



# 2019

FINANCIAL REPORT  

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FIRST HALF







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# FINANCIAL ECONOMIC BALANCE

FIRST HALF 2019

Responsibility, reliability, quality and innovation are the values shared by all employees and the management of Banesco. These four pillars guide us to do again this exercise of transparency, which means offering the results report of the first half of 2019.

In Banesco Banco Universal we prove, through this report, the great capacity of our human capital to increase the supply of quality products and services, as well as working hard to achieve efficiency in the services offered by the bank. We insist on ensuring agility in processes and a considerable time reduction in the daily operations and other complex transactions as well.

Today we maintain the leadership in the financial system and specifically, the preference between clients and users within the Venezuelan private banking. This period offers interesting data. There are some figures showing the decrease in the number of daily transactions, as a result of the increase in limits and the creation of more efficient alternatives. Today, these figures are the result of a better customer experience

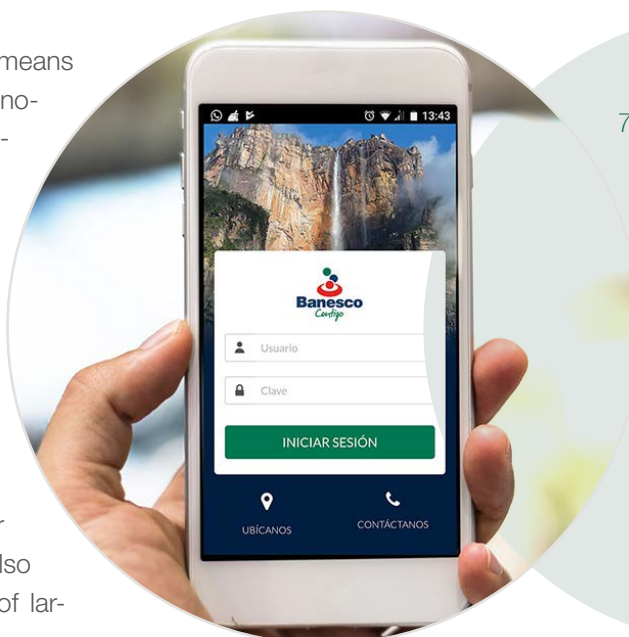
This half-yearly exercise has also allowed us to deepen the offer of our digital channels and platforms, including accompany our clients in the best use of these resources and undertake together the complex path of digital transformation.

That route, digital transformation, means much more than technological innovation and development of applications and platforms. The whole process comes from the strategic planning for the strengthening and diversification of customer service channels. This involves a valuable analysis of corporate governance, internal processes, channel structure, investment in our personnel and facilities and proximity to our active and potential clients. It also implies a considerable scenario of lar-

ge investments by our shareholders. And, undoubtedly, it requires resizing and rethinking the formal concept related to customer service in order to maintain our presence throughout the country.

The analysis of our performance yields some interesting data; 75% of total customers and 80% of active bank customers use digital channels. Thus, 99.6% of clients that made transactions in Banesco, during the last quarter, used our digital channels such as BanescOnline, Banco Móvil, Pago Móvil, ATM and POS, which indicates a trend between our clients. This preference marked a 36.1% decrease regarding in situ transactions in comparison to the same period in the last year, although we maintain significant geographic coverage, through our 323 Customer Service Points (Agencies, Box Offices and Banesco Express) and 116,312 Points of Sale nationwide.

With the purpose of improving the customer experience and reducing the demand of active users in our e-bank, BanescOnline, the development of SMS queries and several limit updates for individual transactions were carried out. The SMS channeled, during the first semester, more than 3 million successful consultations. These improvements increased to 2.6 million of active monthly clients through digital banking



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# FINANCIAL ECONOMIC BALANCE

FIRST HALF 2019

During this period, we worked intensively for the efficiency of other mobile options. In fact, Pago Móvil application registered more than 1.9 million members and 54 million transactions. Likewise, the P2C (Person to Commerce) application has more than 40 thousand members at present and the Banesco Mobile platform registered 155 million operations and 8 million of them were financial transactions.

We were able to verify that the Telephone Bank Service processed 21.39 million calls for customer service. By the end of June 2019, 778 ATMs are operational throughout the country, processing more than 21.4 million operations, mainly comprising withdrawals and consultations.

The first half of 2019 offered relevant figures: assets totaled VES 2.04 billion; our patrimony increased to VES 2.08 billion until reaching, by the end of June, VES 2.27 billion. In addition, our gross portfolio reached VES 3.12 billion, liquidating more than 6 thousand credits, with an excellent quality portfolio.

These results, presented in details on this report, are guided by our corporate values and mean a significant investment in financial and human resources. However, although our mission is to be leaders in quality financial services, we cannot exclude the fact that as a Venezuelan company, we have to play actively in our society and within the closest groups as well.

Therefore, it is not possible to deliver this six-monthly summary without taking into account that we maintained the constant dialogue with the Venezuelan society, through our Social Partners and Allies for the approach and support to the most vulnerable sectors, as provided by

Banesco's Social Responsibility and Sustainability Policy, for which we invest VES 6.42 billion during the first half of the year

Our social investment begins at home. This is why the first beneficiaries of our programs were Banesco Citizens and their families, to whom we try to bring greater well-being. Regarding the external area, we continue with the essential programs, and undertook new initiatives in Health and Education through our allies and Participatory Budget. Additionally, we identify new sectors interested in basic training for entrepreneurship and professional training. We were able to carry out, during the entire semester, the strengthening to the construction of citizens aware of their role as Venezuelans.

We believe that this 2019 semi-annual Financial Report, also responds to the obligation of making financial intermediation sustainable in the complex Venezuelan context. In this regard, we consider that we are a leading institution in the financial system in our country. We also think that Banesco is an organization that stands out for its professionalism, by means of the most diverse resources in order to offer quality in its performance. The report delivered today at Banesco Banco Universal is, apart from a transparency exercise, an unequivocal sign of commitment to our clients, including our collaborators and our Venezuela.

**JOSÉ GRASSO VECCHIO**

EXECUTIVE CHAIRMAN  
BANESCO BANCO UNIVERSAL, C.A.





# THE VENEZUELAN ECONOMY DURING THE FIRST SEMESTER OF 2019

According to the Monthly Bulletin of the Organization of Petroleum Exporting Countries (OPEC) corresponding to August 2019, Venezuela registered an average production of 874 mbd during the first half of 2019, amounting to 1,35 mbd (-35%) in the last year.

By the end of June 2019, the average price regarding the Venezuelan basket was USD 57.56, with a reduction of 12% in comparison with the average of USD 65.67 during the same period in 2018. This is mainly due to the slow growing in the global crude oil demand, which is estimated to increase 1.1% in relation to 2018. In this regard, the non-Opec countries demand is expected to increase 3.2% because of the rise in the US oil production (+11.2%).

By the end of June 2019, international reserves reached USD 8.15 billion, decreasing to 7.8% (USD 687 million), corresponding to the second half of 2018.

During the first half, important adjustments regarding the exchange policy were made in order to complement those applied in 2018. We highlight, as a matter of fact, Resolution No. 19-05-01, issued by the Central Bank of Venezuela (BCV) in May, which authorized the national banking system to operate at exchange offices. This means the elimination of the well-known DICOM system, allowing the sale-purchase of foreign currency between the private sector companies. Hence, the official exchange rate that closed in VES 636.58/USD by the end of 2018, was VES 6,716.46/USD in the last week of June 2019, showing a variation of 955.08%.

Regarding this analyzed period, two adjustments related to the minimum wage were decreed. The first one was announced on January 15, reaching VES 18,000.00; and the second one amounted to VES 40,000.00 on April 16, accounting for an increase of 1,213% with regard to 2018.

Within the framework of the monetary policy to contain the expansion of liquidity, the Central Bank of Venezuela

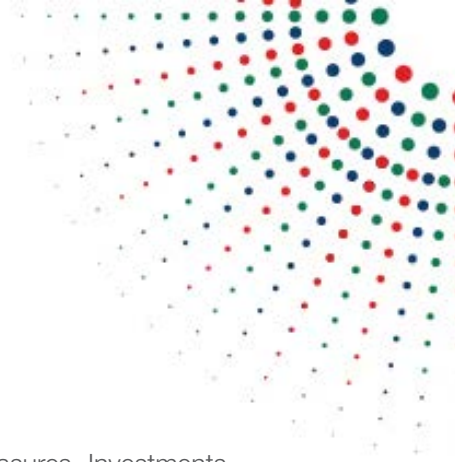
(BCV), through Resolution 19-01-01, dated January 8th, 2019, increased the reserve of the marginal balance requirement from 50% to 60%. Then, on January 21, 2019, such entity derogated the special reserve of 100% kept in the surplus up to August 21 2018. Finally, on January 18, as per Resolution 19-01-05, BCV adjusted the requirements for reserve, increasing the ordinary one from 31% to 57% and the marginal from 60% to 10% on the accounted net obligations as to January 25, 2015. This caused that the growing restriction of the monetary aggregates, which showed an accumulated variation of 911.1% in the case of monetary liquidity and 1.419% concerning the monetary basis.



Within the framework of the monetary policy to contain the expansion of liquidity, the Central Bank of Venezuela (BCV), through Resolution 19-01-01, dated January 8th, 2019, increased the reserve of the marginal balance requirement from 50% to 60%.

As part of the monetary policy, BCV, through Resolution 19-01-06, dated January 30, also adjusted the interest rate, increasing the manufacturing credits to 22%, while commercial credits went from 24% to 36%. On the same date, the highest rate for credit cards was adjusted to 40% and tourism sector financing to 15%, while passive rates were also adjusted. Additionally, savings deposit rate went to 21% and term deposit rate to 24%.

The policy of the issuing entity caused that VES 8 trillion were sold and bought overnight in the semester and the average operation rate during the last month reached 121%, and the highest 146%.



# THE VENEZUELAN ECONOMY DURING THE FIRST SEMESTER OF 2019

## THE VENEZUELAN BANKING SYSTEM

At the end of the first of 2019, the financial system in Venezuela was comprised of 30 institutions, 23 of private capital and seven are owned by the State. Those 23 remained in the universal bank sector.

A total of 3,342 bank offices, 52,139 workers, 5,623 ATM and 426,635 POS were recorded as of June 30. In relation to the last one, it is shown a significant growth during the last period in 22,884 devices, which is related to the transaction needs by consumers and the commercial sector.

The assets amounted to VES 47.24 billion, accounting for an increase of 919.0% (VES 42.60 billion) compared to the end of December 2018 and 15,501.1% (VES 47.21 billion) regarding the same period of the previous year, highlighting significantly the loss of weight of the loan portfolio, going from 38.6% of total assets in June 2018 to 5.5% at present, increasing the proportion of the availability and investments in securities, up to 22.7% and 61.2%, respectively.

The foregoing denotes the deepening of the changes in the consolidated balance of the system during the analyzed period, which far from showing progress, reflects the progressive deterioration of credit intermediation management, a coefficient that lost approximately 12 percentage points in the last six months and 36 points with respect to the same period of 2018, until June 2019 at 18.05%. This is the lowest level in the recent semester closures, accusing the impact of the measures regarding the legal reserve to be maintained by the institutions in the Central Bank of Venezuela (BCV).

In fact, the gross loan portfolio registered only an increase of 457.8% in the last six months, a lower rate than the rest of the productive assets and culminating the period with VES 2.64 billion.

There was also evidence of the sustained rise in availabilities, with an increase of 1,210.7% in the last six months and 101,004.3% with respect to the same period in 2018, reaching a total of VES 10.7 billion by the end of June

2019, as a result of legal reserve measures. Investments in securities grew 883.0% driven by the 955.1% change in the official exchange rate that allowed securities denominated in foreign currency to rise.

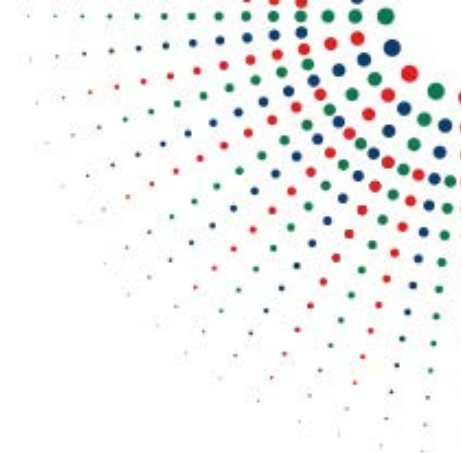
The upward trend of public deposits was maintained during the first half of the year, in line with the monetary liquidity expansion, culminating in June with a balance of VES 14.2 billion, after registering an increase of VES 12.8 billion (855.9%) with respect to December 2018, persisting the high concentration of resources collected in the strata of public banks (57.8%) as a result of the revaluation of the exchange agreement accounts.

The equity of the financial system registered a growth of VES 9.94 billion (1.040%) with respect to the closing of December 2018, reaching VES 10.90 billion in June 2019. This allows the compliance with current regulations and achieving an Accounting Equity Adaptation Index of 87.83%, which exceeds in 61.3 percentage points the rate obtained in the same period during 2018.

The analysis of the income result statement of the banking sector reveals an achievement of the gross financial margin of VES 518 billion, accounting for an increase of 66,763.3%, in relation to the first half of 2018. This is attributable in absolute terms to higher revenues going from credit operations

The financial intermediation margin (VES 1.24 billion) was also favored by the significant rebound shown by other operating income and reaching VES 930 billion.

Transformation expenses totalized VES 689 billion. In addition, 63.1% of which corresponded to general and administrative expenses, the highest increase, followed by personnel expenses (34.2%), and to a lesser extent, 6% was allocated to contributions to FOGADE and SUDEBAN. In this regard, the upward trend of the item in general terms and which conditioned the net result of the semester that closed at VES 405 billion is maintained, highlighting the sustained loss of profitability and concluding the period with an average asset return (ROA) of 2.97% and equity (ROE) of 13.01%.



## BANESCO BANCO UNIVERSAL IN THE FIRST HALF OF 2019

BanESCO ended the first half of 2019 with total assets amounting to VES 2.04 billion. It also recorded a growth of VES 1.85 billion (818.6%), in relation to the end of the previous six-monthly period. This is mainly attributable to the boost reflected by availabilities, which had a variation of VES 1.27 billion (1,236.7%) during the semester, followed by the gross credit portfolio, with a variation of VES 237 billion (317.6%).

BanESCO affirms, one more time, its support to productive activities by liquidating in this period more than 6,000 loans through different business lines, highlighting particularly our commercial portfolio, which was destined with almost 4,000 credits; as a result, June ended with VES 234 billion. Hand in hand with the national agricultural development, we finished the sixth months with VES 47 billion at portfolio and achieving a 13.49% stake. In addition, we ranked the first position in the system in tourism credits (VES 1.8 billion), for a market share of 20.96%.

This led us to achieve an intermediation coefficient of 22.61%, maintaining the excellent portfolio quality (0.0013% in arrears) and a very wide coverage for fixed assets (142,602.01%), exceeding the market average.

In terms of deposits, we maintained the leadership of private banking in Venezuela, reflecting a growth of VES 1.22 billion compared to December 2018, for a balance of VES 1.37 billion at the end of June 2019, which exclude the accounts of the exchange agreement, and giving us a share of 15.97%.

The Bank's equity continued to rise, reflecting an increase during this period and going from VES 208 billion (1,124.0%), to VES 227 billion, highlighting an amount in non-capitalized equity contributions of VES 800 million, ending the period with an accounting equity adaptation index of 24.08% and total equity adaptation of 36.09%, both in accordance with current regulations.

At the end of the first half of 2019, a net result of VES 87 billion was recorded, mainly as a result of obtaining higher financial income per loan portfolio, despite the fall in intermediation due to legal reserve requirements, as well as an adequate financial intermediation margin to cover transformation expenses and produce a favorable balance of the Bank's management, which led to the achievement of an average return on assets (ROA) of 15.32%, 12.4 percentage points higher than the market average.



