day of its reception.

Additionally, control internal processes for Third-Parties Transfers and Operations Management for Corporate Clients manager by the Treasurer's Department were automated. In March we fulfilled the Implementation of the Phase III of the CCE Project, corresponding to the Direct Billing in accounts from other banks, for which all required modifications were carried out for: Delivery of Direct Billing Files, Internet and Counter for Direct Billing Affiliation Request.

In June 2007 we implemented the project Electronic Payment, which incorporated important upgrades to our service Supplier's Payment. The system allows companies managing a payment scheme that facilitates conciliation, issue payment receipts with invoice details, electronic notification to beneficiaries, and operations consult through Internet by clients and beneficiaries.

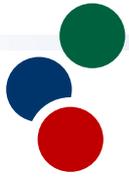
## Electronic Bank, Internet, and Payment Electronic Means

- New functions in BanescóOnline and Electronic Payment.
- Global System of Requirements in the Web for Banescó.
- Public and Private Sites for Efecticket.
- Increase of capacities and availability of Internet critical services.



## Upgrade Actions: Credit Cards Automation and Collection Management

- Generation of 39,923 new plastic cards for Locatel and 32,400 new Mastercards.
- Annual Account Statement for Platinum card holders.
- Optimization of critical processes Credit and Credit Card Macro-processes, decreasing execution times.
- Account Statement with credit card number hidden for all products and data base, upgrading in 90% control between delivered and returned account statements by couriers.
- Automatic Reverse of Cash Advance not granted by the network ATM S7B.
- Upgrades to Feeding Cards System EfecTicket.



# Credit Card Issue Business: growth in progress

- Generation and delivery of information related to Project ROCA for Sudeban.
- Statistics System on Currency Transactions SETM.
- Transformation of Client's Account and Re-Engineering of TDD.
- Re-Engineering of the Credit Card Portfolio Report, upgrading the accounting process.
- Release Visa and Amex April 2007, strengthening electronic exchange of data.
- Regularization of Local Exchange Admissions MasterCard and upgrade of the Incoming process.
- Incorporation of TDD requests to the Sales Receipt Management Module automatically.

## Leader in the Segment of Cards with More than 4,000,000 Plastics

Banesco reaffirms its leadership in the market of Debit Cards POS Sales with a participation of 21%, which represents 47% of the peer group sales (reference bank group). This position is the result of strategies to improve service levels and foster the use of TDD, such as the revision of parameters for purchase approval to decrease denied transactions by performing adjustments to commercial categories.

## Campaign "Ella También Vence" ("She Also Expires")

Developed to assist our clients to identify their cards expiration date and simplify the process for renewal at any agency and at no cost.

We are allies to leader brands to carry out joint promotions for our clients, who obtained discounts upon purchasing with Banesco, Beco, or Regal's Debit or Credit Cards. Likewise, the consolidation of the promotion "Copa a 5 Voces" ("Cup to 5 Voices"), whereby the royalty of our clients was prized in more than 65 restaurants of the country, offering the possibility

to participate in instant or final raffles upon using Banesco's cards or upon consumption or use of sponsoring brands Coca-Cola, Pernod Ricard, Venevisión, and Samsung.

## Credit Card Issue Business: growth in progress

For this semester, Banesco showed an increase of 105.13% on sales, as compared with the same time period last year, holding its leadership in credit cards sales within the Venezuelan market, with a share of 23.89%.

MasterCard Black and Visa Signature cards were introduced into the market, thus strengthening our products and services offer to attend our Premium clients.

### Figures

Share of Sales POS TDD	21%
Share of Cards TDD	16%
Share of Sales Credit Cards	24%
Share of Credit Cards	19%

The expansion effect of Money availability, together with the massive policy of credit portfolio driven by Banesco and the strategy defined to hold itself as the first bank in credit matters



resulted in a growth of 31.1% in regards to last semester, reaching Bs. 11,432 billions, which represents a share of 14.4% of the Venezuelan commercial and universal bank.

## Credit Cards Mass-Production Open Growth of Credit Portfolio

We fulfilled by large the mandatory portfolio of 3% for Micro-credits reflecting a participation of 5.67%.

The other mandatory portfolios: agro, mortgage and tourism also showed an important growth in regards to the previous semester closure, reaching Bs. 1,227.5 billions, Bs. 460.7 billions, and Bs. 103.1 billions respectively.

Mortgage loans hold their established rhythm of allocation, thus widely covering the mandatory portfolio fixed by the Law. With the resources from the Mandatory Savings Fund (FAOV), we hold leadership allocating upon June 2007 closure Bs. 214,757 billions in 4,497 requests, which represents an upgrade in life quality of 22,485 persons.

We are still leaders in Mandatory Savings Fund deposits by showing a growth of Bs. 284 billions, equivalent to 23.05% additional versus December 2006.

The segment for vehicle credits attained Bs. 220 billions, which represents an increase of 51% versus December 2006 closure. The financing by Credicarro through Internet, reported an important growth. 3,400 requests were approved for Bs. 102.2 billions.

## What are we doing to foster our credit portfolio?

We completed the re-design of commercial and mortgage credits process, which will contribute to a much faster granting of them.

For the second consecutive year we were present as an institution nationwide through Information Conferences Banesco in order to promote a close approach with the public, promote our massive credit products, attract new clients, and hold leadership over this communicational aspect.