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# FINANCIAL HIGHLIGHTS



(Stated in Billion VES)

|  | Second Half 2017 | First Half 2018 | Second Half 2018 | First Half 2019    | GROWTH                              |                |                                    |                  |
|--|------------------|-----------------|------------------|--------------------|-------------------------------------|----------------|------------------------------------|------------------|
|  |                  |                 |                  |                    | First Half 2019<br>Second Half 2018 |                | First Half 2019<br>First Half 2018 |                  |
|  |                  |                 |                  |                    | Absolute                            | %              | Absolute                           | %                |
| <b>Total Assets</b>                                    | <b>307,9</b>     | <b>4,862.5</b>  | <b>222,712.9</b> | <b>2,045,800.5</b> | <b>1,823,088</b>                    | <b>818.6</b>   | <b>2,040,938</b>                   | <b>41,972.7</b>  |
| Cash and Due from Banks                                | 211,5            | 2,307.2         | 103,098.6        | 1,378,135.2        | 1,275,037                           | 1,236.7        | 1,375,828                          | 59,631.4         |
| Security Investments                                   | 7.5              | 60.6            | 29,176.5         | 115,536.7          | 86,360                              | 296.0          | 115,476                            | 190,428.9        |
| Credit Portfolio                                       | 74.2             | 2,242.3         | 73,279.1         | 305,889.7          | 232,611                             | 317.4          | 303,647                            | 13,541.8         |
| Gross Portfolio  | 76.0             | 2,288.1         | 74,660.3         | 311,775.5          | 237,115                             | 317.6          | 309,487                            | 13,526.3         |
| <b>Deposits from Clients</b>                           | <b>280.9</b>     | <b>4,247.1</b>  | <b>159,074.6</b> | <b>1,378,726.2</b> | <b>1,219,652</b>                    | <b>766.7</b>   | <b>1,374,479</b>                   | <b>32,362.5</b>  |
| Deposits in Current Accounts                           | 262.2            | 4,082.1         | 150,653.9        | 1,293,846.2        | 1,143,192                           | 758.8          | 1,289,764                          | 31,595.3         |
| Savings Deposits                                       | 17.4             | 136.4           | 7,446.2          | 72,604.0           | 65,158                              | 875.0          | 72,468                             | 53,124.9         |
| Time Deposits  | 0.0              | 15.9            | 15.9             | 136.9              | 121                                 | 761.3          | 121                                | 760.8            |
| Other Deposits   | 1.4              | 12.7            | 958.5            | 12,139.2           | 11,181                              | 1,166.4        | 12,126                             | 95,634.6         |
| <b>Total Stockholders' Equity</b>                      | <b>8.6</b>       | <b>186.9</b>    | <b>18,546.1</b>  | <b>226,999.9</b>   | <b>208,454</b>                      | <b>1,124.0</b> | <b>226,813</b>                     | <b>121,342.3</b> |
| <b>Trust Assets</b>                                    | <b>1.2</b>       | <b>15.3</b>     | <b>6,119.8</b>   | <b>66,133.7</b>    | <b>60,014</b>                       | <b>980.6</b>   | <b>66,118</b>                      | <b>432,429.1</b> |
| <b>Debtor Accounts Due To Trust Assignments (FAOV)</b> | <b>0.8</b>       | <b>2.0</b>      | <b>78.4</b>      | <b>1,746.6</b>     | <b>1,668</b>                        | <b>2,128.3</b> | <b>1,745</b>                       | <b>86,364.4</b>  |
| Financial Revenues                                     | 7.2              | 139.8           | 4,457.4          | 61,083.9           | 56,626                              | 1,270.4        | 60,944                             | 43,596.9         |
| Financial Expenses                                     | 0.5              | 3.3             | 132.2            | 11,205.9           | 11,074                              | 8,377.8        | 11,203                             | 341,543.3        |
| Gross Financial Margin                                 | 6.6              | 136.5           | 4,325.2          | 49,878.0           | 45,553                              | 1,053.2        | 49,741                             | 36,435.3         |
| Financial Intermediation Margin                        | 8.6              | 171.7           | 9,008.3          | 211,807.4          | 202,799                             | 2,251.2        | 211,636                            | 123,280.5        |
| Transformation Expenses                                | 2.8              | 47.0            | 3,567.2          | 97,550.9           | 93,984                              | 2,634.6        | 97,504                             | 207,278.5        |
| Income Taxes   | 1.3              | 20.3            | 1,153.4          | 7,072.5            | 5,919                               | 513.2          | 7,052                              | 34,739.8         |
| <b>Net Income</b>                                      | <b>4.0</b>       | <b>89.1</b>     | <b>3,627.6</b>   | <b>86,690.0</b>    | <b>83,062</b>                       | <b>2,289.8</b> | <b>86,601</b>                      | <b>97,227.9</b>  |
| <b>Accumulate Agriculture Portfolio</b>                | <b>10.4</b>      | <b>346.4</b>    | <b>9,975.4</b>   | <b>47,162.9</b>    | <b>37,188</b>                       | <b>372.8</b>   | <b>46,817</b>                      | <b>13,515.2</b>  |
| <b>Official Institutions Deposits</b>                  | <b>5.8</b>       | <b>54.5</b>     | <b>3,613.1</b>   | <b>110,574.8</b>   | <b>106,962</b>                      | <b>2,960.4</b> | <b>110,520</b>                     | <b>202,789.5</b> |
| <b>Micro Loans</b>                                     | <b>1.7</b>       | <b>70.6</b>     | <b>4,488.8</b>   | <b>1,260.1</b>     | <b>-3,229</b>                       | <b>(71.9)</b>  | <b>1,190</b>                       | <b>1,683.9</b>   |

| Ratios (%)                                    |           |            |            |            |
|---|-----------|------------|------------|------------|
| Loan Portfolio Provisions / Non Accrual Loans | 32,673.42 | 926,662.37 | 571,602.88 | 142,602.01 |
| Non Accrual Loans / Gross Loan Portfolio      | 0.01      | 0.00       | 0.00       | 0.00       |
| Net Results / Average Assets *                | 5.64      | 9.77       | 11.07      | 15.32      |
| Net Results / Average Equity *                | 140.05    | 277.63     | 179.44     | 143.86     |
| Liquidity                                     | 75.55     | 54.39      | 64.89      | 99.99      |

\* Annualized percentages



## CREDIT RISK REPORTS PRONOUNCEMENT

During the first half of 2019, the Credit Risk management was signaled to the execution of strategic actions aimed at maintaining the Quality of the Credit Portfolio, evidencing at the end of the period, a significant increase in loans, maintaining the fixed levels of expected losses.

The quality of the Loan Portfolio is shown in a delinquency index of 147,791%, being the lowest of its group even in the Financial System.

On the other hand, the performance of collection management indicators evidences higher levels of effectiveness, derived from

recovery strategies from the integral perspective of the client, the execution of preventive management actions and the use of collection models with Early Alerts.

Having predictive models for the granting and behavior of credit, as well as the monitoring of the evolution and management of past due balances, resulted in the generation of value on the final result of the credit business, which is shown in the result of the main indicators associated with the performance of the Credit Portfolio.

## APPROVAL OF ACTIVE OPERATIONS THAT EXCEED THE PERMITTED PERCENTAGE ON THE EQUITY OF THIS INSTITUTION

In accordance with number 3 of Article 30 from the Law on Institutions from the Banking Sector, in the matters of active operations, at the end of the semester, the Board of Directors

decided on the approval of three hundred and twenty two (322) credits, that by individual or group risk, in the same monthly period, exceeded five percent (5%) of the bank's equity.

## PARTICIPATION IN THE COUNTRY'S PRODUCTION SECTOR AS A PERCENTAGE OF THE LOAN PORTFOLIO - JUNE 2019 (VES)

| Economic Activities   | Outstanding            | Restructured | Past to Due      | In Litigation | Total                  | % Composition   |
|---|------------------------|--------------|------------------|---------------|------------------------|-----------------|
| Agriculture, Fishing and Forest   | 119,880,686,782        | 0            | 0                | 0             | 119,880,686,782        | 38.45 %         |
| Hydrocarbons and Mining Exploitation                                    | 189,790,710            | 0            | 0                | 0             | 189,790,710            | 0.06 %          |
| Manufacturing Industry  | 65,958,209,550         | 0            | 0                | 0             | 65,958,209,550         | 21.16 %         |
| Electricity, Gas and Water  | 107                    | 0            | 0                | 0             | 107                    | 0.00 %          |
| Construction  | 18,684,722,855         | 0            | 0                | 0             | 18,684,722,855         | 5.99 %          |
| Trade, Restaurants and Hotels   | 69,652,176,716         | 0            | 2,454            | 0             | 69,652,179,170         | 22.34 %         |
| Transport, Storage and Communications                                   | 4,818,881,878          | 0            | 0                | 0             | 4,818,881,878          | 1.55 %          |
| Financial Establishments, Real State and Services Provided to Companies | 29,976,962,600         | 0            | 4,125,024        | 0             | 29,981,087,625         | 9.62 %          |
| Community, Social and Personal Services                                 | 2,609,958,684          | 0            | 0                | 0             | 2,609,958,684          | 0.84 %          |
| <b>Subtotal (VES)</b>   | <b>311,771,389,882</b> | <b>0</b>     | <b>4,127,479</b> | <b>0</b>      | <b>311,775,517,361</b> | <b>100.00 %</b> |

# COMPARATIVE FINANCIAL STATEMENTS FOR THE LAST TWO (2) YEARS AND APPLICATION OF NET INCOME



Chairman of the Board  
Juan Carlos Escotet R.

Main Directors  
Juan Carlos Escotet R.  
José Grasso Vecchio  
Miguel Ángel Marciano C.  
Enilio Durán Ceballos  
María Josefina Fernández M.

Statutory Auditors  
Emilio A. Ladera M.  
Antonio Ramón Lobo Z.  
External Auditors  
Lara Maramba & Asociados  
(DELOITTE)

Stock Capital Bs. 12.500.00  
Capital Paid-in Bs. 12.500.00  
Capital Reserves Bs. 226.999.905.501.58

June 30, 2019 (Stated in VES)

| ASSETS   | June 2019                | June 2018            | LIABILITIES AND EQUITY   | June 2019                | June 2018            |
|--|--------------------------|----------------------|--|--------------------------|----------------------|
| <b>CASH AND DUE FROM BANKS</b>                                     | <b>1.378.135.243.523</b> | <b>2.307.222.495</b> | <b>DEPOSITS</b>  | <b>1.378.726.229.825</b> | <b>4.247.131.418</b> |
| Cash   | 74.070.251.302           | 20.542.210           | Deposits in Current Accounts   | 1.293.846.190.264        | 4.082.140.867        |
| Central Bank of Venezuela  | 1.051.557.336.639        | 2.165.338.993        | Non-Remunerated Checking Accounts                                      | 800.394.238.467          | 2.695.566.414        |
| Local Banks and Other Financial Institutions                       | 5.622.359.748            | 7.628.251            | Remunerated Checking Accounts  | 441.885.544.032          | 1.292.796.941        |
| Foreign and Correspondent Banks                                    | 228.537.061.087          | 23.759.361           | Current accounts under exchange agreement N° 20                        | 15.250.090.853           | 2.725.494            |
| Head Office and Branches   | -0-                      | -0-                  | Demand Deposits and Certificates                                       | 14.018.181.936           | 91.052.018           |
| Pending Cash Items   | 18.393.138.748           | 89.953.680           | Current Accounts Exchange System Free Convertibility                   | 22.788.134.976           | -0-                  |
| (Provision for Bank Accounts)                                      | (44.904.001)             | -0-                  | Special Funds in Trusts Free Convertibility System                     | -0-                      | -0-                  |
| <b>INVESTMENTS IN SECURITIES</b>                                   | <b>115.536.733.418</b>   | <b>60.635.969</b>    | Other Demand Liabilities   | 12.139.146.202           | 12.681.457           |
| Investments in Central Bank  | 22.351                   | 89.419               | Obligations for Money Desk Operations                                  | -0-                      | -0-                  |
| Investments in Trading Securities                                  | -0-                      | -0-                  | Savings Deposits   | 72.604.033.342           | 136.410.795          |
| Investments in Securities Available for Sale                       | 388.883.056              | 2.634.174            | Time Deposits  | 136.600.017              | 15.898.299           |
| Investments in Securities Held to-maturity                         | 9.696.625.275            | 19.767.000           | Securities Issued by the Institution                                   | -0-                      | -0-                  |
| Limited Availability Investments                                   | 105.411.708.033          | 17.698.887           | Restricted Deposits from Clients                                       | -0-                      | -0-                  |
| Other Security Investments   | 39.494.703               | 20.446.489           | Right of Ownership and Participation on Security Investments           | -0-                      | -0-                  |
| (Provision for Security Investments)                               | -0-                      | -0-                  | <b>OBLIGATIONS WITH BCV</b>  | <b>-0-</b>               | <b>-0-</b>           |
| <b>LOAN PORTFOLIO</b>  | <b>305.889.650.911</b>   | <b>2.242.288.872</b> | <b>DEPOSITS AND OBLIGATIONS WITH BANAVIH</b>                           | <b>81.240</b>            | <b>140</b>           |
| Outstanding Credits  | 311.771.389.882          | 2.288.044.773        | <b>OTHER FINANCING OBTAINED</b>  | <b>108.495.095.535</b>   | <b>121.842.586</b>   |
| Restructured Credits   | 1                        | 208                  | Liabilities with local financial institutions up to one year           | 108.495.095.535          | 121.842.583          |
| Past Due Credits   | 4.127.478                | 4.938                | Liabilities with local financial institutions more than one year       | -0-                      | -0-                  |
| Credits in Litigation  | -0-                      | -0-                  | Liabilities with foreign financial institutions up to one year         | -0-                      | 3                    |
| (Provision for Credit Portfolio)                                   | (5.885.866.450)          | (45.760.997)         | Liabilities with foreign financial institutions more than one year     | -0-                      | -0-                  |
| <b>INTEREST AND COMMISSIONS RECEIVABLE</b>                         | <b>8.762.414.390</b>     | <b>16.728.455</b>    | Other Liabilities up to one year                                       | -0-                      | -0-                  |
| Interest receivable from cash and due from banks                   | -0-                      | -0-                  | Other Liabilities more than one year                                   | -0-                      | -0-                  |
| Interest receivable from security investments                      | 385.833.769              | 561.341              | <b>OTHER FINANCIAL OBLIGATIONS</b>                                     | <b>-0-</b>               | <b>-0-</b>           |
| Interest receivable from credit portfolio                          | 8.179.467.627            | 15.572.035           | <b>INTEREST AND COMMISSIONS PAYABLE</b>                                | <b>543.359.388</b>       | <b>96.106</b>        |
| Commissions Receivable   | 198.726.348              | 596.377              | Expenses payable due to deposits from clients                          | 154.435.930              | 96.106               |
| Interest Receivable on Other Accounts Receivable                   | -0-                      | -0-                  | Expenses payable due to obligations with BCV                           | -0-                      | -0-                  |
| (Provision for Interest Receivable and Other)                      | (1.613.354)              | (1.298)              | Expenses payable due to deposits and liabilities with BANAVIH          | -0-                      | -0-                  |
| <b>INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES</b>        | <b>1.330.395.418</b>     | <b>1.032</b>         | Expenses payable due to other financing obtained                       | 277.460.135              | -0-                  |
| Investments in subsidiaries and affiliates                         | 1.330.395.418            | 1.032                | Expenses payable due to other financial obligations                    | 111.463.333              | -0-                  |
| Investments in branches  | -0-                      | -0-                  | Expenses payable due to obligations convertible to capital             | -0-                      | -0-                  |
| Provision for investments in subsidiaries, affiliates and branches | -0-                      | -0-                  | Expenses payable due to subordinated debt                              | -0-                      | -0-                  |
| <b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>                        | <b>2.015</b>             | <b>5.119</b>         | <b>ACCRUALS AND OTHER LIABILITIES</b>                                  | <b>331.035.808.791</b>   | <b>306.557.205</b>   |
| <b>PROPERTY IN USE</b>   | <b>18.781.283.092</b>    | <b>15.403.883</b>    | <b>SUBORDINATED DEBT</b>   | <b>-0-</b>               | <b>-0-</b>           |
| <b>OTHER ASSETS</b>  | <b>217.364.770.023</b>   | <b>220.258.542</b>   | <b>OTHER LIABILITIES</b>   | <b>-0-</b>               | <b>-0-</b>           |
| <b>TOTAL ASSETS</b>  | <b>2.045.800.482.790</b> | <b>4.862.544.367</b> | <b>TOTAL LIABILITIES</b>   | <b>1.818.800.574.789</b> | <b>4.675.627.455</b> |
|  |                          |                      | <b>STOCKHOLDERS' EQUITY</b>  | <b>12.500</b>            | <b>12.500</b>        |
|  |                          |                      | Capital Paid-in  | 12.500                   | 12.500               |
|  |                          |                      | Obligations Convertible into Shares                                    | -0-                      | -0-                  |
|  |                          |                      | Uncapitalized Equity Contributions                                     | 800.400.000              | 64.900.000           |
|  |                          |                      | Capital Reserves   | 13.750                   | 13.750               |
|  |                          |                      | Equity Adjustments   | 140.911.302.194          | 29.698.480           |
|  |                          |                      | Accumulated Income   | 85.099.176.251           | 92.023.389           |
|  |                          |                      | Non-Realized Gain or (Loss) on Available for Sale Security Investments | 189.013.655              | 288.542              |
|  |                          |                      | Treasury Stock   | (949)                    | (949)                |
|  |                          |                      | <b>TOTAL EQUITY</b>  | <b>226.999.918.001</b>   | <b>186.916.912</b>   |
|  |                          |                      | <b>LIABILITIES AND EQUITY</b>  | <b>2.045.800.492.790</b> | <b>4.862.544.367</b> |
|  |                          |                      | Contingent Debtor Accounts   | 64.157.530.948           | 346.477.239          |
|  |                          |                      | Trust Assets   | 66.133.697.603           | 15.286.602           |
|  |                          |                      | Other Trust Assignments  | 858.317                  | 99.581               |
|  |                          |                      | Debtor Accounts Due to Trust Assignments (Housing Mutual Fund)         | 1.746.578.367            | 2.024.317            |
|  |                          |                      | Other Debtor Accounts (Housing Mutual Fund)                            | 169                      | 167                  |
|  |                          |                      | Other Debtor Memorandum Accounts                                       | 8.176.773.182.456        | 4.467.823.530        |
|  |                          |                      | Other Debtor Bank Accounts   | 312                      | 315                  |

| Statements of Earnings (Stated in VES)                                    | June 2019             | June 2018          |  | June 2019              | June 2018          |
|---|-----------------------|--------------------|--|------------------------|--------------------|
| <b>Financial Revenues</b>   | <b>61.083.861.179</b> | <b>139.794.848</b> | <b>Financial Intermediation Margin</b>   | <b>211.807.365.260</b> | <b>171.666.747</b> |
| Revenues from Cash and Cash Equivalents                                   | 1.289.750.677         | 17.766             | <b>Transformation Expenses</b>   | <b>97.550.862.215</b>  | <b>47.035.964</b>  |
| Revenues from Security Investments  | 3.956.643.538         | 800.963            | Personnel Expenses   | 28.183.341.869         | 24.179.155         |
| Revenues from Credit Portfolio  | 55.837.466.870        | 138.975.650        | Administrative and General Expenses  | 66.159.542.167         | 20.624.316         |
| Revenues from Other Accounts Receivable                                   | 34                    | 469                | Contributions to Deposit Guarantee and Bank Protection Fund                    | 1.128.566.185          | 2.029.249          |
| Revenues from Investments in Subsidiaries, Affiliates and Branches        | -0-                   | -0-                | Contributions to Superintendency of Banks and Other Financial Institutions     | 7.079.412.994          | 203.244            |
| Revenues from Head Office and Branches                                    | -0-                   | -0-                | <b>Gross Operating Margin</b>  | <b>114.256.502.045</b> | <b>124.630.783</b> |
| Other Financial Revenues  | -0-                   | -0-                | Income from Adjudicated Goods  | 3                      | 162.006            |
| <b>Financial Expenses</b>   | <b>11.205.896.393</b> | <b>3.278.086</b>   | Income from Special Programs   | -0-                    | -0-                |
| Expenses Due to Deposits from Clients                                     | 4.348.496.729         | 3.278.085          | Income from Sundry Accounts  | 17.651.160             | 2.872              |
| Expenses Due to Obligations with BCV                                      | -0-                   | -0-                | Expenses Due to Realizable Property  | 1.419                  | 1.772              |
| Expenses Due to Deposits and Obligations with BANAVIH                     | -0-                   | -0-                | Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods | -0-                    | -0-                |
| Expenses Due to Other Financing Obtained                                  | 5.068.463.211         | 1                  | Expenses Due to Sundry Accounts  | 20.361.867.240         | 15.419.931         |
| Expenses Due to Other Financial Obligations                               | 1.788.936.453         | -0-                | <b>Net Operating Margin</b>  | <b>93.912.284.549</b>  | <b>109.374.008</b> |
| Expenses Due to Subordinated Debt   | -0-                   | -0-                | Extraordinary Income   | -0-                    | -0-                |
| Expenses Due to Other Obligations   | -0-                   | -0-                | Extraordinary Expenses   | 149.864.370            | 3.551              |
| Expenses Due to Head Office and Branches                                  | -0-                   | -0-                | <b>Gross Income Before Taxes</b>   | <b>93.762.420.179</b>  | <b>109.370.457</b> |
| Other Financial Expenses  | -0-                   | -0-                | Income Taxes   | 7.072.469.674          | 20.300.000         |
| <b>Gross Financial Margin</b>   | <b>49.877.964.786</b> | <b>136.516.762</b> | <b>NET INCOME</b>  | <b>86.689.950.505</b>  | <b>89.070.457</b>  |
| Income from Recovered Financial Assets                                    | 586.855               | 28.687             | <b>Application of Net Income</b>   |                        |                    |
| Expenses Due to Uncollectibility of Credits and Other Accounts Receivable | 4.569.945.853         | 44.066.573         | Legal Reserve  | -0-                    | -0-                |
| Provision for Loan Portfolio and Other Accounts Receivable, Losses        | 4.508.491.845         | 44.066.573         | Statutory Utilities  | 5.201.390.000          | 2.672.114          |
| Provision for Cash and Due from Banks                                     | 61.454.008            | -0-                | Other Capital Reserves   | -0-                    | 22                 |
| <b>Net Financial Margin</b>   | <b>45.308.605.788</b> | <b>92.478.876</b>  | <b>Accumulated Income</b>  | <b>81.488.560.505</b>  | <b>86.398.321</b>  |
| Other Operating Expenses  | 17.243.588.650        | 15.800.898         | LOSEP Contribution   | 959.836.548            | 1.172.379          |

|                                |                       |                   |
|--------------------------------|-----------------------|-------------------|
| <b>Net Income Distribution</b> |                       |                   |
| Legal Reserve                  | -0-                   | -0-               |
| Statutory Utilities            | 5.201.390.000         | 2.672.114         |
| Other Capital Reserves         | -0-                   | 22                |
| Restricted Surplus             | 40.744.280.253        | 43.199.171        |
| Surplus to apply               | 40.744.280.253        | 43.199.150        |
| <b>NET INCOME</b>              | <b>86.689.950.505</b> | <b>89.070.457</b> |

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

FIRST HALF 2019

Banesco counts on a technological tool named IRS (Integrated Request System), that allows to manage all the clients and customers' requests and complaints, through the different customer service channels (BanescOnline, Network of National Agencies, Call Center Service and Administrative Offices), offering a swift, effective and efficient response, aligned with the current legal framework.

## a) Summary by Status

In the first half of 2019, 1,773 complaints and requests were reported, for a total amount of 154,173,626 VES; of which 1,099 were ruled in favor of the client with a reimbursement of 28,964,342 VES. When evaluating the attention times of the claims and requirements reported by customers/users in the first half of 2019, and starting from the premise indicated by the regulatory body where a maximum date of 20 continuous days is established for the resolution of the same, it is observed that the level of compliance in the service offer was 100%.

Table 1. Summary of complaints and requests reported by Status

| Managed      |                   |                    |                         |                   |                    | In Process        |                    | Level of Compliance in the service supply |
|--------------|-------------------|--------------------|-------------------------|-------------------|--------------------|-------------------|--------------------|---|
| Admissible   |                   |                    |                         | Not Admissible    |                    |                   |                    |   |
| Report Month | No. of Complaints | Claim Amount (VES) | Reimbursed Amount (VES) | No. of Complaints | Claim Amount (VES) | No. of Complaints | Claim Amount (VES) |   |
| January      | 170               | 400,279            | 323,033                 | 133               | 11,766,171         | 5                 | 97,900             | 99.34 %                                   |
| February     | 103               | 417,771            | 405,082                 | 103               | 14,225,492         | 8                 | 79,799             | 100.00 %                                  |
| March        | 75                | 746,646            | 660,586                 | 48                | 4,155,145          | 15                | 2,171,261          | 100.00 %                                  |
| April        | 193               | 835,414            | 736,133                 | 80                | 10,559,781         | 19                | 7,191,499          | 100.00 %                                  |
| May          | 364               | 26,138,015         | 25,906,281              | 119               | 28,594,149         | 26                | 11,946,762         | 100.00 %                                  |
| June         | 194               | 1,173,339          | 933,337                 | 78                | 23,493,970         | 40                | 10,180,235         | 100.00 %                                  |
| Total I Half | 1,099             | 29,711,463         | 28,964,452              | 561               | 92,794,709         | 113               | 31,667,455         | 100.00 %                                  |

## b) Summary by Type of Financial Instrument

Table 2. Summary by Type of Financial Instrument

| Credit Card (CC) |                   |                    | Debit Card (DC)   |                    | Savings           |                    | Checks            |                    | Customer Service  |                    |
|------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
| Report Month     | No. of Complaints | Claim Amount (VES) | No. of Complaints | Claim Amount (VES) | No. of Complaints | Claim Amount (VES) | No. of Complaints | Claim Amount (VES) | No. of Complaints | Claim Amount (VES) |
| January          | 68                | 358,661            | 239               | 11,905,689         | —                 | —                  | —                 | —                  | 1                 | —                  |
| February         | 36                | 217,076            | 174               | 14,365,325         | —                 | —                  | 2                 | 140,660            | 2                 | —                  |
| March            | 17                | 366,590            | 120               | 6,526,462          | —                 | —                  | 1                 | 180,000            | —                 | —                  |
| April            | 32                | 398,628            | 259               | 18,138,066         | —                 | —                  | 1                 | 50,000             | —                 | —                  |
| May              | 25                | 707,865            | 481               | 65,498,839         | —                 | —                  | 2                 | 472,222            | 1                 | —                  |
| June             | 12                | 542,139            | 296               | 33,883,183         | —                 | —                  | 1                 | 422,222            | 3                 | —                  |
| Total I Half     | 190               | 2,590,957          | 1,569             | 150,317,565        | 0                 | 0                  | 7                 | 1,265,104          | 7                 | 0                  |

Relationship of the Type of Financial Instrument and Code in the database: Credit Card (30), Debit Card (31), Savings (33), Check (34), Customer Service (50).



# EQUITY SUFFICIENCY COEFFICIENTS LEVELS

In accordance with the provisions of the Resolution 305.09, dated July 9, 2009, published in the Official Gazette No. 39230 issued on July 29, 2009, the following principles and procedures are established to calculate the equity adequacy ratio:

## Capital Adequacy Ratio

Accounting Equity Adequacy Index, calculated by dividing the amount of accounting equity plus operational management, by the total asset value. The coefficient resulted from this operation, once multiplied by one hundred (100) will not be inferior to nine percent (9%). This provision was published in the Official Gazette No. 40.509, issued on October 1, 2014.

Also, through the notices SIB-II-GGR-GNP-10189, issued on April 7, 2016, and SIB-II-GGR-GNP-24974, issued on November 22, 2017, the Superintendence of Institutions of the Banking Sector (SUDEBAN) grants a regulatory exception to determine the Accounting Capital Adequacy Ratio", which is enshrined in article 6 of the No. 305.09, in the following terms:

### SIB-II-GGR-GNP-10189 (Dated April 07th, 2016)

- a) Exclude from the Total Asset item, as defined in the article 2 of the aforementioned resolution, the balance of the following item lines:
- Bonds and Debentures issued by the Central Bank of Venezuela.
  - Deposits in the Central Bank of Venezuela
  - Availabilities from the banking entity in the Central Bank of Venezuela (including the legal reserve)
  - Bonds and Debentures issued by the state-owned company Petróleos de Venezuela, S.A. (PDVSA)
- b) Include in the accounting equity, as per provisions of article 2, the amount corresponding to:
- Generic provision for credit portfolio and microcredits
  - Countercyclical provision for credit portfolio and microcredits

The amount to be included for those provisions shall correspond with the percentages set forth in the regulations issued, for such purpose, by the Superintendence of Institutions of the Banking Sector.

### SIB-II-GGR-GNP-12738 (Dated April 7, 2016)

The banking institutions must include within the determination of the core equity (Level I), the amount corresponding to the aforementioned generic and countercyclical provisions.

The amount to be included for those provisions shall correspond with the percentages set forth in the regulations issued, for such purpose, by the Superintendence of Institutions of the Banking Sector.

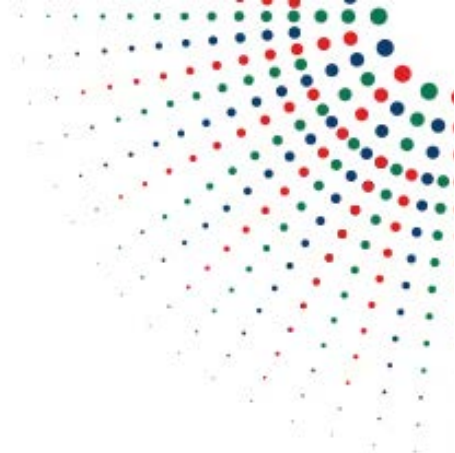
### Resolution No. 025.17 (Dated March 28, 2017)

The "Norms Applied for the Revaluation of Assets in Banking Institutions" is a legal instrument enshrined by the Superintendence of Institutions of the Banking Sector, through which this regulatory institution has instructed that the amount for Revaluation "may not exceed the totality of the core equity (Level I)" of the Institution, considering the parameters fixed in the norms that regulates the calculation of the Total Capital Adequacy Ratio. Likewise, article 6 establishes that "The recording of the amount of revaluation of assets in the asset item will be made in the accounts and sub-accounts established in the Accounting Manual for Banking Institutions, with counterpart in the account of the item equity 351.00 "Adjustment for Revaluation of Assets".

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

The Superintendence of Institutions of the Banking Sector has issued the Resolution No. 004.18, which dictates the temporary measures to determine the relation between capital over assets and contingent operations, applying weighting criteria based on risk levels. This Resolution is applicable from the accounting close of January 2018 until January 2019. It is applied to calculate the accounting capital adequacy ratio in accordance with provisions set forth in article 6 of Resolution No. 305.09, which determines that the accounting capital adequacy ratio diminishes two (2) percent points, going from 9% to 7%. Afterwards, with the purpose of calculating the total capital adequacy ratio, in accordance with provisions enshrined in the article 48 of the Decree with the Status and Force of Law of the Financial Institutions of the Banking Sector Act, the





## EQUITY SUFFICIENCY COEFFICIENTS LEVELS

aforementioned percentage is reduced by one (1) point, going from 12% to 11%.

Additionally, article 6 of Resolution No. 004.18 enshrines the following provisions in the subparagraphs a and b of paragraph 1:

It shall be considered the following aspects for the calculation of the Core Capital (Level I) rate:

- a) The premiums to be issued for shares in order to increase the share capital and recorded at account "Contributions to increase share capital" and the approved jointly with the increase of share capital that originates them, shall be recorded in sub-account 332.01 "Premiums from Capital contributions in Cash".
- b) The Accounts 352.00 "Profits or Loss due to exchange fluctuations by holding assets and liabilities in foreign currencies" and 354.00 "Profits or Loss made through operations in the foreign exchange systems".

Likewise, the paragraphs 2 and 3, of the aforementioned resolution, set forth the following provisions:

- 1) Reducing the assets risk weighting in the following terms:
  - a) For the balances registered in the sub-account 114.03 "Banks and Foreign Correspondents - Exchange Agreements No. 20 and 31", a risk weighting rate will be from 20% to 0%
  - b) For immediate collection purposes, the risk weighting will be from 50% to 0%.
  - c) For interbank deposits and others in micro financial, agricultural and tourism sector, the risk weighting will be from 50% to 20%, provided that such deposits are in accordance with the compliance of percentages in the addressees portfolios.
  - d) For credits corresponding to addressed valid and re-structured portfolio, the weighting risk will be 50% to:
    - Agricultural portfolio in 40%
    - Tourism sector portfolio in 30%
    - Mortgage portfolio in 25%
  - e) For commercial credits, other than those in directed portfolios, recorded for accounting purposes as current loans, classified in risk category "A" Normal Risk, the risk weighting is from 100% to 80%.