We offered 29 conferences in 23 cities with the assistance of 2,904 persons.





# Operations that Secure Service Quality



## Specialized Businesses Tailored for Our Clients

By June 30, 2007, Banesco Community Bank has approved 4,851 micro-credits for an average of Bs. 4.6 millions per request, for a total of Bs. 22,335 millions, 37% above expectations of the portfolio volume for the period. Recovery of credits has been excellent as shown by the default rate of 0.44%.

We opened 3 new Community Agencies located in San Martín, El Cementerio, and Guarenas, for a total of 8 agencies. They count with 80 Community Advisors to attend personally credit requests by micro-entrepreneurs.

Turning into a reality the slogan de “Now the Bank Comes to You”, the innovative network of commercial allies keeps on rising and is already present in 66 businesses located within the heart of popular zones with presence of the Community Bank, through electronic points that perform financial operations for withdrawals, deposits, and account consults without having to go to the bank. Besides, a total of 20 Attention Counters have been installed nationwide, which provide personal attention from Community Bank and allow – through a banking platform – performing directly credit requests, accounts opening, and saving plans affiliation within the communities. Clients count with the telephone attention center by dialing 0-500-TUBANCO (8822626).

In regards to passive products, 6,788 clients have opened Community Accounts with deposits for a total amount of Bs. 2,214 millions and 1,254 from them have joined the “Ahorro Paso a Paso” (“Step-by-Step Savings”) for a total of Bs. 496 millions.

Banesco Community Bank has actively contributed to the banking of population popular sectors, when a 56% of the clients have had access to credits for the first time in their life and 27% from them have opened an account in a bank for the very first time in a bank.

We opened 3 new Community Agencies located in San Martín, El Cementerio, and Guarenas, for a total of 8 agencies.

Banesco Community Bank continues surpassing all expectations in a year of operations and has turned into a profitable business with social responsibility that seeks to continue contributing with the development, dignity, education and independence of popular communities in the country.

## Trusts: we are number 1

Trusts portfolio attained Bs. 6,680.1 billions in the month of June, showing an increase of Bs. 568 billions during the first semester, which represents a growth of 9.3%.

The composition of the portfolio reflects that Bs. 3.5 billions correspond to assets from the private sector (53% of the portfolio) and Bs. 3.1 billions to resources from the Government (47% of the portfolio), centralized and decentralized organizations.

25,2% of the funds correspond to Administration Funds (Bs. 1,681 billions), 38.5% to Warranty Trusts (Bs. 2,571 billions), 23.2% to Collectives (Bs. 1,553 billions), 10.6% to Investment Trusts (Bs. 705 billions), and Bs. 170 billions to those of Warranty (2.5%).

During the first semester, 172 new Trusts were organized for a total of 6,534 plans.

During the first semester, 172 new Trusts were organized for a total of 6,534 plans.

Trusts Assets of the national financial system attained at semester closure Bs. 79,955 billions, which represent an increase of Bs. 1,965 billions in the first six months of the year. Banesco, in its condition of trustee reached within the market the first

# Safety of Information and Business Contituity



place in regards to banks of the private sector, with a portfolio of Bs. 6,680 billions and a share of 22.55%.

## Bank of Energy

Within its growth plan and consolidation nationwide, the Bank of Energy has attracted a total of 92 new clients in the sectors of Hydrocarbon (45), Electricity (22), and Metallurgical-Steel Industry (25).

In the Metallurgical and Hydrocarbon sectors, specifically the sub-sectors of Products Transportation and Distribution, a commercial work has been carried out to leverage their development and growth. The amount granted for this semester is above Bs. 45 millions.

A re-structuring of a syndicated loan for PDVSA was performed for an amount of 55 MM US\$. This amount was agreed by Banesco Banco Universal Venezuela, Banesco Panamá Branch (International Bankcorp), Banesco International Bank, and Banesco Puerto Rico.

The staff of Managers and Executives grew with 6 new specialized talents for a total of 63 employees nationwide.

Consolidated payment default closed to a percentage below 0.1% of the portfolio total thanks to the quality of our commercial management and clients' responsibility.

## Premium Segment: Global Attention

The Premium Segment, despite its recent creation, has proved to be one of the most profitable ones within the institution, achieved through the consistency of goals planning focused on one single objective: involve the client with all products.

The placement of the "Línea de Crédito Plan Premium" (Premium Plan Credit Line) is still in progress with a total of 5,000 lines.

The credit portfolio increased in 82% as compared to closure of year 2006 with a growth in Money mass of 7% resulting in a positive evolution of the intermediation rate from 25% to 33%.

Other figures of interest are: products cross rate in 5.65 per client, credit cards holders in 65%, with a use of them of 90%, Banesco Online with 40% holders, transferring clients to the use of our services in line.

We foresee the incorporation of 27 new global advisors, positioning this segment with 208 professionals nationwide, who will be in each one of the institutions' most important agencies.

## Private Bank

The Account Executive Certification Program (Programa de Certificación de Ejecutivos de Cuenta) started with the orientation to positioning our sales force as clients' Financial Advisors.

In June, we held our first meeting with clients in the city of Barquisimeto, who received a conference on the financial environment and monetary reconversion.

We plan to carry out similar events in Puerto La Cruz and Maracaibo.