- f) For the contingent accounts, the risk weighing may vary from 100% to 80%.

- g) In the event of items accounted in the sub-account 186.03 "Operations in transit", which are withdrawn within the first five (5) days of the next month to be reported, the risk weighting may vary from 100% to 50%.

- 2) Deduce the amount of cash deposits in guarantee in the same banking institution regarding the assets object of risk weighing, which are different to the items weighted in 100%.

### SIB-II-GGR-GNP-01343 (Dated February 4, 2019)

The Superintendence of the Institutions of the Banking Sector has implemented a complementary regulatory exception, through which it resolves to extend the validity of the Resolution No. 004.18, issued on January 25, 2018, for a period of six (6) additional months. The temporary measures contemplated therein shall be applied to the accounting close of the period between February 2019 until July 2019, both inclusive.

► **The Total Equity Adequacy Ratio (level I)**, defined as the relation established between the core equity (Level I), the totality of the assets and contingent operations weighted by risk levels. This ratio will not be inferior to 6%.

► **The total equity adequacy ratio**, which consists of the sum of the Core Equity rate (Level I), plus the Complementary Equity (Level II), divided by the totality of assets and contingent operations weighed by risk levels. The coefficient obtained, once multiplied by one hundred (100), will not be inferior than twelve percent (12%).

According to the provision established and based on the results obtained in June 2019 and December 2018, percentages reached are:

| Description                   | Jun. 2019 | Dec. 2018 |
|-------------------------------|-----------|-----------|
| Capital Adequacy Ratio        | 24.08%    | 15.80%    |
| Total Capital Adequacy Ratio  | 36.09%    | 23.20%    |
| Tier 1 Capital Adequacy Ratio | 36.09%    | 23.20%    |

## ELECTRONIC CHANNELS BANK AGENCIES



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

- ▶ 323 Service points (agencies, satellites and Banesco Express).
- ▶ 116.312 Points of sale.
- ▶ 778 ATMs (302 Monofunctional y 476 Multifunctional).

## EXTERNAL AUDITOR'S REPORT

The financial statements of the Bank corresponding to the first half of 2019, included in this report, were audited by the external auditors of the Institution, "Lara Marambio & Asociados" (DELOITTE), and confirmed the fairness of such financial statements.



## LIQUIDITY, LEVERAGE, EFFICIENCY AND PROFITABILITY INDICATORS

| Principal Financial Indicators                                      | June 19 | Dec. 18  | June 18  | Dec. 17  |
|---|---------|----------|----------|----------|
| <b>1. Equity</b>  |         |          |          |          |
| (Equity + Operative Management) / Total Assets                      | 24.08%  | 15.80 %  | 8.91%    | 11.08%   |
| Non-Productive Assets / Equity + Operative Management               | 706.73% | 619.49 % | 1361.15% | 2577.88% |
| <b>2. Assets Quality</b>  |         |          |          |          |
| Loan Portfolio Provisions / Gross Loan Portfolio                    | 1.89%   | 1.85 %   | 2.00%    | 2.25%    |
| Non Accrual Loans / Gross Loan Portfolio                            | 0.00%   | 0.00 %   | 0.00%    | 0.01%    |
| <b>3. Management *</b>  |         |          |          |          |
| Personnel Expenses + Operative Expenses / Average Productive Assets | 59.30%  | 21.34 %  | 11.08 %  | 9.60 %   |
| Personnel Expenses + Operative Expenses / Financial Income          | 154.45% | 76.73 %  | 32.05 %  | 35.76 %  |
| <b>4. Earnings *</b>  |         |          |          |          |
| Net Results / Average Assets  | 15.32%  | 11.07 %  | 9.77 %   | 5.64 %   |
| Net Results / Average Equity  | 143.86% | 179.44 % | 277.63 % | 140.05 % |
| <b>5. Liquidity</b>   |         |          |          |          |
| Availability / Customer Funds                                       | 99.96%  | 64.81 %  | 54.32 %  | 75.29 %  |
| Availability + Investment in Securities / Customer Funds            | 99.99%  | 64.89 %  | 54.39 %  | 75.55 %  |

\* Annualized Percentages

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

FIRST HALF 2019

In accordance with provisions of Article 28 of the Decree with rank, value and force of the Law for the Partial Reform of the Law on Banking Sector Institutions, published in Official Gazette No. 40,557, dated December 8, 2014; as well as the respective regulations issued by the Superintendence of Banking Sector Institutions (hereinafter SUDEBAN), published on August 27, 2014, Articles 1 and 16 of Resolution 064.14 referring to the "General Standards Relative to the Internal Audit Unit of Banking Sector Institutions", we submit the summary of the management, work performed and activities carried out by the Internal Audit Unit in Banesco Banco Universal, C.A., during the period between January 1, 2019 and June 30, 2019, which was presented for consideration of the Audit Committee and the Board of Directors.

Banesco Banco Universal, C.A., has an Internal Auditing Unit that works independently to fulfill efficiently its functions in a timely manner. This has the widest powers to achieve these goals. Moreover, the Executive Vice President of the Internal Auditing Unit is the Internal Auditor, responsible of the Internal Auditing Area. The members of the staff under the responsibility of the Internal Auditor are ascribed to the Internal Auditing Unit and they shall make administrative reports periodically to the Board of Directors of Banesco.

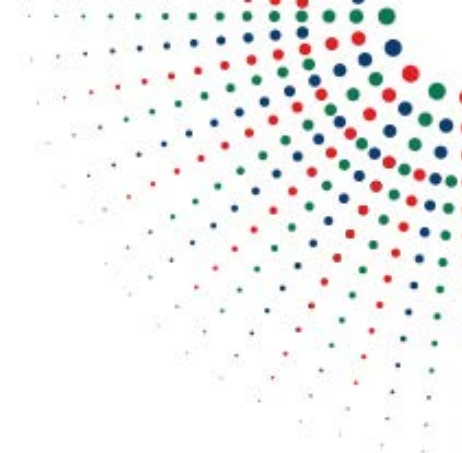
The Unit is created in accordance with Resolution 064-14 and counts on Statute of the Internal Auditing Function, which is revised periodically: This document defines the principles, norms and attributions of the Internal Auditor, the assurance policy of the Internal Auditing Activity, the Regulations and Policies of the Internal Auditing and the Internal Auditing Activities, Work Procedures and Guidelines, consistently defined in accordance with the National and International Internal Auditing Norms and the Standards established by the Institution. If there are major changes in the regulatory framework or the company's functionality, those shall be approved by the Auditing Committee and the Board of Directors.

The methodology applied by the Internal Auditing Area for the development of the Auditing Plan, based on risk management processes, has been designed by considering the following:

- The Operating Plan of the Internal Auditing Area was approved by the Auditing Committee and submitted to the Board of Directors for its ratification. 14 reports about regular improvements were drafted and sent to the Board of Directors and the Audit Committee (on a monthly basis) and to the Comprehensive Risk Committee (every six month).
- The norms enshrined by SUDEBAN, as well as the national and international regulations applied to the banking sector, have been taken into account.
- The Auditing Management is mainly oriented to revise the processes based on risks regarding the Administrative and Operating Central areas, Banks and agencies network, ICT and Prevention and Control of Money Laundering and Terrorism Financing (hereinafter, PCLC/FT), according to the schedule fixed in the Auditing Plan.
- Application of audit tests for the evaluation of significant risk exposures, follow-up of corrective/preventive actions based on strategies, verification of the Internal Control Environment and effective operation, which contributes to improving the effectiveness and efficiency of the areas of Banesco Banco Universal, C.A., providing perspectives and guidance based on analysis and evaluation regarding its information and processes.
- Regarding the implementation of the Regulatory Framework for the Internal Auditing Activity, the Auditing Unit has adapted itself to specific factors of the Venezuelan legal, cultural and regulatory framework, as well as the expectations of the interested parties. This auditing process has been done in accordance with the current national regulatory norms, the best practices of Internal Auditing in terms of Assurance, the Declarations on Norms and Procedures of Internal Auditing Required by SUDEBAN, in relation to the activities performed by the Internal Auditing Committee.

## Assessment of the Internal Control and Risk Management Policies

- For the first half of 2019, reviews were carried out with the coverage established in the Internal Audit Operating Plan, among which the following aspects stand out
  - Qualification of the effectiveness of the internal control environment by evaluating the various aspects involving the updating, application and operation of the Institution's internal controls, the risk management framework, the effectiveness of internal controls and the efficiency and productivity of resources
  - Review and verification of compliance with the legal provisions regulating banking activity, and in particular the provisions of the Law on Partial Reform of the Law on Banking Sector Institutions, other resolutions, circulars and official notices issued by SUDEBAN, as well as other regulations in force related to banking activity applicable in the applied reviews.
  - Verification of the application of the provisions contained in the SUDEBAN Accounting Manual for Banks to the balan-



# REPORT OF THE INTERNAL AUDITOR

ces that make up the figures presented in the Banesco's financial statements.

- Follow-up of the Integral Risk and Technological Risk Management Processes; as well as tests in order to validate the closing of the gaps identified in the analysis of the Regulatory Entity, Operational Risk, Internal Audit and External Audit.
- It was complied with the special audits related to the certification of processes evaluated by the Regulatory Body, in inspections carried out by SUDEBAN, special cases, or requests coming from the Audit Committee and Board of Directors.

For the closing of the first half of 2019, according to the schedule, the Internal Audit concluded:

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

In relation to the findings and situations reported as pending to regularization with regard to the strengthening of internal control, a follow-up of the action plans was established by those responsible for it, showing that some of the aspects reported were corrected and other activities are underway aimed at resolving pending observations within the established deadlines.

## Current Regulatory Framework

- The audit was carried out in the Integral Risk Management Unit by the end of 2018, attesting that Banesco maintains its efforts to create the organizational structure referred to in SUDEBAN Resolution 136.03, for an adequate Risk Management. Besides, the design of methodologies has been incorporated to identify, measure, control, monitor and value the different assumed risks, as well as the development of policies referred therein, and the necessary adjustments have been made to comply with Resolution 136.15.
- In response to SUDEBAN Resolution 119-10, activities have been carried out to audit and verify the compliance with provisions of Regulations on the Management and Control of Risks related to the offences for the Prevention

of Money Laundering and Financing of Terrorism applicable to the institutions regulated by the Superintendency in the area of PCLC/FT, with coverage of revision to date in risk areas (credit, agencies, employee files). Based on the revision that has been performed, we have concluded that the plans and programs to prevent and detect operations, which are presumably related to Money Laundering and Terrorist Financing, are adequately designed. Additionally, it has conducted a revision of the action plan, trying to correct the observations reported by External Auditors, SUDEBAN, official notices and the Internal Audit Unit. This policy aims at strengthening the environment control and guaranteeing the strict compliance of the regulations in force. In addition, actions to adapt and comply with Resolution 083-18 have been monitored.

- In terms of Information Technology, the Bank has revised carefully the Reports of Technological Risk Inspection issued by SUDEBAN, as well as the External and Internal Audit. Besides, it has been monitored all processes, applications and components, communications, links and interfaces convened in the Audit Plan.
- During the first semester of 2019, it was possible to verify in the tables of the credit portfolio the reasonableness of the accounting records and the establishment of provisions in accordance with regulatory standards.
- At the end of the first semester, a review of the Financial Statements was carried out in accordance with provisions of the Decree with the Rank, Value and Strength of the Law of the Banking Sector Institutions, in order to carry out the verification of changes in balances, verify the reasonableness of the accounts that make up the financial statements and ensure they are presented consistently and in accordance with the criteria set forth by the Superintendence and other normative, verifying the Bank's financial indicators that allow the economic, financial and patrimonial situation to be properly evaluated.
- With respect to the determination of the total equity adjustment index and the accounting adjustment index, Banesco has made capital increases, which at the close of the first half of 2019 are maintained in accounting account No. 331011000100000000 "Contributions Pending Capitalization", until receiving the issuance authorization of the respective agency, the made capital increases rank this organization in a capital of 841 million.





# REPORT OF THE INTERNAL AUDITOR

It is important to note that as of December 2018, the Bank has been adjusting the growth of the asset, with the adjustments of assets and liabilities, as per the DICOM rate set forth by the BCV, leading this bank to comply with the established indicators.

Additionally, as provided in Resolution 004.18, the Bank has remained within the limits established for the Equity Adequacy Index.

- In relation to the special administrative intervention measure established in Resolution 031.18 issued by SUDEBAN on May 4, 2018 and published in Official Gazette No. 41.392, dated May 8, 2018; Resolution 082.18 dated November 1, 2018, published in Official Gazette No. 41.516 dated November 2, 2018, whereby the special administrative measure imposed on Banesco Banco Universal, C.A. remains in force in the same terms and for 120 continuous days, as of November 5, 2018. Subsequently, SUDEBAN resolves by means of Resolution 009.19, published in the Special Official Gazette No. 6.431, dated February 27, 2019, to lift the administrative measure of special intervention against Banesco Banco Universal, C.A., as of February 28, 2019. Internal Audit has accompanied the process until its completion, in order to facilitate the management of documentation, validation, timely delivery, also meeting the requirements received and ensuring operational continuity.

## Statement of the Internal Control Unit

The activities performed by the Internal Audit Unit were defined taking into account the standards contained in the current regulations, contemplating the principles of objectivity and independence of the Internal Audit Function.

From the revisions made to the internal controls of the Units and processes in Banesco Banco Universal, C.A., during the first semester of 2019, an Average Rating of 1.69, SATISFACTORY, was obtained. Therefore, based on these results, adequate formulation of policies and processes was observed for Banesco Banco Universal, C.A., to operate:

- In accordance with the strategies defined by the Senior Management, with the necessary human, technological and material resources, seeking efficient use.

- Adequate decision-making and reliable and transparent disclosure of information to its Board of Directors, shareholders, employees, customers, competent authorities and the general public (all interested parties), for which it must have information systems of quality, sufficiency, security and requested opportunity.
- There has been a policy for the identification, assessment and risk monitoring in order to keep control and diminish effectively the losses, by means of a better administration.
- There is a clear consistency between the operating processes and the guidelines dictated by the Executive Direction. These processes are assessed permanently to verify the operation of the controls and to adopt, if necessary, corrective measures timely and effectively.
- It is observed a strict compliance of the regulatory norms in force, as well as the policies and internal procedures convened by the Board of directors and the Executive Direction.
- Awareness of risk, adequate corporate governance and continuous and timely supervision. This guarantees integrity and ethical values, strategic objectives based on operability, compliance by Management and control activities related to policies and procedures.
- The Bank has applied the corresponding action plans, which aims at correcting and reinforcing the controls and procedures allowing to mitigate and prevent risks, and guaranteeing the correct administration and management of such events.
- Regarding the recommendations and instructions conducted by the Superintendence in its different inspection, the Bank has given the explanations that have deemed proper. In the monitoring activities performed during the audit processes, the Internal Audit Unit has confirmed that the personnel responsible for the administration of the internal controls are working efficiently. They are implementing timely the observations and recommendations reported by the Regulatory Entity.

For the reasons explained above, the Internal Audit Unit concludes that Banesco Banco Universal C.A., manages with efficiency and effectiveness its Internal Control System and keeps a reasonable safety.



# NOTICES BY THE SUDEBAN

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



| DATE                            | OFFICIAL PAPERS  |
|---------------------------------|--|
| General Meeting of Shareholders |  |
| 01/25/19                        | <b>SIB-II-GGIBPV-GIBPV5-01061</b> Considerations on the decision to revoke the call to the Extraordinary Shareholders Meeting of 12/19/2018.   |
| 01/25/19                        | <b>SIB-II- GGIBPV-GIBPV5-01063</b> Considerations on collections recorded on the occasion of the Extraordinary Shareholders Meeting held on 10-19-2018   |
| 01/25/19                        | <b>SIB-II-GGIBPV-GIBPV5-01064</b> Statement on the follow-up of the observations made to the collections of the Ordinary Shareholders Meeting of 03-22-2018  |
| 01/29/19                        | <b>SIB-II-GGIBPV-GIBPV5-01153</b> Statement on the remittance of the Extraordinary Shareholders Meeting of 01-30-2019  |
| 01/29/19                        | <b>SIB-II- GGIBPV-GIBPV5-01154</b> Considerations on documents consigned on the occasion of the Extraordinary Shareholders Meeting held on 09-27-2018.   |
| 02/15/19                        | <b>SIB-II-GGIBPV-GIBPV5-01810</b> Statement on the submission of documents on the occasion of the Ordinary Shareholders Meeting of 09-27-2018.   |
| 03/01/19                        | <b>SIB-II-GGIBPV-GIBPV5-02501</b> Statement on the submission of documents on the occasion of the Extraordinary Shareholders Meeting of 11-23-2018.  |
| 03/25/19                        | <b>SIB-II- GGIBPV-GIBPV5-03372</b> Statement on the submission of documents on the occasion of the Extraordinary Shareholders Meeting of 01-30-2019.   |
| 03/26/19                        | <b>SIB-II- GGIBPV-GIBPV5-03377</b> Statement on the transfer of collections on the occasion of the Ordinary Shareholders Meeting of 03-26-2019.  |
| 04/09/19                        | <b>SIB-DSB-03444</b> Statement on the transfer of collections on the occasion of the Ordinary Shareholders Meeting of 03-26-2019.  |
| 05/15/19                        | <b>SIB-II-GGIBPV-GIBPV5-04902</b> Statement on the extension for registration in the Record of the Minutes of the Extraordinary Shareholders Meeting of 01-30-2019   |
| 06/12/19                        | <b>SIB-II-GGR-GA-06640</b> Statement on ratifications and designations approved at the Ordinary Shareholders Meeting of 03-26-2019   |
| 06/26/19                        | <b>SIB-II-GGR-GA-07112</b> Observations about the ratifications and designations of the members of the Board of Directors that took place at the Ordinary Shareholders' Meetings of 09-28-2016; 09-28-2017 and 09-27-2018. |

# NOTICES BY THE SUDEBAN

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



| DATE                     | OFFICIAL PAPERS   |
|--------------------------|---|
| <b>Inspection Visits</b> |   |
| 01/18/19                 | <b>SIB-II-CCSB-00878</b> Notification of the officials authorized to carry out the Special Inspection regarding the Quality of Banking Service in the agencies, ticket offices and / or branches of the Bank at the national level.   |
| 01/25/19                 | <b>SIB-II-GGIR-GRT-01065</b> Special Technological Risk Review Report, with the results obtained in the visit to the cut of 06-11-2018.   |
| 02/21/19                 | <b>SIB-II-CCSB-02076</b> Notification of the officials authorized to carry out the Special Inspection regarding the Quality of Banking Service in the agencies, ticket offices and / or branches of the Bank at the national level.   |
| 04/09/19                 | <b>SIB-DSB-03423</b> Considerations on the communication S / N dated 11-12-2018, by means of which a response is issued to official letter No. SIB-DSB-UNIF-19103 dated 11-28-2018, regarding the results obtained by the Bank during the Visit Special Inspection carried out at the San Fernando de Apure office, located in the state of Apure.  |
| 04/11/19                 | <b>SIB-II-CCSB-03981</b> Sudeban issues considerations on the communication S / N dated 04-17-2018, whereby response is given to official letter SIB-II-CCSB-28149 dated 12-29-2017, inherent to the Special Inspection carried out Quality of Banking Service during the years 2016 and 2017.  |
| 06/10/19                 | <b>SIB-DSB-OPCLC-FT-FPADM-06328</b> Contentive report of the results obtained in the Special Inspection Visit carried out at the Bella Vista agency, located in the city of Maracaibo, Zulia state.   |
| 06/21/19                 | <b>SIB-II-CCSB-06976</b> Sudeban issues scope on Office No. SIB-II-CCSB-02076 dated 20-02-2019, in which it informs the officials that have been authorized to carry out Special Inspection on the Quality of Banking Service in agencies, lockers and / o Bank branches nationwide.  |
| <b>Others</b>            |   |
| 21/01/2019               | <b>SIB-II-CCSB-00969</b> Considerations on the Client Ombudsman and Banking User Management Report corresponding to the first half of 2018.   |
| 01/03/2019               | <b>SIB-II-GGIBPV-GIBPV5-02502</b> Scope of the Office SIB-II-GGIBPV-GIBPV5-13108 of 06/08/2018, where information was requested on the efforts made for the sale of the property constituted by Local No. 1-4, PH., Located in the Tower "Canaima", Samuel Lewis Avenue, corregimiento of Bella Vista in the Republic of Panama, in accordance with what was instructed in the official SIB-II-GGIBPV3-28195 of 08/15/2014. |
| 01/04/2019               | <b>SIB-II-GGR-GNP-03466</b> Statement on regulatory exception to account for the loss generated as a result of the Liquidity Injection operation with the Central Bank of Venezuela, made on 06.03.2019.  |
| 09/04/2019               | <b>SIB-II-GGR-GA-03908</b> Considerations to the communications issued on dates 14/09 and 03/12/2018; and 02/08/2019, whereby the modification and extension of the "Banesco Pago Móvil (P2P and P2C)" service was notified.  |
| 20/06/2019               | <b>SIB-II-CCSB-06935</b> Considerations on the Client Ombudsman and Banking User Management Report corresponding to the second half of 2018   |
| 21/06/2019               | <b>SIB-II-GGIR-GRT-06938</b> Comments on the communication through which the Bank responded to the Special Technology Risk Review Report 2018.  |
| 26/06/2019               | <b>UNIF-DDG-02574</b> UNIF reports the results of the analysis carried out to a sample of Suspicious Activity Reports (RAS, by its acronym in Spanish), received by UNIF from 03-12-2018 until 01-21-2019.  |



# NOTICES BY THE SUDEBAN

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



| DATE     | OFFICIAL PAPERS  |
|----------|--|
| 01/08/19 | <b>SIB-DSB-UNIF-00057</b> Scope of Circular No. SIB-DSB-UNIF-19213 dated 29-11-2018, regarding the integral protection of customers, users and users of the National Banking System that carry out operations through Distance Banking or Internet Banking outside of the Bolivarian Republic of Venezuela..   |
| 01/09/19 | <b>SIB-DSB-UNIF-00108</b> Sudeban reports the update of the list of Resolution N° S / RES / 1718 of the Security Council of the United Nations Organization (UN) for the Preventive Blocking of Assets or Other Assets related to the Financing of the Proliferation of Weapons of Massive Destruction.  |
| 01/29/19 | <b>SIB-DSB-UNIF-01091</b> Best Practices that Must Adopt the Obligated Subjects Regarding Non-Profit Organizations (NPOs).   |
| 02/04/19 | <b>SIB-II-GGR-GNP-01342</b> Guidelines to determine the Equity relationship over Contingent Assets and Operations, applying Risk Based Weighting criteria.   |
| 02/04/19 | <b>SIB-II-GGR-GNP-01343</b> Guidelines to determine the Equity relationship over Contingent Assets and Operations, applying Risk Based Weighting criteria.   |
| 02/15/19 | <b>UNIF-DIF-DAE-00028</b> UNIF issues instruction and form PE-UNIF-005 Report of Suspicious Activity, with the purpose of standardizing the information provided by the Obligated Subjects and strengthening the mechanisms of analysis and notification of possible Legitimization of Capitals, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction (LC / FT / FPADM, by its acronym in Spanish) operations. |
| 02/19/19 | <b>SIB-DSB-CJ-PA-01850</b> Instruction to process the opening of the bank accounts destined to receive the contributions corresponding to the old-age, disability or survivor pension of those retirees and pensioners unable to complete the procedure for opening a bank account for the first time.   |
| 03/07/19 | <b>UNIF-DIF-DAE-00342</b> UNIF (National Financial Intelligence Unit) issues scope of Circular No. SIB-DSB-UNIF-19583, referring to the guidelines on Prevention and Control of LC / FT / FPADM applicable to new technologies.  |
| 03/14/19 | <b>UNIF-DIF-DAE-00534</b> UNIF is instructed that the Subjects Obligated to verify the lists of natural and / or legal persons designated by the UN Security Council, in accordance with Circular No. 36.069 referred to the "Rules for the Application of Resolutions of the UN Security Council for the preventive blocking of goods or other assets related to terrorism".  |
| 03/25/19 | <b>SIB-II-GGR-GNP-02991</b> Increase to Bs. 775,000 limit amount for credit card.  |
| 04/01/19 | <b>SIB-II-GGR-GNP-03576</b> Aspects to consider for accounting records that derive from operations according to the free convertibility exchange market.   |
| 04/01/19 | <b>SIB-II-GGR-GNP-03577</b> Aspects to consider in the application of the net benefits originated by the exchange operations carried out by the Banking Institutions in the alternative currency markets due to the effect of the free convertibility of the exchange rate established by the Exchange Agreement No. 1 of 08.28.2018   |
| 04/01/19 | <b>SIB-II-GGR-GNP-03578</b> Aspects to consider in the application of the net benefits originated by the effect of the valuation of the assets and liabilities at the exchange rate No. 1 of August 21, 2018.  |
| 05/07/19 | <b>UNIF-DDG-01355</b> Reach to the Circular N° SIB-DSB-UNIF-17799 dated 02-11-2018, by means of which instructions called "Clients who access Internet Banking from abroad" were sent.   |
| 05/09/19 | <b>SIB-II-GGR-GNP-04715</b> Instruction to increase the daily limits for the operations of Points of Sale (POS), Mobile Interbank Payment (P2P), Person-to-Commerce Payment (P2C) and Bank Transfers.  |
| 05/14/19 | <b>SIB-II-GGR-GNP-04851</b> Aspects to consider for accounting records that derive from operations according to the free convertibility exchange market.   |
| 05/17/19 | <b>SIB-DSB-04714</b> BCV and Sudeban instruct to create, in an integrated manner with the debit and credit card operators and any other institution authorized for this purpose, the system to process the operations with debit and credit cards regardless of the Visa, Mastercard and Maestro brands in the country.  |





## RELEVANT'S INFORMATION TO STAKEHOLDERS



# SUMMON

BANESCO BANCO UNIVERSAL, C.A.

Stock Capital BsS.  
BsS. 12.500,00

## Announcement Ordinary Shareholders' Meeting

By resolution of the Board of Directors and in accordance with the provisions of Articles 10, 12 and 27.2 of the Corporate By-laws, shareholders of Banesco Banco Universal, C.A. are summoned to meet at the Annual Meeting of Shareholders to take place on September 26th, 2019, at 8:00 a.m., in the Fernando Crespo Suárez Auditorium, in the third floor of the Ciudad Banesco building, located in Avenida Principal de Bello Monte, entre calle Lincoln y calle Sorbona, in the city of Caracas, for the purpose of addressing the following matters:

**FIRST:** Discuss and decide, prior submission of the report of the Shareholders' Representatives, on the approval of the Financial Statements, prepared by independent public accountants, corresponding to the business semester ended on June 30th, 2019.

**SECOND:** Discuss and decide on the allocation to be made to the profits as of June 30th, 2019.

**THIRD:** Reduce the capital stock of the Bank in Two Bolívares (VES 2,00), as a result of the redemption of twenty thousand (20,000) preferred shares, in conformity with the public offering prospect of preferred shares issue 2008-I and issue 2008-II.

**FOURTH:** Increase the Capital Stock in the amount of Two Bolívares (VES 2,00), by decree, distribution and payment of dividends in common shares.

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

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

**Note:** The information referred to in this call will be available in the Bank's Shareholders Unit, located on 3rd Floor, quadrant "D" of the "Ciudad Banesco" Building.

Caracas, August 31st, 2019

RIF: J07013380-5

## Announcement Extraordinary Shareholders' Meeting

By resolution of the Board of Directors and in accordance with the provisions of Articles 11, 12 and 27.2 of the Corporate By-laws, shareholders of Banesco Banco Universal, C.A. are summoned to meet at the Annual Meeting of Shareholders to take place on September 26th, 2019, at 8:30 a.m., in the Fernando Crespo Suárez Auditorium, in the third floor of the Ciudad Banesco building, located in Avenida Principal de Bello Monte, entre calle Lincoln y calle Sorbona, in the city of Caracas, for the purpose of addressing the following matters:

**SINGLE POINT:** Appoint of the members of the Board of Directors.

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

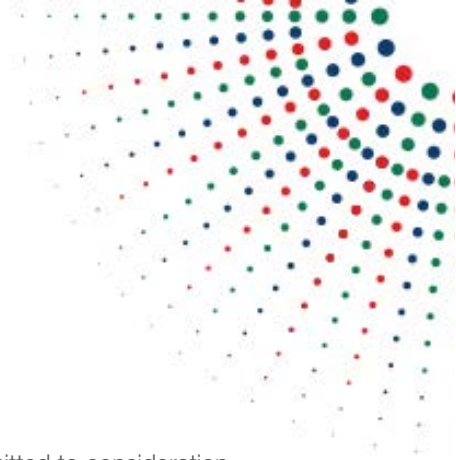
**Note:** The information referred to in this call will be available in the Bank's Shareholders Unit, located on 3rd Floor, quadrant "D" of the "Ciudad Banesco" Building.

Caracas, August 30th, 2019

RIF: J07013380-5







# THE CORPORATE GOVERNANCE REPORT

BANESCO BANCO UNIVERSAL, C.A.

BanESCO Banco Universal, C.A., is a banking institution, domiciled at Caracas, Bolivarian Republic of Venezuela, duly authorized to perform all the financial intermediation activities and their related services, with the limitations imposed by the Decree with Rank, Value and Force of Law of the Financial Institutions of the Banking Sector.

## The Shareholders' Meeting

The Shareholders' Meeting represents the totality of the shareholders and it holds the highest management of the company. The meetings are held ordinarily within 90 days after the closing of every semester. Extraordinary meetings are held when the Board of Directors deems as convenient for the interests of the company or when it is required by a group of shareholders, which shall represent at least 20 % of the capital. The acts and resolutions issued by this executive body are binding for BanESCO and its shareholders.

The Shareholders' Meeting is competent, among other attributions, to: i) Determine the number of Directors that will make up the Board of Directors; ii) Appoint the members of the Board of Directors and fix their remunerations; iii) Appoint the main commissioner and his substitute and fix their remunerations; iv) Appoint one or several directors with the right to attend and speak at the meetings of the Board of Directors; v) Discuss, approve or modify the Financial Statements presented thereof, with review on the commissioner's report; vi) Dictate and reform the Articles of Incorporation; vii)

Decide on the early dissolution, extension, merger with another company, sale of corporate assets, change of the corporate purpose, increase, reduction or refund of the corporate capital and reform of the Bylaws in the expressed matters; viii) Decide on the declaration of dividends and the form of payment thereof, for the amount, with the frequency and at the time it deems appropriate, in accordance with the Law and the Bylaws of the Bank; ix) To decide on the crea-

tion of reserves or special sections submitted to consideration by the Board of Directors; x) To hear and decide on any other matter of its competence, in accordance with the Law and the Company's Articles of Incorporation.

## Board of Directors

The Board of Directors is responsible of the direction and general administration of the businesses and operations of BanESCO, included in its policies of business social responsibility. This administrative body has the widest powers to manage the goods and businesses of the company with the exception of some matters, which will be administered exclusively by the Shareholders' Meeting and other administrative bodies set forth by the law or by the Articles of Incorporation of the Bank. The Board of Directors shall define which are the goals of the company and how shall be the best way of administering it; this administrative body approves the business policies and principles and regulates the autonomy concerning executive decisions in order to preserve the interests of the shareholders and the institution. The Board of Directors is committed to control the operating and functional areas of the company; it also assesses the business' projections and compares the results obtained in previous years with the results obtained in every financial period. The members of the Board of Directors shall convene an Ordinary Meeting, at least, once a month. The Special Meetings shall be called by request of the President of the Board of Directors or by three (3) of its members.



The Shareholders' Meeting is competent, among other attributions, to: i) Determine the number of Directors that will make up the Board of Directors; and ii) Appoint the members of the Board of Directors and fix their remunerations.