We have implemented the strategy for expansion through Integration Circuits with the Premium Segment, which started in the city of Acarigua where we are at present offering attention and Private Bank products to a select group of clients.

The credit portfolio increased in 82% as compared to closure of year 2006 with a growth in Money mass of 7% resulting in a positive evolution of the intermediation rate from 25% to 33%.

## Safety of Information and Business Continuity: Awareness is the key

Continuing with the strategic approach for Safety of Information management, we reinforced key elements to achieve a better integration of internal systems and processes.



# Register and Payment of Foreign Currency



The awareness of our clients and people is still critical factor for success in securing information, reason by which we are still driving a continuous process of awareness through multiple initiatives, necessary efforts to consolidate a Culture for Safety of Information we all desire.

During this first semester we continued with the development and evaluation of requirements for Business Continuity for new projects and requirements of business key processes, as well as with the design and implementation of Test Global Plans and management of contingency scenarios.

We have secured a timely and efficient participation in business key processes, thus increasing levels of safety and continuity lined up with the best international practices and policies of the Organization.

## Recollection and Other Services

In June 2007 we incorporated into production the application Invoicing Control, which allows us performing with high efficiency the automated review of main segments from invoices supplied by service suppliers.

## Securities Special Service, Back Office National Currency

We are focused to the satisfaction of operative demands, thus securing the Bank's service quality before processes related to the critical period of ISLR (Revenue Taxes) taxes collection (March 2007), operative optimizations (automations), incorporation into the Electronic Clearance Chamber of direct credits and issues of the Bonos del Sur I, II and PDVSA.

## Vault

The Monetary Reconversion process has been initiated with the participation and commitment for the operative subject and particularly for the distribution of the new money currency from January 1st, 2008.

## Register and Payment of Foreign Currency

We adapted processes of this area in order to fulfill the requirements for Foreign Business operations under the modality of Covenant ALADI payment in pursuance of new rules established by the BCV.

## SWIFT

Preparation of SWIFTNet production, back-up, and contingency environments is completed in view of the protocol change of keys between participant institutions, which translates into higher flexibility of the Exchange system for finance messages worldwide.

## Back Office, Treasure and Finance

We actively participated on the optimization of the first phase of the Project LBTR (Liquidación Bruta en Tiempo Real) (Gross Payment in Real Time), which implies a more dynamic clearance of finance institution accounts with the BCV.

## Test, Register, and Control

Processes for balance and revision of the Central Test are being optimized to line them up to the business strategy of sales network. Together with Quality and Processes, a tool was designed to ensure operative capacity of areas, thus satisfying sales network demand.



# Technology as the Foundation of Our New Innovation

The Vice-Presidency attended as leader the project for migration of Clearance application, which will allow enhancing the reliability on this system once completed.

## Conservation of Physical and Operative Infrastructure

During this semester, there were electrical optimizations on 100 agencies nationwide in order to upgrade the reliability of the electrical system and secure continuous back-up of telecommunications equipments. The POS were included into this upgrade project.

During the first semester 15 power plants were installed, adding up to the 27 already installed. The agencies network has 42 power plants nationwide, which will provide back-up for 72 continuous hours in case of power failure.

Among the most significant achievements supporting the various areas of the Organization, we must mention:

## Information Management

### Implementation for Business Sighting Information Self-Management of Sir Web application and statistics reports through Hyperion Intelligence:

It optimizes the analysis and review of requirements received for the area of Client's Service. It goes in depth into the use of the tool as a self-service channel for different areas requiring information.

### Development and implementation of interface CEPE Gastos:

It allows the upgrade of presentations before the Board of Directors on the behavior of real transformation expenses of the Bank versus the plan and absolute and percentage variations compared to other periods.



## We are Number One in Technological Innovation "DATACAR MX 6000"

Always at the vanguard of technology, Banesco Banco Universal, always ahead on solution offers to our clients, has acquired one of the best resources in the field of financial cards production: the machine DATACAR MX 6000, which will allow attending actual requirements of the market at the pace of growth the business demand requires.

## Financial Systems

- We implemented the application of Credit for Payrolls, a special financial scheme for Banesco's payroll clients. This product was specially designed for PDVSA employees with preferential conditions for its granting and financing.
- We attended the government segment related to Massive Payments corresponding to the CNE, Ribas, and Social Security Payments.
- Attraction of new funds through the incorporation of adequate collections for each client (Own Deposits).

## Technology as the Foundation of Our New Innovation Business Back-up Systems Trusts

- Completion of migration for Payment Administration Trusts, thus achieving a modern technological enabler, integrated and flexible. The technological platform was updated by incorporating robust application and data base servers.
- Our corporate clients now possess new functionalities that allow the reception of electronic information from their clients in a reliable and safe manner through the incorporation in our applications of the Standard for data electronic transmission (EDI).



# Quality in Informatics



## Treasury

We developed functionalities to provide support to sale processes generated by the Government, thus allowing the incorporation of these products within the service portfolio offered to our clients, who in addition count with new products and services associated to the administration of foreign currency by CADIVI.

## Risk

- Banesco counts on a Modeling Data Base that allows access to tools for the analysis of our clients' profitability.
- Production of application Securities Monitoring through which it is possible to determine the relations of securities coverage versus credits granted under different scenarios (default or volatility of the market), as well as Processes and Risk Modules of the tool Operative Risk Management, with which it is possible the identification of risks.