# THE CORPORATE GOVERNANCE REPORT

In accordance with the Decree with the Status and Force of law of the Law of the Financial Institutions of the Banking Sector, the Board of Directors has also the following duties and attributions: i) Define the credit and financial strategy of the institution and control its execution; ii) Analyze and consider over the credit risk reports, regarding the proportionality and validity of the granted guarantees; iii) Decide over the approbation of asset operations that individually exceed five percent (5%) of the company's equity; iv) Give an reasoned opinion, under its responsibility, about the financial statements and the internal audit report, in which it shall be included the opinion of the audit about the compliance of the regulations that prevent money laundering; v) Hear and decide over the content and compliance of the regulations issued by the Superintendence of Institutions of the Banking Sector related to provisions, observations, suggestions or initiatives about the institution's functioning; vi) Obey and make comply the dispositions set forth by the law, the Superintendence of the Institutions of the Banking Sector, the General Shareholders Meeting and the Board of Directors. Likewise, the Board of Directors has some other attributions set forth in the Articles of Incorporation of the Bank.

## The Chairman of the Board of Directors

The Chairman of the Board of Directors is subordinated to the Shareholders' Meeting and the Board of Directors. This leading position is committed to be the legal representative of the institution before any private or public authority. On behalf of the company, the Chairman shall convene contracts, agreements, and generally, and sign documents of any nature. The Chairman shall execute all the tasks commissioned by the Board of Directors. The Chairman convenes and leads the Shareholders Meeting and exercises, along with the Board of Directors, the supreme direction of the different activities of the Bank.

## The Executive Chairman

The Executive Chairman is in charge of the direction, management and daily operations of the businesses and internal services of the Bank, as well as the administration, surveillance and control of its businesses, its accountability, financial statements, inventory and accounts. Furthermore, the Executive Chairman has the following executive faculties: chairs the

Executive Direction Committee of the Bank and represents the company among third parties in non-judicial matters. The Executive Chairman shall sign on behalf of the company, contracts and agreements.

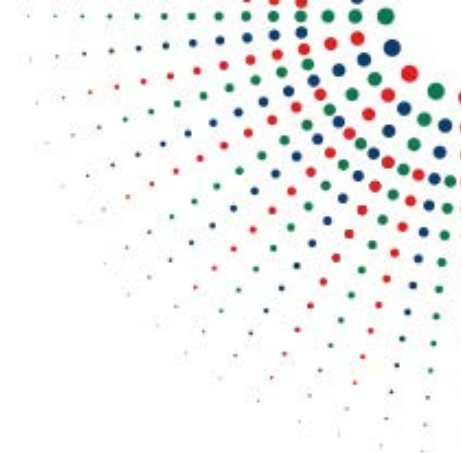
## The Internal Auditor

In accordance with the Decree with Rank and Force of Law of the Financial Institutions of the Banking Sector, the Internal Auditor is responsible of assuring that the operations and procedures of the bank are in line with the law, the prudential legislation, the internal manual of procedures of the bank, and the accounting principles generally accepted by the Superintendence of the Institutions of the Banking Sector. Furthermore, the Internal Auditor aims at preserving the adequate functioning of the internal control systems and guaranteeing the full compliance of the resolutions issued by the General Shareholders Meeting, the Board of Directors and the Superintendence of the Institutions of the Banking Sector. The Internal Auditor subscribes the financial statements, jointly with the legal representatives and the general accountant, and coordinates internally the different operations of the institution. This officer acts jointly with the Auditing Committee and informs the Board of Directors about the results of the different performed audits with the purpose of improving the internal process and resolving any difficulty or problem, which may occur.

## The Compliance Official

This official works directly with the Board of Directors of the bank and is submitted with regular reports. The officer aims at strengthening the mechanisms that have been implemented to prevent risks related to money laundering and terrorism financing.

Its main tasks are the following: preside the Committee of Prevention and Control against Money Laundering and Terrorism Financing; coordinate, observe and administer the compliance program against money laundering and terrorism financing; ensure the implementation of the regulations to avoid cases of money laundering and terrorism financing; design, along with the Committee and Unit of Prevention and Control against Money Laundering and Terrorism Financing, an annual operating plan against those crimes.



# THE CORPORATE GOVERNANCE REPORT

## **The Corporate Government of Banesco Banco Universal, C.A., contains in its structures the following Committees:**

### **The Auditing Committee**

The Auditing Committee aims at revising the financial statements, which shall be considered by the Board of Directors and then submitted to the approval of the Shareholders' Meeting. The Auditing Committee shall assure that all the required information contained in the financial statements is true and accurate, with no reserves and omissions, and it proves the financial situation of the company. Similarly, the Auditing Committee collaborates with the Board of Directors in the implementation of some measures, which aims at preserving the integrity of the financial information of the company. This instance also collaborates in the supervision and tracking of the external and internal audit of the Bank. The Auditing Committee approves the scope of the annual audit and revises, along with the Board of Directors and the external auditors, all the most significant aspects related to lawsuits, contingencies and claims.

### **The Credit Risk Committee**

Its main task is the administration, identification, measurement and mitigation of the risks that the Bank might be exposed, fixing the risk limits in accordance with the policies set forth in each one of the activities of the Bank in aspects related to credit, financial market, legal framework, business, among others, in conformity with the domestic legislation and the best practices implemented in international legislations. Additionally, the Credit Risk Committee supports the Board of Directors, as well as the different Credit Committees in the decision making. This instance brings about guidelines and policies that must be complied with the purpose of preserving the established risk profile.

### **The Credit Committees**

The Board of Directors, reserving the exercise of this attribution, has delegated in the credit committees the faculty of granting credits in any of the modalities allowed by the law, assigning to each autonomy or credit committee, an individual indebtedness limit. As of this date, there are the Central Credit Committee, the Executive Credit Committee, the Delegate Credit Committee, the Regional Credit Committees and the individual autonomies.

### **The Technology Committee**

Its main function is to guarantee that all technological implementations are aligned with the bank's strategies and objectives, always considering a global and horizontal vision of the business. The Committee aims at using responsibly the technological resources, as well as identifying and administering possible risks. Furthermore, the Committee is responsible for the design and implementation of the architecture enterprise and the administration of the technological plan of the bank. This instance is committed with the optimization and monitoring of the process functioning and the problem-solving.

### **Assets and Liabilities Committee (ALCO)**

This instance is responsible for the management of the following matters: risk market, liquidity (prices, interests, exchange rates), and capital adequacy. This Committee analyzes periodically the degree of exposure to risks and defines the financial strategies implemented, short and long-term, to deal with the risks assumed in accordance with the foreseeable evolution of the markets. Its main objective is managing from a financial, commercial and risk perspective, the assets and liabilities of the bank, anticipating to the threats and opportunities offered by the market as a way of optimizing the results and achieving the goals conceived in the financial planning.

### **Committee for the Prevention against Money Laundering and Financing to Terrorism**

This aims at controlling and supervising the full compliance of the preventing measures intended to fight against Money Laundering and Terrorism Financing in the Bank. Likewise, the Committee proceeds as an advisory and consultancy body, which supports the efforts undertaken by the Board of Directors, the President of the Institution and the compliance official in order to guarantee the fulfillment of some aspects included in the current legislation for the prevention and control against Money Laundering and Terrorism Financing.

### **Ethics Committee**

Its main function is to ensure the proper reception, analysis, evaluation, resolution of complaints, concerns and issues that may be affecting the compliance with standards on ethical values, established in the Code of Ethics and Conduct of Citizen Banesco, not to mention events that affect the integrity and image of the Bank.



# THE CORPORATE GOVERNANCE REPORT

## Code of Ethics and Conduct of the Citizen Banesco

This code aims at defining and regulating the ethical values conceived by Banesco. This establishes some behavior patterns, which aims at reinforcing honesty, an essential conduct in all the acts of the citizen Banesco. Its implementation is addressed essentially towards the respect of the human rights, as well as the prevention and control against money laundering and terrorism financing.

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

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



This code establishes some behavior patterns, which aims at reinforcing honesty, an essential conduct in all the actuations of the citizen Banesco.



# REPORT OF THE COMMISSIONER

## BANESCO BANCO UNIVERSAL, C.A.

Half finished at June 30, 2019 • Caracas, August 28th, 2019

In my capacity as Main Commissioner of Banesco Banco Universal, C.A., appointed at the General Shareholders' Meeting of the bank, held at March 26th, 2019, in accordance with the Articles of Association of the institution, the Inter Professional Norms for the Exercise of the Function of Statutory Advisor and in conformity with the articles 287, 309 and 311 of the Code of Commerce, I'm pleased to inform that I have examined the consolidated balance sheet as of June 30th, 2018, the related financial statements, the statement of changes in equity, the cash flow statement, for the semester then ended. We attach the report issued by the independent public accountants of the bank, members of the firm "Lara, Marambio & Asociados" (Affiliates of Deloitte) issued on August 26th, 2019, which shall be considered to all effects as an integral part of this report.

During the semester ended on June 30th, 2019, the following general meetings have been celebrated:

| General Meeting of Shareholders | Notes | Date               |
|---------------------------------|-------|--------------------|
| Extraordinary                   | (1)   | January 30th, 2019 |
| Ordinary                        | (2)   | March 26th, 2019   |
| Extraordinary                   | (1)   | August 6th, 2019   |

- 1. Points covered:** a: Consider and resolve on the advisability of increasing the Bank's share capital. b: According to what was decided, modify article 5 of the bylaws relating to social capital.
- 2. Points covered:** a: Consider and resolve the approval of the financial statements, issued by independent public accountants, for the semiannual year ended December 31, 2018, with a view to the report of the Board of Directors and the commissioners. b: Consider and Resolve on the destination that must be given to the profits as of December 31st, 2018. c: Appoint the Main Commissioner and his Alternate, setting his remuneration. d: Designate the Client Ombudsman and Bank User for the period 2019-2021.
- 3. Single Point:** Appointment of the members of the Board of Directors.

I attended as the main commissioner to the Ordinary General Meeting of Shareholders held on March 26th, 2019.

## Responsibility of the Administration for the Financial Statements

The General Management of Banesco Banco Universal, C.A. is responsible for the preparation and accurate presentation of these financial statements in conformity with the accounting principles established by the Superintendence of the Institutions of the Banking Sector (SUDEBAN), which differ in some aspects from the accounting principles generally accepted in the Bolivarian Republic of Venezuela (VEN-NIF). Furthermore, the General Management of Banesco Banco Universal, C.A. aims at establishing the internal controls that it deems necessary in order to guarantee that these financial statements are free from material misstatements, whether due to fraud or error. The General Management of Banesco Banco Universal, C.A. is committed to select and apply the most adequate accounting policies, as well as performing reasonable accounting estimations, in accordance with the circumstances.

## Responsibility of the Auditor

The responsibility of the independent public accountants is to express an independent opinion about these financial statements based on their audits. They have performed their audits in accordance with the Auditing International Norms. These norms demand the compliance of several ethical requirements, as well as the planning and execution of tests, which aims at assuring that these financial statements are free from significant erroneous representations. An audit includes performing some procedures to obtain evidences related to the figures, data and information presented at the financial statements.

The selected procedures depend on the judgement of the auditor and it includes the assessment of risks derived from material misstatements, whether due to fraud or error. When evaluating the risks, the auditors consider the essential internal controls implemented by Banesco Banco Universal, C.A., for the preparation and presentation of reliable financial statements, with the purpose of designing auditing procedures deemed appropriate in accordance with the circumstances. It is not the purpose of the auditor to give an opinion about the internal controls of the bank. An audit also includes the assessment of the adequate use of the accounting policies and the



# REPORT OF THE COMMISSIONER

reasonability of accounting estimations done by the General Management, as well as the presentation on balance of the financial statements. The independent public accountants of the Bank consider that the audit evidence obtained during their revision is sufficient, appropriate and it provides a reasonable basis to support their opinion.

## Responsibility of the Commissioner

My revision is to express an opinion about the approval of these financial statements based on our revision. That revision was done in accordance with the scope I have deemed necessary, which is substantially inferior to an audit performed in accordance with the International Auditing Norms. Our main goal is to express a global and integral opinion about these financial statements. My revision has considered the financial operations included in the following documents submitted to the consideration of the General Shareholders' Meeting: the financial statements as of June 30th, 2019, the income statement, the statement of changes in equity and the cash flow statements for the period then ended. Likewise, we have revised the minutes of the meeting of the Board of Directors and the Risk Committee; the Committee of Internal Auditing, Control and Compliance; the reports issued by the Internal Auditing Area in terms of Prevention and Control against Money Laundering and Terrorism Funding; the correspondence received and sent to and from SUDEBAN. It is important to highlight that the judgments and opinions we express in this report about the financial situation of Banesco Banco Universal, C.A., as of June 30th, 2019, are based on my revision and mainly it has been considered the report issued by the firm Lara, Marambio & Asociados (Members of Deloitte), the independent public accountants. The following documents were issued by this firm on August 26th, 2019, and they represent an integral part of this report:

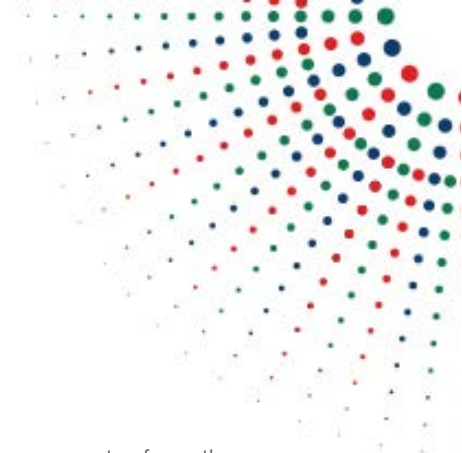
- I) Financial statements
- II) Special report.
- III) Combined financial statements and Trust Funds.
- IV) Memorandum: observations and recommendations.
- V) Biannual Report on the Procedures Related to the Treatment of Non-Financial Information:

- Revision of the biannual memoire and the report on claims interposed by the clients of the Bank before the Management of Client Services and Requirements, the Client's Ombudsman and the Personal Banking.
- Certification on the implementation of the temporary measures set forth by the Resolution No. 332.11 issued on December 22nd, 2011, reprinted due to material misstatement on the Official Gazette No. 39924 issued on May 17th, 2012, for the constitution of provisions in the registry of the operations related to credits and microcredits.
- Biannual Reports of Assurance:
  - Compliance of the Resolution No. 004.18, which dictates the temporary measures to determine the relation between capital over assets and contingent operations, applying weighting criteria based on risk levels".
  - Compliance of the Resolutions No. 136.03 and No. 136.15, related to the "Norms for an Adequate Integral Administration of Risks" and the "Norms for an Adequate Integral Administration of Liquidity Related Risks in the Financial Institutions".
  - Biannual Compliance of the Resolution No. 119-10, related to the "Norms for the Administration and Audit of the Risks Related to Money Laundering and Terrorism Funding".

Additionally, I held meetings with the administrators, public accountants and other senior executives of the bank. These meetings allow me to construct reasonably the criteria that support the results of my assessment.

## Qualified Audit Opinion

After having revised and considered the opinion of the independent public accountants, previously identified, I can express that these financial statements present reasonably in all their significant material aspects, the financial situation of Banesco Banco Universal, C.A., as of June 30th, 2019, as well as the results of its operations and the cash flow during the period then ended, in accordance with the Accounting Principles Generally Accepted in the Bolivarian Republic of Venezuela, established by the Superintendence of the Institutions of the Banking Sector (SUDEBAN) for the Venezuela Banking System. The information provided in these financial statements is sufficient enough to recommend its approval.



# REPORT OF THE COMMISSIONER

## Emphasis of matter paragraphs

■ In the Note 1 of the report issued by independent public accountants of the Bank, it is pointed out that in the Official Gazette No. 41,392, issued on May 8th, 2018, the Superintendence of Institutions of the Banking Sector has published the Resolution No. 031.18, issued on May 4th, 2018, through which it is formalized the special intervention measure of Banesco Banco Universal, C.A. This provision does not imply the cease of its operations. Said intervention measure had duration of ninety (90) business days. Its validity has been extended twice (2) by the Superintendence of Institutions of the Banking sector by means of the Resolutions No. 050.18 and No. 082.18. The last implemented extension established the administrative measure of special intervention, in the same terms, for one hundred and twenty (120) continuous days counted from November 5th, 2018.

In this sense, during 2018 the Bank has filed an appeal for reconsideration against the administrative act included in the aforementioned resolutions. Besides, the institution has filed an invalidity action before the Administrative Litigation Chamber of the Supreme Court.