## Proof of our solutions

We incorporated automated tools to provide support to tests for design methodologies in use cases and test cases. Additionally, our experts were present in the tests of the various projects.

## Integration of Applications

- During the first semester of year 2007 projects such as: Community Banking, CrediCarro, Finance

Administration Integrated System, among others, have incorporated integration modern Technologies (using Web Services), which allows the solution being more flexible and faster before changes required by these very demanding businesses.

- Introduction of the concept of integration competences center as back-up equipment to projects in execution, to provide a right technological response to the business needs.
- The monitoring of the integration infrastructure has allowed carrying out updates to the platform and incorporation of technological components to secure the availability of existing services and of those services that will be incorporated at a short term.

## Quality in Informatics

We continue creating the foundations to strengthen the skills and competences in the execution of activities inherent to the maintenance and development of systems at corporate level through methodological support and workshops. We published in our portal the formats to facilitate projects planning within the framework of the integration with Software Factory and Architecture Office.

# Balance Sheets

as of June, 2007 and December 31, 2006



# Balance Sheets

BANESCO UNIVERSAL BANK, C.A.

Balance Sheets as of June, 2007 and December 31, 2006

Stated in million VEB

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Jun-07	Jun-07	Dec-06	Dec-06
<b>ASSETS</b>				
<b>CASH AND DUE FROM BANKS</b>	4,774,982	4,820,947	5,526,213	5,586,707
Cash	250,712	250,722	430,320	430,329
Central Bank of Venezuela	3,928,081	3,928,081	4,477,824	4,477,824
Local banks and other financial institutions	33,586	33,586	55,129	55,129
Foreign banks	73,763	119,718	56,697	117,181
Notes receivable	488,840	488,840	506,243	506,243
Provision for Bank Accounts	0	0	0	0
<b>SECURITY INVESTMENTS</b>	2,881,927	3,163,131	2,923,310	3,261,301
Investments in Central Bank	295,573	300,559	0	0
Security investments for negotiation	0	0	0	0
Available for sale security investments	975,965	1,158,995	1,199,527	1,401,800
Security investments held until maturity	1,401,617	1,492,731	1,386,174	1,519,907
Other security investments	206,507	208,581	335,333	337,319
Limited availability investments	2,266	2,266	2,276	2,276
Provision for Security Investments	0	0	0	0
<b>CREDIT PORTFOLIO</b>	11,431,509	11,467,271	8,721,549	8,723,095
Outstanding credits	11,502,259	11,538,717	8,808,372	8,810,613
Restructured credits	29,262	29,262	30,426	30,426
Past due credits	77,057	77,057	44,547	44,547
Credits in litigation	1,807	1,807	5,257	5,257
Provision for Credit Portfolio	-178,876	-179,572	-167,051	-167,747
<b>INTEREST AND COMMISSIONS RECEIVABLE</b>	193,788	199,452	198,569	206,539
Interest receivable from cash and cash equivalents	0	0	0	1,376
Interest receivable from security investments	69,273	74,434	106,753	113,359
Interest receivable from credit portfolio	116,386	116,912	85,346	85,359
Commissions receivable	18,310	18,310	15,472	15,472
Provision for interest receivable and other	-10,181	-10,205	-9,002	-9,026
<b>INVESTMENTS IN SUBSIDIARY COMPANIES, AFFILIATES, AND BRANCHES:</b>	151,257	4,688	156,165	4,245
Investments in subsidiary companies and affiliates	4,688	4,688	4,245	4,245
Investments in branches	146,569	0	151,920	0
Provision for investments in subsidiary companies, affiliates and branches	0	0	0	0
<b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>	101	101	330	329
<b>PROPERTY IN USE</b>	528,966	529,349	493,407	493,808
<b>OTHER ASSETS</b>	384,558	384,821	347,274	347,337
<b>TOTAL ASSETS</b>	<b>20,347,088</b>	<b>20,569,761</b>	<b>18,366,818</b>	<b>18,623,362</b>

# Balance Sheets

BANESCO UNIVERSAL BANK, C.A.  
Balance Sheets as of June, 2007 and December 31, 2006  
Stated in million VEB

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Jun-07	Jun-07	Dec-06	Dec-06
<b>LIABILITIES</b>				
DEPOSITS FROM CLIENTS	17,854,569	18,094,612	16,134,374	16,405,115
Deposits in current accounts-	9,400,876	9,400,876	9,729,282	9,729,282
Non-remunerated checking accounts	4,761,591	4,761,591	5,014,547	5,014,547
Remunerated checking accounts	4,639,285	4,639,285	4,714,735	4,714,735
Other demand liabilities	679,818	679,818	459,225	459,225
Savings deposits	3,859,113	3,952,951	3,580,223	3,741,631
Time deposits	1,745,881	1,892,087	1,532,807	1,642,141
Securities issued by the institution	423	423	497	497
Restricted deposits from clients	43	43	43	43
Right of Ownership and Participation on Security Investments	2,168,414	2,168,414	832,297	832,297
OBLIGATIONS WITH BCV	0	0	0	0
DEPOSITS FROM CLIENTS AND OBLIGATIONS WITH BANAP	1,005	1,005	63	63
OTHER FINANCING OBTAINED	143,627	125,733	158,583	143,925
Liabilities with local financial institutions up to one year	140,765	122,870	137,576	122,918
Liabilities with foreign financial institutions over one year	1,647	1,647	19,648	19,648
Liabilities for other financing over than one year	1,216	1,216	1,359	1,359
OTHER FINANCIAL OBLIGATIONS	62,363	62,368	59,705	59,705
INTEREST AND COMMISSIONS PAYABLE	37,710	37,774	55,063	55,126
Expenses payable due to deposits from clients	37,548	37,611	54,811	54,873
Expenses payable due to deposits from clients and liabilities with BANAP	55	55	55	55
Expenses payable due to other financing obtained	107	107	198	198
Expenses payable due to other financial obligations	0	0	0	0
ACCRUALS AND OTHER LIABILITIES	511,849	512,305	440,494	440,892
<b>TOTAL LIABILITIES</b>	<b>18,611,124</b>	<b>18,833,796</b>	<b>16,848,282</b>	<b>17,104,826</b>
<b>STOCKHOLDERS' EQUITY</b>				
Capital paid-in				
CAPITAL RESERVES	554,373	554,373	554,373	554,373
ACCUMULATED INCOME	359,425	359,425	329,787	329,787
NON-REALIZED GAIN OR (LOSS) ON AVAILABLE FOR SALE	861,685	861,685	642,332	642,332
SECURITY INVESTMENTS	-4,629	-4,629	26,934	26,934
TREASURY STOCK	-34,890	-34,890	-34,890	-34,890
TOTAL STOCKHOLDERS' EQUITY	1,735,965	1,735,965	1,518,535	1,518,535
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	20,347,088	20,569,761	18,366,818	18,623,362
CONTINGENT DEBTOR ACCOUNTS	1,199,859	1,293,603	1,130,364	1,224,276
TRUST ASSETS	6,680,096	6,680,096	6,112,414	6,112,414
OTHER TRUSTS ASSIGNMENTS	98,748	98,748	129,520	129,520
DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (FMH)	1,516,125	1,516,125	1,232,294	1,232,294
OTHER DEBTOR ACCOUNTS FROM FMH	5,794	5,794	5,946	5,946
OTHER DEBTOR MEMORANDUM ACCOUNTS	34,494,389	34,498,337	32,740,832	32,747,055
OTHER DEBTOR BOOK ACCOUNTS	49,459	49,459	50,575	50,575

# Statements of Earnings

Statements of Earnings as of June 30, 2007 and December 31, 2006  
Stated in million VEB

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Jun-07	Jun-07	Dec-06	Dec-06
<b>FINANCIAL REVENUES</b>	1,051,729	1,063,253	844,397	857,811
Revenues from cash and cash equivalents	2,215	3,164	1,061	1,856
Revenues from security investments	172,657	181,564	195,985	207,999
Revenues from credit portfolio	845,914	846,866	621,330	621,934
Revenues from other accounts receivable	30,138	30,178	26,022	26,022
Other financial revenues	805	1,481	0	0
<b>FINANCIAL EXPENSES</b>	315,658	318,272	239,287	241,558
Expenses due to deposits from clients	286,401	289,015	206,845	209,115
Expenses due to deposits from clients and obligations with BANAP	329	329	329	329
Expenses due to other financing obtained	7,760	7,760	12,414	12,414
Expenses due to other financial obligations	10	10	39	39
Other financial expenses	21,158	21,158	19,661	19,661
<b>GROSS FINANCIAL MARGIN</b>	736,072	744,981	605,110	616,254
Income form recovered financial assets	8,609	8,609	14,824	26,680
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	41,572	41,572	64,133	64,133
<b>NET FINANCIAL MARGIN</b>	703,108	712,017	555,801	578,801
Other operating income	394,431	390,254	393,838	374,722
Other operating expenses	104,931	108,450	104,494	107,859
<b>FINANCIAL INTERMEDIATION MARGIN</b>	992,608	993,822	845,145	845,663
<b>TRANSFORMATION EXPENSES</b>	607,013	607,865	519,630	520,780
Personnel expenses	261,634	262,117	218,379	218,963
Administrative and general expenses	285,039	285,409	256,173	256,738
Contributions to Deposit Guarantee and Bank Protection Fund	45,836	45,836	33,470	33,470
Contributions to Superintendency of Banks and Other Financial Institutions	14,503	14,503	11,608	11,608
<b>GROSS OPERATING MARGIN</b>	385,595	385,957	325,515	324,884
Income from adjudicated goods	1,631	1,631	6,348	6,348
Income from sundry accounts	2,047	2,061	1,879	2,517
Expenses due to realizable property	1,171	1,171	1,921	1,921
Expenses due to sundry accounts	57,326	60,666	49,527	49,534
<b>NET OPERATING MARGIN</b>	330,777	327,813	282,294	282,294
Extraordinary income	0	0	0	0
Extraordinary expenses	4,392	4,392	5,004	5,004
<b>GROSS INCOME BEFORE TAXES</b>	326,384	323,420	277,290	277,290
<b>INCOME TAXES</b>	30,000	30,000	600	600
<b>NET INCOME</b>	296,384	293,420	276,690	276,690
<b>APPLICATION OF NET INCOME</b>				
Legal reserve	29,638	29,638	55,338	55,338
Statutory Utilities	1,130	1,130	820	820
Accumulated income	262,652	262,652	217,765	217,765
LOSEP Contribution	2,964	2,964	2,767	2,767
<b>Third-Party Investments</b>	5,802,957	5,802,957	9,096,293	9,096,293
Monthly Agriculture Credit Portfolio	478,585	478,585	129,249	129,249
Accumulated Agriculture Credit Portfolio	1,227,486	1,227,486	906,492	906,492
Public Sector Deposits	1,786,569	1,786,569	1,725,954	1,725,954
Micro-Credits	504,100	504,100	371,560	371,560
Credits to the Segment of Tourism in accordance to law in force	103,108	103,108	111,849	111,849
Mortgages according to the Special Law for the Protection of the Housing Loan Debtor	800,127	800,127	603,219	603,219
<b>Financial Soundness Ratio</b>	8.96%	8.90%	8.97%	8.97%