On February 27th, 2019, by means of the Extraordinary Official Gazette No. 6,431, the administrative measure of special intervention issued to Banesco Banco Universal, C.A., was lifted. Likewise, the Superintendency of the Institutions of the Banking Sector, through Resolution No. 019.19 dated May 15th, 2019, declared the decline of the object of the actions filed by the Bank.

■ In the Note 2 of the report issued by the independent public accountants, it is indicated that the bank, as a financial institution of the Venezuelan Banking System, prepare its financial states in accordance with the norms, guidelines and accounting principles established by the Superintendence of the Institutions of the Banking Sector. Such norms and principles differ in some aspects from the Accounting Principles Generally Accepted in the Bolivarian Republic of Venezuela (VEN-NIF GE)

## Basis of Accounting

Banesco Banco Universal, C.A., presents its financial statements in accordance with the accounting standards established by the Superintendence of Institutions of the Banking

Sector (SUDEBAN), which differ, in some aspects, from the Generally Accepted Accounting Principles, as it is explained in Note 2 to the financial statements of the Independent Public Accountants. The financial statements attached to the report of the Independent Public Accountants were prepared with the purpose of complying with the standards and practices established by this superintendence, and not with the purpose of complying with the Generally Accepted Accounting Principles in Venezuela VEN-NIF GE.

## Other matters to be informed

Based on the evaluation carried out by the Independent Auditors, in compliance with Resolution No. 119-10, I consider mentioning the following aspects that were observed in the revision of the Board of Directors minutes as of June 30th, 2019:

- Reading of Minutes No. 1,461 of the Board of Directors held on January 15th, 2019, the approval of the adjustment of the budget item for the execution of the Annual Operating Plan and the Annual Training Program corresponding to the year 2019.
- Reading of the Board of Directors Minutes held during the first half of 2019, the designation of new “Employees Responsible for Compliance” for sensitive areas in the matter of Capital Legitimation and Terrorism Financing.

Based on the evaluation of the Credit Portfolio and Interests and Commissions Receivable and Other Assets, as of June 30th, 2019, presented in the Special Report issued by the independent public accountants dated August 26th, 2019, for the purpose of complying with the standards for the preparation of semi-annual external audit reports established by the Superintendence of Institutions of the Banking Sector (SUDEBAN), the following provisions as of June 30th, 2019 are, in my opinion, reasonable and sufficient for the purposes for which they were created, in accordance with the standards issued by the Superintendence of Institutions of the Banking Sector (SUDEBAN). The figures are expressed in VES:

| Account                                    | VES              |
|--|------------------|
| Provision for Credit Portfolio             | 5,885,866,450.00 |
| Provision for Returns Receivable and Other | 1,613,354.00     |
| Provision for Other Assets                 | 187,499,637.00   |



# REPORT OF THE COMMISSIONER

Based on the assessment presented in the special report issued by the independent public accountants about the portfolio of Investments in Securities and their Returns Receivable, in national and foreign currency, as of June 30th, 2019, I determined that the presentation, valuation and its appraisal are reasonable, and, in our opinion, the creation of a provision is not required to that date, since they are registered in accordance with the provisions of the Accounting Manual for Banking Institutions, either at fair market values, at amortized cost, realization values or equity values, as applicable and there is no risk of impairment.

However, as of June 30th, 2019, the Bank made the registration of the equity interest in Proyecto Conexus, CA, based on the unaudited financial statements as of May 31st, 2019, the latest available at the date of registration. I do not have additional information to determine any indication of impairment on the value of the investment, if any.

Likewise, as of June 30th, 2019, the Bank has Bonds held until maturity recorded at amortized cost, whose fair market value is lower than the book value and has a default in the interest payment schedule. The Bank's management has carried out the analysis of this situation, and has concluded that this effect is temporary and not permanent.

On the other hand, as regards the securities in foreign currency, the Bank as of June 30th, 2019, keeps registered in the accounts "Investments in securities available for sale" and "Investments in securities held until maturity" US\$ 2,400 and US\$ 4,850,500, respectively, corresponding to the nominal value of securities issued by Petróleos de Venezuela, S.A., with interest rates between 5,375% and 5.5%, and with maturities until April 2037. Said titles, they had interest payment commitments for US\$ 132,149 for the months of April 2019 and October and April 2018. As of June 30th, 2019, the Bank maintains in the account "Past due income receivable for investments in securities" Bs. 2,662,726,135 (US\$ 396,447), corresponding to interest receivable in foreign currency, for which no provisions have been established.

On June 18th and January 2nd, 2019, the Bank requested the Superintendency of the Banking Sector Institutions authorization to gradually establish the provision corresponding to the past due receivables for investments in securities charged to account 352.00 "Gain or loss due to exchange rate fluctuations in the possession of assets and liabilities in foreign currency", in accordance with the provisions of Resolution No. 008.18. Likewise, it proposed for consideration of the Regulatory Enti-

ty, to account for the year 2019 the accrual corresponding to these titles in memorandum accounts, proceeding to register the income once payment is received.

Subsequently, on July 17th, 2019, the Superintendency of the Institutions of the Banking Sector, by means of Office No. SIB-II-GGIBPV-GIBPV5-07947, once authorized Banesco Banco Universal, C.A., to gradually constitute a period of 7 months beginning in the month of June 2019 and ending in December of the same year, under the heading of "Other assets", the provision corresponding to past due receivables for investments in securities, charged to the account 352.00 "Gain or loss due to exchange rate fluctuations due to the possession of assets and liabilities in foreign currency" over the balance accumulated as of December 31th, 2018.

The bank has control mechanisms aiming to enforce compliance with Article 307 of the Venezuelan Code of Commerce. The Bank does not decree or pays dividends to shareholders, but on net ant collected profits.

The reserves, provisions and statutory sections are reasonable and comply with the provisions set forth in the regulations governing the matter; therefore, the managers have complied with the duties imposed by the Law, the Articles of Incorporation and By-laws document, and the legal order in force.

Banesco Banco Universal, C.A. has implemented the corresponding audit programs, with the purpose of complying with the instructions included in Official Paper No. HSB200-1155 dated February 24th, 1984, issued by the Superintendence of Banks and Other Financial Institutions, the current Superintendence of the Institutions of the Banking Sector (SUDEBAN), as established in Official Paper No. HSB-200-5355 of September 13th, 1984.

During the period under review, I have not received any complaint from any shareholder nor have I been informed by any of them about the existence of circumstances that, in my opinion, weaken or have the potential to weaken the financial condition of the bank.

As part of my evaluation, I reviewed the communications received from and sent to the Superintendence of Institutions of the Banking Sector (SUDEBAN), during the semester ending on June 30. In this regard, I highlight:

- The Superintendency of the Institutions of the Banking Sector, through official letter No. SIB-DSB-CJ-PA-04981, dated May 15th, 2019, notified the Bank of the Decay of the Object of the Appeal for Reconsideration filed on November 19

# REPORT OF THE COMMISSIONER

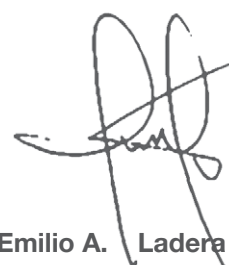
of 2018, published in the Official Gazette of the Bolivarian Republic of Venezuela No. 41,516, dated November 2nd, 2018, whereby it was agreed to keep in force on the same terms and twenty (120) continuous days, counted from of November 5th, 2018, the administrative measure of special intervention imposed on the commercial company Banesco Banco Universal C.A.

- The Superintendency of the Banking Sector Institutions, through official letter No. SIB-DSB-CJ-PA-05169, dated May 20th, 2019, notified through Resolution No. 021-19 dated May 20th, 2019, which decided to terminate the Sanctioning Administrative Procedure initiated to Banesco Banco Universal C.A., by means of an act beginning on September 27th, 2018, notified through the official letter signed with the nomenclature SIB-DSB-CJ-PA-16063 of that same date.
- The Superintendency of the Institutions of the Banking Sector, through official letter No. SIB-II-GGIR-GRT-01065, dated January 25th, 2019, sent a Special Review Report of Technological Risk with the results obtained in the visit to the Court November 6th, 2018, in accordance with the provisions of article 177 of the Decree with Rank, Value and Force of Law of Institutions of the Banking Sector. In this regard, the Superintendency indicated that there are findings that the Bank must address in a timely manner in order to minimize the risks detected.
- Through official letter SIB-DSB-OPCLC-FT-FPADM-06328, dated June 7th, 2019, it is sent to Banesco Banco Universal C.A., a report containing the results obtained in the Special Inspection Visit carried out at the Bella Vista Office (Code 086) located in the city of Maracaibo Edo. Zulia, with the objective of assessing compliance with Resolution 119-10 dated March 9th, 2010, as well as other circulars related to the matter of Prevention and Control of Capital Legitimation and Terrorist Financing issued by SUDEBAN. In this regard, on June 26th, 2019, it is observed from the Compliance Officer of Banesco Banco Universal C.A., response of the official notice to each of the observations indicated by the Superintendency of the Institutions of the Banking Sector (SUDEBAN).
- Through official letter UNIF-DDG-02574, dated June 21st, 2019, the Financial Intelligence Unit notified the Bank of the results of the evaluation that this unit carried out on the Suspicious Activity Reports (RAS, for its acronym in Spanish),

sent between March 12th, 2018 and on January 21st, 2019, observations were detected in 56.61% of the sample taken. In the aforementioned communication, the Bank is urged to continue applying intensified due diligence measures in the cases that require it, in order to generate quality Suspicious Activity Reports, and forward them to the Financial Intelligence Unit (UNIF).

It is recommended to continue strengthening the prevention and management mechanisms of the Comprehensive System of Management of Risks of Terrorist Financing, through a continuous review and improvement of its policies and documentation of internal procedures and controls, based on risks, with special attention to the Know Your Client Policy and due diligence efforts, in compliance with the provisions of the standards governing the matter. All this, taking into account the recommendations given by the Regulatory body and the external and internal auditors.

Based on the foregoing, I recommend the shareholders to adopt the financial statements of Banesco Banco Universal, C.A., corresponding to the semester that ended on June 30th, 2019, presented by the Board of Directors; as well as the management of the administrators of the banking institution for the semester that ended on June 30th, 2019. The administrators of the banking institution are encouraged to carry out the recommendations set out in this report as well as those resulting from the reports issued by the external auditors, in their respective reports, and from the remarks and instructions issued by the Superintendence of Institutions of the Banking Sector through communications and Official Papers issued in the exercise of their legal powers of regulation and control.



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



# CORPORATE MANAGEMENT REPORT

FIRST HALF 2019

## ○ ○ ○ HUMAN CAPITAL

### Talent Development and Training

These are oriented in a systematic, planned and permanent way in the processes of organizational learning and in the last trends in the management of knowledge, always in search of new methodological strategies to promote the learning by our Human Talent. In this half-year, we developed experiences aimed at generating the technical and professional improvement of citizen Banesco, in order to efficiently perform functions producing high quality results; framing our most important initiatives in:

- ▶ Training activities focused on key business areas, such as Credit, Sales, Business Processes, Project Management, Financial Logistics, as well as on strengthening Leadership Competencies and Management of Work Teams associated with Leadership, Innovation, Service Orientation. Similarly, and in compliance with legal regulations, we provide banking knowledge activities associated with specializations in Prevention of Money Laundering and Financing of Terrorism, according to sensitive risk areas, as well as actions related to Occupational Health and Safety.
- ▶ We successfully maintain the positioning of Banesco Virtual Learning (AVB) in our Banesco Citizens, complying with the strategy defined for continuous and specialized training and strengthening self-development.
- ▶ Regarding the Specialized Training under the face-to-face modality, the actions linked to the reinforcement of the regulatory banking knowledge by 49.5% stand out; as well as one of our most important priorities to consolidate the key technical knowledge by 42.3%, allowing the achievement of the organizational objectives.
- ▶ We have started internal training programs that strengthen high level technical knowledge for key business areas, such as Banesco Advanced Internal Audit Program (PABAI) and Advanced Project Management Program.
- ▶ We conceived our Professional Growth Routes for the areas of Specialized Banks, Regulatory Compliance, Technology



and Processes, Credit, Operations and Finance; designing the strategy to make them available to our Banesco Citizens in the second half of the year.

- ▶ We update the analysis on the development of our identified talents, making the history of the training received and determining lines of interest to manage actions related to Professional Development.
- ▶ We actively participate in the requirements of the Law by supporting the training of 125 INCES Apprentices.

These training activities allowed achieving the following results:

- ▶ 152,695 hours/man invested in training and development activities, of which 19,663 hours were carried out through classroom training and 132,032 hours through virtual training.
- ▶ 4,327 participations in training activities in situ.
- ▶ 13,790 participations under virtual modality.





# CORPORATE MANAGEMENT REPORT

## Culture and Organizational Environment Management

We are oriented to reinforce the experience of our values and their different behaviors, associated to being a responsible and quality Banesco Citizen, committed to the compliance with the Code of Ethics and Conduct.

We carry out actions such as: tours and meetings with teams from administrative offices and agencies at national level, with emphasis on strengthening the role of our leaders in emotional management and the development of behaviors that allow compliance with the principles and regulations that govern our behavior as Banesco citizens. We promote processes that generate commitment and changes that foster the proper functioning of the organization in a positive environment. We conduct constant measurements to strengthen the commitment of our collaborators, we support change management in strategic projects of the organization to encourage the adoption of new processes and implementation of improvements. A permanent communication and reinforcement deployment is maintained to emphasize and guarantee the responsibility that characterizes us and to achieve the living of our values every day.

## Quality of life

During the first semester of 2019, sports, recreational, cultural and volunteer activities were organized as part of the Quality of Life Plan, contributing to improve the workers' quality of life and motivating them to make better use of their free time, providing spaces for conciliation between work and personal life of Citizen Banesco and their families. Among the activities we can list the following:

## Sports, recreational and prevention activities against the consumption of alcohol, tobacco and other drugs

- ▶ **Toning (dance therapy, yoga, zumba), Softball training, Banesco Runners Club.**
- ▶ **Musical Language Classes, Singing and Cuatro: Thanks to the strategic alliance with the Simón Bolívar Orchestra System, we have created several musical activities for our collaborators.**

## Personnel's Services

- ▶ **Funeral Service:** Banesco, along with its Savings Bank, established for each month a coverage to contribute with the expenses of funeral service and cremation, for holder (a Bank's employee), without age limit; spouse without age limit; parents without age limit; children up to 30 years; single siblings up to 30 years, in the absence of children (maximum 3 siblings), in partnership with a provider offering the service at national level.
- ▶ **Hospitalization, Surgery and Maternity Policy:** In February and May 2019, Banesco employees and their family group obtained improvements in health policy coverage.
- ▶ **Contribution to School Supplies and Vacation Plan:** Banesco's Collective Work Agreement establishes the contributions to be paid to collaborators; this is why these were paid in June 2019.



We promote processes that generate commitment and changes that foster the proper functioning of the organization in a positive environment.

# CORPORATE MANAGEMENT REPORT

## CORPORATE SOCIAL RESPONSIBILITY

Education, health and financial inclusion are the basis of Banesco's social responsibility, sustainability policy and the guiding principles of our social investment.

During these first six months, our investment amounted to VES 6.42 billion to support different initiatives of our Social Partners and Allies in the search for greater well-being for our employees.

We allocate VES 6.17 billion to programs that strengthen the quality of life of Banesco citizens and their families. The amount accounts for 96.06% of the total social investment made during the first six months of the year. The internal dimension of our social investment includes the subsidy to the food service in the dining room of Ciudad Banesco; the medical service and support in cases of extreme diseases, among others.

With respect to the external aspect, we focus our efforts on maintaining and deepening valuable alliances with our social partners and allies, with contributions of VES 253.01 million for the different presented projects to support the most needy communities and population groups. This support was realized through work with foundations and Non-Governmental Organizations (NGOs) in the areas of education, health and disadvantaged population.

Some of our Corporate Social Responsibility initiatives include:

- Delivery of school supplies from our internal campaign "Help us to Help" in which Banesco Citizens collaborated by donating school materials to Colegio Sagrada Familia de Fe y Alegría, along with the Volunteers and Culture.
- Visit to our partner Venezuelan Association of Down Syndrome (AVESID)
- AVESID Concert for Banesco.
- Sponsorship of Social Perspectives by Venamcham, with the participation of one Banesco's stand in which several social responsibility initiatives were disseminated: Training Program for Micro entrepreneurs, Digital Library and Participatory Budget.