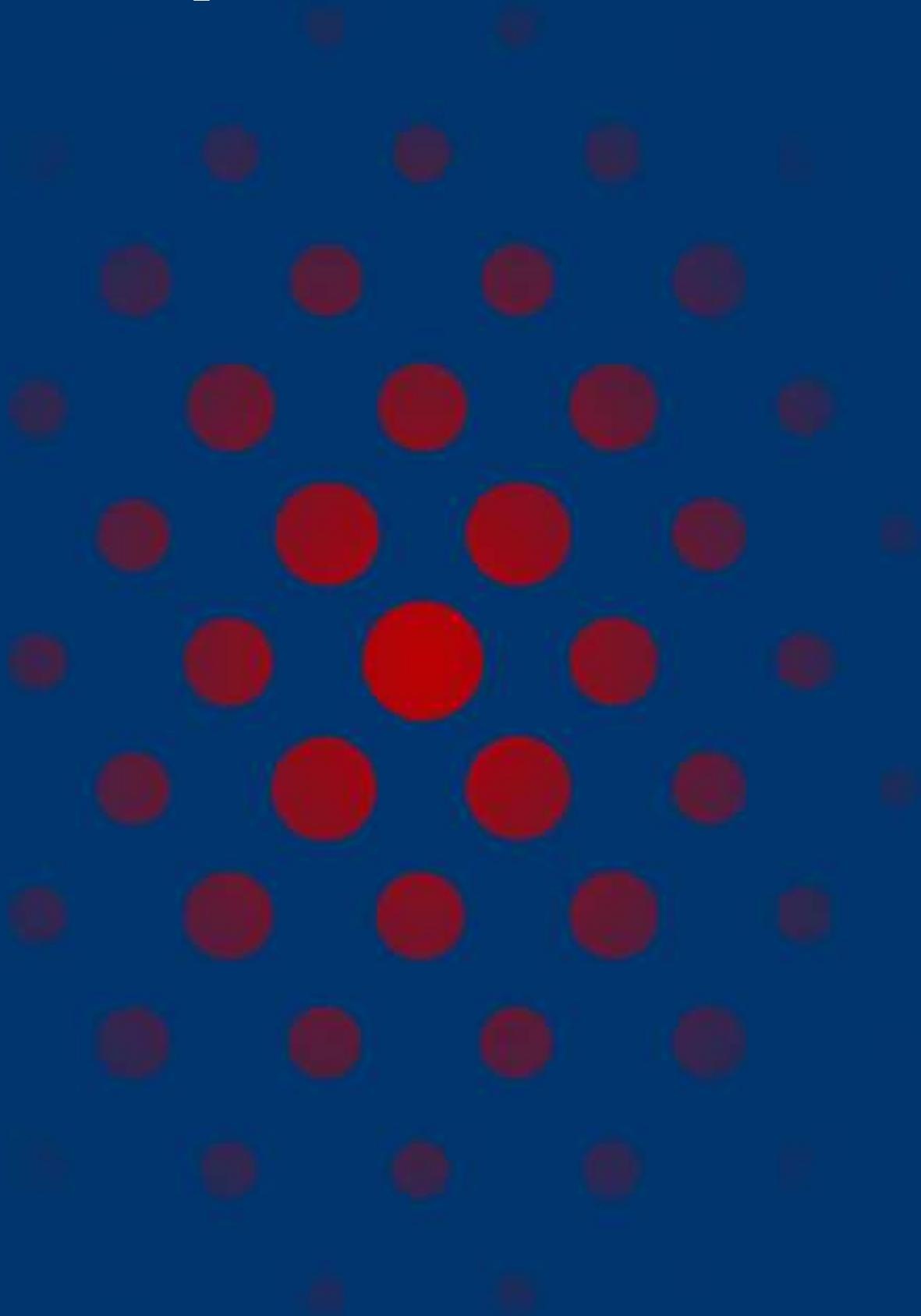
# Principal Financial Indicators

BANESCO UNIVERSAL BANK, C.A.

Principal Financial Indicators (%)	Jun-07	Jun-06
Equity + Operative Management / Total Assets	8.96	11.04
Non-Productive Assets / Equity + Operative Management	302.62	236.64
Loan Portfolio Provisions / Gross Loan Portfolio	1.54	1.92
Non Accrual Loans / Gross Loan Portfolio	0.68	0.47
Personnel Expenses + Operative Expenses / Average Productive Assets *	8.05	8.92
Personnel Expenses + Operative Expenses / Financial Income *	51.98	63.39
Net Results / Average Assets *	3.08	2.80
Net Results / Average Equity *	36.13	25.82
Availability / Customer Funds	26.74	24.88
Availability + Investment in Securities / Customer Funds	33.87	33.65

\* Annual Percentages

# 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. 641,499,327,000, represented in 6.414.993.270 common and nominal shares with a value of Bs. 100.00 each, distributed among a total of 5,997 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.

In Shareholders Meeting on 03.30.2007, it was decided to modify Article 20 of the Institution's Bylaws, and the Board of Directors was therefore comprised from a minimum of eight up to a maximum of eleven members to a number not lesser than nine or higher than thirteen. On this same date, the Board appointed Mr. Miguel Ángel Marcano, who holds a long professional trajectory within this institution, as the new Director of the institution. Mr. Marcano was authorized by the Banks Superintendence and other Financial Institutions to exercise such authority and responsibility.

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.

The work of the Committee 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



# Corporate Government

deemed necessary to the Management Notification. The Independent Director participates in such Committee.

**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 respective Committee.

## 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.

The Board of Directors Chairman exercises all managements appointed by the Board. The President and the Board of Directors exercise the supreme direction of the Bank activities and represents it before any public or private authority.

## Secretary

The Board Secretary is a lawyer with a large experience within the banking system to the service of this Institution. He runs the Secretary Management of the Board, in charge of the register and record of all its sessions, acts, and minutes, as well as for the collection, preparation, and update of all corporate information required by the Board, the shareholders, and ruling organizations, among others. He is additionally in charge of the agenda for all sessions of the Board and the collection of

all matters to be submitted in such meetings. We must point out that as Secretary, with legal and financial matters experience, he is required to be present with right to vote in all sessions of the Board, which strengthens – from the legal point of view – all proposals discussed in meetings and subsequent decisions on them.

## 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

Banesco Universal Bank, C.A., has appointed an Enforcement Officer in charge for the supervision and control of the Bank Funds Prevention and Legitimacy. He conducts the Committee for 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. He also has the right to vote in the Risk Committee and reports immediately to the Institution President.

## Report on Compliance Level for Good Corporate Government Norms as of June 2007

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.

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

**Transparence 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.

# Corporate Government



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. Thus the Audit Committee meets periodically, at least once per semester in pursuance of its Rules for Performance, and all meetings generate their corresponding minutes and acts. The Audit Committee carries out the following functions:

- Reviews and analyzes all Financial Statements of the society as a previous and necessary condition to the survey and study carried out by the Board of Directors and the Shareholders Meeting in order to verify if contains all the information required and fully and truthfully reflects, without reserves or omissions, the financial situation of the society.
- Assists the Board of Directors in regards to the implementation of all necessary measures to preserve the integrity of the society's financial information.
- Collaborates with the Board of Directors to the supervision of activities for internal and external audits including:
  - Discusses with External Auditors on the results of their audits corresponding to the previous fiscal year.
  - Issues recommendations to the Board of Directors in regards to the appointment of a suitable External Auditors firm.

- Reviews and approves the scope of the annual audit and fees to be paid to the External Auditors firm.
- Reviews the autonomy of the External Auditors firm and the evaluation of the Internal Audit Vice-Presidency.
- Reviews and approves the scope of other services rendered, or to be rendered, by any Public Accountant of independent exercise, as well as the corresponding professional fees and consider the possible effects these services may exert on the independence of such accountant.
- Reviews the results of the audits together with the Board of Directors, assessing the adequacy of the internal audit structure and its reliability level; evaluates the compliance of the most important corrective measures and recommendations, if any, issued by the External and Internal Auditors of the society.
- Together with the Board of Directors and External Auditors, reviews all significant points in regards to claims, contingencies, appraisals, and all material matters that must be disclosed and generate an impact on the Financial Statements.
- Knows and analyzes the content of the "Management Letter" in order to carry out any recommendation deemed necessary.
- Prepares the annual report to be submitted before the Board of Directors, which will contain a summary of their activities, conclusions, and recommendations issued during the previous year, and an agenda for next year.

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

**Vicepresident of the Board of Directors**  
Luis Xavier Luján Puigbó

**Directors**  
María Josefina Fernández Maroño  
Nelson Becerra Méndez  
Gonzalo Clemente Rincón  
Fernando Crespo Suñer  
Salvador Cores González  
Miguel Ángel Marcano Cartea  
Carlos Acosta López

EVERY PIECE IS IMPORTANT  
SOCIAL BALANCE  
AS OF 1998 - JUNE 2007  
STATED IN VEB

SOCIAL INVESTMENT	First Half 2007	ACCUMULATED 1198 - First Half 2007
APPLICATION OF RESOURCES THIRD PARTIES AND BANESCO .....	11.984.409.761	63.489.114.542
Solidarity (Capital and Regional) .....		1.792.017.000
Words for Venezuela .....	493.258.001	3.307.401.001
Fe y Alegria Foundation .....	2.250.000.000	12.195.346.000
State Foundation for the National System of Juvenile and Children's Orchestras of Venezuela .....		3.092.969.000
Venezuelan Association for the Catholic Education (AVEC) .....	5.000.000	1.276.260.000
Universities and University Institutes .....	259.720.000	4.259.001.000
Banesco Life-long Scholarships .....	58.309.625	484.312.625
Educational Institutes and Organizations .....	102.410.000	289.365.000
Venezuelan Foundation against Child Paralysis .....		327.362.000
San Juan de Dios Hospital .....	10.592.000	207.326.000
Venezuelan Red Cross .....	103.011.000	341.262.000
Health Institutes and Organizations .....	1.785.000	475.584.000
FUNDANA Foundation .....	75.000.000	1.045.582.000
Don Bosco Housing Program .....	370.159.044	530.159.044
Association of Salesian Ladies .....	226.443.000	533.916.000
Attendance to the childhood and people with special necessities .....	37.753.000	809.068.000
Donation of Christmas Toys to the Community .....		1.712.176.000
Editorial Projects .....	1.613.425.909	3.058.074.690
Donation of Computer Equipment .....	6.207.000	397.585.000
Other Contributions .....	2.993.689.751	5.561.995.751
Investments in works in Colinas de Bello Monte .....		1.482.402.000
Church social work .....		701.711.000
Governorships, Governments and Other Organisms of the State .....	101.619.000	626.932.000
Social Benefits Noncontractual for Banesco employees	3.269.128.431	18.921.001.431
Contribution Corporative Voluntary Service	6.899.000	60.306.000
Application of Article 96 of the LOCTISEP	124.109.000	14.461.474.000
Venezuelan Association for the Catholic Education (AVEC) .....		4.434.352.000
Children's Museum .....		300.000.000
FUNDANA Foundation .....		110.000.000
Alliance for a Venezuela without Drugs .....		100.000.000
ABC Prodein (Santamaria City Petare - CISAMA) .....		276.000.000
Educational Foundation Canaima Schools .....		571.950.000
Don Bosco Housing Program .....		508.217.000
Education, Antidrug Campaigns and Sports .....	124.109.000	8.260.955.000
<b>TOTAL SOCIAL INVESTMENT</b>	<b>12.108.518.761</b>	<b>78.050.588.542</b>
Fe y Alegria Foundation .....	11.374.991.000	11.374.991.000
Don Bosco Housing Program .....	407.174.956	407.174.956
<b>TOTAL CONTRACTED COMMITMENTS</b>	<b>11.782.165.959</b>	<b>11.782.165.956</b>
<b>GENERAL TOTAL SOCIAL INVESTMENT AND CONTRACTED COMMITMENTS</b>	<b>23.890.684.717</b>	<b>89.832.754.498</b>

We are aware that companies – besides being financial actors – are also social actors and as such they can not be set apart of what occurs in our society. Banesco Banco Universal has internalized this and for this reason we interact with our community, hold dialogues with its members, learn from them, and care about their expectations.

We are not only moved by the exercise of an efficient banking management that implies benefits for its shareholders. We go beyond being a mere employment generator company. We work towards sustainable development, and in this path we contribute to social progress and to environment protection.

We carry on in a pro-active manner. This is the reason for our permanent innovations, ahead of all generally accepted proposals in matters of Enterprise Social Responsibility within our community.

We freely decide to act hand-in-hand with our Social Partners, institutions and organisms renowned all over the country, which impact is clearly visible and positive on the social area over an important number of Venezuelans.

Together we have Developer projects and initiatives that in 2006 were focused on education for ever more Venezuelans. To this effect, we carried out an investment of Bs. 12,108,518,761, whereby we included non-contractual benefits for our workers.

We are committed to working tirelessly for the Venezuela we all dream, supported by our organizational values, social and individual responsibility, integrity and reliability, innovation and service quality, initiative, interdependence and leadership, renovation and personal excellence, and diversity and adaptability.

#### Directors

Juan Carlos Escotet Rodríguez  
Luis Xavier Luján Puigbó  
María Josefina Fernández Maroño  
Nelson Becerra Méndez  
Gonzalo Clemente Rincón  
Fernando Crespo Suárez  
Salvador Cores González  
Miguel Ángel Marcaco Carta  
Carlos Acosta López



# 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.

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Affiliated Banks  
Banesco S.A., Panamá (before Banesco  
Internacional Bank Inc.)  
Banesco International Bank Corp., Puerto Rico

Branches  
Banesco Banco Universal C.A., Sucursal Panamá

## Main Offices

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entre calles Sorbona y Lincoln, Municipio Baruta.

Caracas - Venezuela

Telephone Banking: 0500BANCO24 - 0500 226.26.24

Master Phone: (0212) 501.71.11

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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.



# 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.
BRAZIL	Banco Bradesco, BICBANCO, Banco Do Brasil, Banco Itau S.A., Unibanco, HSBC Bank, Banco ABC Brasil, Banco Safra, Banco Santander, 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.
CURACAO	Maduro & Curiel's Bank.
DENMARK	Danske Bank.
DOMINICAN REP.	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.
HOLLAND	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, Deutsche Bank, HSBC 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., Commerzbank Ag., Deutsche Bank.
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, Banco Regional, Banorte.
NEW ZEALAND	ANZ Bank.
NICARAGUA	Banpro, Bancentro.
NORWAY	Nordea Bank.
PANAMA	Banesco S.A., 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., Deutsche Bank.
SPAIN	Banco Sabadell, Grupo Banco Popular, La Caixa.
SWEDEN	Nordea Bank, Svenska Handelsbanken.
SWITZERLAND	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, Citibank N.A., HSBC Bank, Deutsche Bank A.G., Banco Latinoamericano de Exportaciones (Bladex).



**Banesco**  
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