- Concert on the Mother's Day with our social partner Fundamusical for Banesco citizens.
- X Annual Meeting of Venezuelan Celiaca Foundation
- IV Rafael Cadenas National Youth Poetry Contest in alliance with La Poeteca.
- Concert on the Father's Day with our social partner Fundamusical.
- Christening of the Digital Book "Vitico al Bate".

### Training Micro-entrepreneurship Program

Banesco, in strategic partnership with FundAcción Social, University Institute of Management and Technology (IUGT), successfully completed the Training Program for Micro-entrepreneurs during the first half of 2019. This led to certify 1,761 entrepreneurs from the Capital District, Miranda State and the Eastern part of the country.

The planning and execution of the courses was supported by the School of Economics of the Central University of Venezuela-FACES, the Deaf Association of Caracas and the Diocese of El Tigre. These organizations consider entrepreneurship as a strategy to improve the quality of life of Venezuelans. In the UCV and the IUGT, the days had broad participation of the people of Caracas and Miranda. We managed to certify 1,103 women and 658 men, mostly high school graduates, university students and technicians with active businesses for

# CORPORATE MANAGEMENT REPORT

more than a year, or with business ideas to develop. Thanks to our alliance with the Caracas Deaf Association, we certified 35 deaf entrepreneurs.

We are advancing the pre-production stage of our Virtual Micro-entrepreneur Training Program jointly with IUGT, in order to carry out training for distance entrepreneurs from September 2019 and increase its scope.

## Editorial Banesco Fund

This initiative aims to respond to the need to support education, through the promotion of publishing activity in the country. For this reason, we sponsor books by Venezuelan authors and publish books whose contents contribute to the comprehensive training of people to create citizenship.

During this time, we added a new title to the Heritage Collection of our Banesco Publishing Fund: *Vitico al Bate*, a book about the life of Zulian baseball player Víctor Davalillo, an idol for the Venezuelan professional baseball.

The book contains a detailed narrative about his exploits, personal life, brilliant career in the Venezuelans' favorite sport and various anecdotes and curiosities about his life. The authors are Javier González and Carlos Figueroa Ruiz

## Participation in the 2019 Seminar Social Perspectives “Values for constructing a country”

All titles of the Banesco Digital Library were promoted to a select audience of approximately 700 people.

## Banesco Corporate Volunteering

During the period our volunteers participated in different activities, both cultural and social, among which stand out:

- ▶ Delivery of books and school supplies to school Colegio Sagrada Familia of Fe y Alegría in the campaign “Help us to Help”.
- ▶ Simón Bolívar Orchestra System Concerts
- ▶ X Celiac Congress in Venezuela
- ▶ AVESID Talentum Group Concert on the Valentine's Day.
- ▶ Logistical support in the execution of the Food Sales Conference for our collaborators.



We sponsor books by Venezuelan authors and publish books whose contents contribute to the comprehensive training of people to create citizenship.



# CORPORATE MANAGEMENT REPORT

## MARKETING AND INNOVATION

### We were present at the America's Cup with our "Avoid Frights" campaign

As part of the America's Cup, the oldest soccer tournament between national teams in the world, we continued to promote the use of our points of sale, with the re-launching of our massive "Avoid Frights" campaign, using a more forceful comprehensive strategy and more solid media.

By means of the Permanent Rewarded Ticket Program through which Debit and Credit Cardholders can obtain their free purchase by requesting their transaction to be made at Banesco points of sale, we provide a benefit of great value to our customers.

TV commercial, Radio, presence on Social Networks and at Banesco's website, from June 14, were used to accompany the campaign.

Additionally, we performed the America's Cup Trivia, displayed as a contest on Facebook, during 6 days and having an excellent receptivity.

### Informing our customers of the new service Balance Consultation by SMS

In April we launched the campaign "Consult your Balance by SMS" through Radio, Banesco's website and the RRSS platform, with the aim of promoting the new Banesco service, which makes it possible for customers to request a balance via SMS without requiring an Internet connection or smart phone.

The campaign is used to inform the client of the number at which the query should be made and the structure that the message should have for the correct functioning of the service.

### Continuing our efforts to permanently inform clients about prevention issues

In compliance the legislation in force, we continue to promote our campaign to prevent money laundering through social ne-

works and Banesco's website. By spreading this regulatory content, we contribute to reduce the operational, legal and reputational risk associated with money laundering and financing of terrorism.

During the first half of 2019, six informative bulletins were produced, containing recommendations that contribute to reinforcing our clients' knowledge on topics related to the origin of funds declaration, updating of data, the risks of lending financial products, the importance of knowing the financial activity of our clients, among other aspects.

Additionally, the information provided in the bulletins was reinforced with the publication of a banner and a marquee on Banesco's website that redirects the user to the landing page with details concerning the prevention of money laundering.

Likewise, in order to manage the momentum and scope of this content, we maintained the monthly posting on our social networks of all this information, including graphic pieces and tips about the campaigns. We also sent monthly mailings related to prevention of money laundering, financing of terrorism and financing to proliferation of weapons of mass destruction.



# CORPORATE MANAGEMENT REPORT

## Integrating Community Banking Access to Banesco's website

We carried out a campaign in May to inform about the migration of the Banesco Community Banking platform. We notify users that both access to Community Banking platform and the enrollment of the Micro-entrepreneurs Training Program are now available at Banesco's website.

The campaign was conducted through Banesco's website and the Social Responsibility. Additionally, a mailing was sent to customer using this site.

### UN PORTAL PARA TODOS

Cambiamos para mejorar, cambiamos para ti.



## Promotion of Banesco as a Leading Employer Brand through the “Podium for Success” Campaign.

As part of our efforts to place Banesco as an Employer Leading Brand, we refreshed the concept of the campaign we have been running for several years. To this aim, new pieces were designed to make the vacancies available on social networks more attractive.

As part of the comprehensive campaign process, the contents for the different pieces and the Brand guidelines were managed within the introduction for the new recruits.

## Providing tips to our customers with information to protect the safety of their products.

We promoted in January and April, through a campaign made up of videos in social networks, the most common routings of Banesco Telephone Banking so our customers could become familiar with them.

## ¡NO PIERDAS DE VISTA TU TARJETA!

Nunca aceptes ayuda o sugerencias de extraños mientras estés en un cajero automático



In February we taught our clients how to protect their accounts with strong passwords and other security standards offered by the different social network platforms. The goal was to teach them how to avoid being hacked and having their contacts swindled. This initiative was launched through a campaign on Banesco's website and Social Responsibility, so they can be alerted and avoid problems with their social networks.

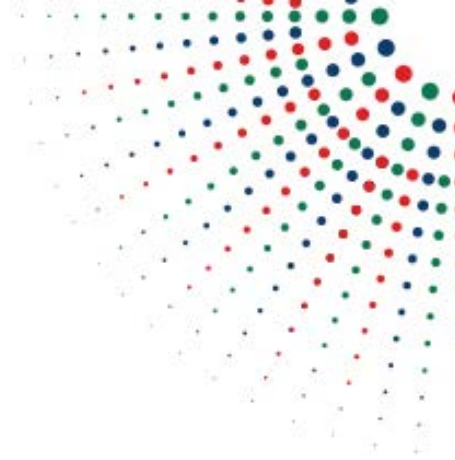
In May we carried out a campaign to educate the client on the handling of their products. In this regard, we indicated the main security tips to protect your card in order to avoid being a victim of the fraud known as “El Cambiazo”.

## We are in permanent contact with our pensioners

We maintain permanent communication with the beneficiaries of the Venezuelan Security Service (IVSS) so as to continue the process of education in the use of Digital Banking and inform them in a timely manner about the dates of their pension payment.

During this first half of the year, we have a monthly campaign in Banesco's website and Social Responsibility, informing each one of the dates related to the pension payment, as well as boosting the benefits available to the pensioner when using Banesco e-banking. At present, and thanks to this campaign, 93% of our active pensioners use our digital channels





# CORPORATE MANAGEMENT REPORT

## Social Networks

At the end of June 2019, our social networks totaled a community of more than 1.43 million followers on Twitter, Facebook, Instagram, Google+, YouTube and LinkedIn. This is an increase of 10.54% compared to June 2018 and 4.66% to December 2018. For this reason, our social networks are an important channel to communicate with our clients and people, not only to transmit our contents, but also to know their opinions in real time.



During the first half of the year, 16,363 cases related to products and services were attended through social networks. In relation to attended cases, 28.30% corresponded to Banesco customer requirements, while 71.70% were inquiries about products and services.

Regarding its presence on social networks like Twitter, @Banesco remains as the preferred social network for users and it is reaching more than 720,000 followers by June 2019. In addition to serving as a link for consultations and requirements, it offers contents of interest on personal finance, entrepreneurship, technology, anniversaries, history, sports, business, energy and news about the Bank's products, services or promotions. Banesco on Facebook had 265,000 followers, while Instagram had more than 165,000 followers.

The videos uploaded on the YouTube channel "Banesco in Images" record more than 4.9 million plays, in addition to more than 10,500 subscribers. At the end of June 2019, the Banesco Blog reached 8 million visits. On this website, apart from corporate information regarding products and its policy of Corporate Social Responsibility, the institution is counting on exclusive content, drafted by renowned journalists.

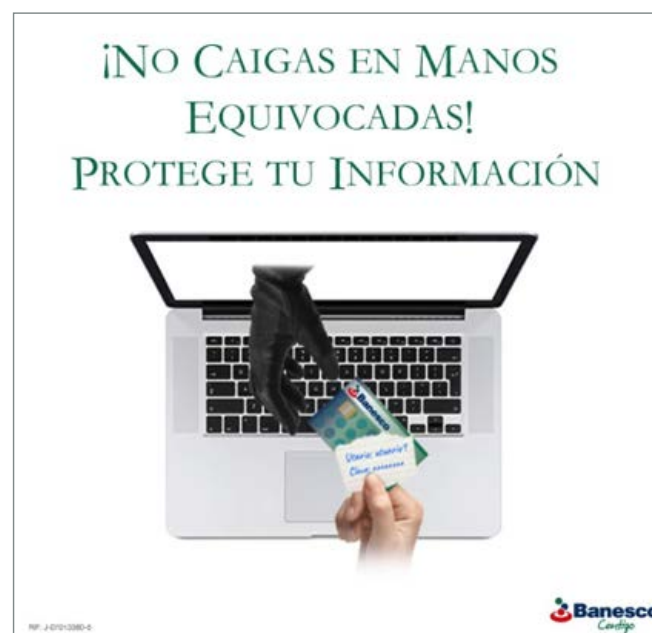
## SEGMENT MANAGEMENT

During the first half of 2019, the management of updating customer data and files was continued by applying the *Know Your Customer Policy* in each contact that is made, through visits and interviews to obtain updated information.

Concerning public deposits, a market share of 15.97% is obtained, excluding the exchange agreement accounts and reaching a balance of VES 1.36 billion, which accounted for a 665% growth with respect to the closing of the second semester of 2018.

Efforts were made to maintain credit support for clients, even though the legal reserve measure affected the availability of funds to be intermediated. The gross loan portfolio reached a market share of 11.78%, for an amount of VES 312 billion at the close and an absolute growth of VES 237 billion in the last six months.

During the first half of 2019, we granted VES 7 billion throughout 1,474 operations for microenterprise activities. In addition, 1,690 transactions were settled in the managed credit portfolios for VES 55 billion, with most of the funds going to support the agricultural sector (VES 44 billion).



# CORPORATE MANAGEMENT REPORT

## ELECTRONIC CHANNELS AND BANK BRANCHES

### Digital and Electronic Channels and Branch Network

During the first half of 2019, more than 2,205 million transactions were carried out by our customers through the service channels offered by Banesco, resulting in a 99.6% participation of digital and electronic channels at the end of June.

### Channel Agencies

At the end of June 2019, Banesco had 323 Service Points made up of 299 Agencies, 21 Box Offices and 3 Banesco Express, through which 9.1 million transactions were carried out.

### E-Banking

During the first half of 2019, BanescOnline recorded an average of 2.6 million active monthly customers, accounting for 64% of the Bank's total active customers, who executed more than 1,366 million transactions on a recurring basis.

In order to improve our customers' experience, several adjustments were made to the limits of transfers made through BanescOnline. In addition, SMS Consultation was launched in order to migrate balance consultation from the usual channels to this modality. During the first half of the year, clients made 3,296,380 successful consultations.

### Mobile Payment Channel

At the end of the period, the channel reached more than 1.9 million affiliates and 54 million transactions. In addition, the P2C (Person-to-Commerce Payment) modality was activated, which has more than 40,000 members to this day.

## Telephone Banking Channel

The Banesco Call Center handled a total of 21.39 million calls. 98% were attended in an automated way through the IVR (20.93 million calls) and only 2% (458,000 calls) were handled by telephone agents.

## ATMs

Banesco closed the month of June with an installed operating number of 778 ATMs in the country (302 Mono-functional and 476 Multi-functional). These were used to process more than 21.4 million operations during the first six months of the current year covering around 12 million withdrawals and more than 8.9 million consultations.

## PAYMENT METHODS AND SERVICES

Collection and Payment Services recorded 77 million transactions, driven by the increase in Mobile Payment and Multipayment e-Transactions.

The transactional volume of Collection and Payment Services registered an increase of over 102,000% with respect to the same period in 2018, highlighting the growth in volume of Online Collection and Direct Debit.



# CORPORATE MANAGEMENT REPORT

## DEBIT AND CREDIT CARDS

### Credit Card Issuer Business

The Credit Card business grew 321% in sales at the end of the first half of 2019 compared to the second half of 2018, maintaining a non-performing loan ratio of just 0.024%.

The extra credit product (Purchases and Cash) had a variation of 394% compared to the end of 2018.

During the period, card granting and maintenance initiatives were undertaken, meeting the needs of our customers. This has done according to their payment capacity and in compliance with the risk policies and minimum legal amount, and has benefited 293,191 customers with credit limit increases in the different cards, providing greater spending capacity.

### Debit Card Issuer Business

Banesco Debit Cards reflected an increase in sales of 1.671% at the close of the first half of 2019 with respect to the previous period. In fact, the Point of Sale was the channel most used by customers, as a result of the constant revision of the highest amounts for POS transactions, reaching an acceptance level of 92% in approved transactions. It also maintained the service offer above the market and strengthened both the preference and the customer experience.

With regard to Pensioners, 76% of our customers already have a debit card and enjoy the comfort of mobilizing their pension through the Points of Sale to make purchases and service payments.

### Promotions and Alliances

The commercial alliances, in addition to stimulate the use of Banesco Cards, seek to strengthen the relationship of loyalty Banesco - Customer, providing exclusive benefits based on their needs and preferences.



### “Winning Ticket” Program

In the first half of the year, more than 4,700 prizes were awarded to customers who used their credit and debit cards, reimbursing them for their consumption.

In June, the “Avoid Frights” Campaign was relaunched, which was reinforced within the framework of the 2019 America’s Cup through Open TV, Radio, Cable TV, Banesco.com and Social Networks.

### Acquiring Business

► **Total No. of POS (Physical and Virtual):** 116,312 Activated POS

► **Number of Transactions:** 577.691.914

Banesco’s Acquiring Business reflected more than 577.7 million transactions for the first half of the year.

We are one of the country’s leading banks in the acquisition business. We implement an affiliation plan for different business segments, guaranteeing the quality of the commercial portfolio through certified providers that offer services and equipment. This is in order to satisfy the needs of our commercial clients with physical and virtual POS that aim at simple and positive payment experiences.



# CORPORATE MANAGEMENT REPORT

## COMPETITIVE INTELLIGENCE

The greatest strategic challenge currently challenging companies is not how to gain or maintain a sustainable advantage over their competitors, but how to continually discover new and extraordinary ways to create, provide and achieve value.

The customer's experience is just that way, this means an interactive process of multiple dimensions that arises between a brand and a person, and is developed through the points of contact that connect them over time. From this perspective, since 2015 Banesco's objective has been to manage and design experiences that go beyond customer satisfaction. These experiences add value and differences, as well as experiences that contribute to the construction of a base of loyal customers and active promoters of our products and services. This is translated into a sustainable competitive advantage.

In line with this objective, during the first half of 2019 we continued with the strategy of measuring Customer Experience, a mechanism through which we collect the customer's voice on the service we provide, their expectations and level of preference. This is not only from Banesco but also from the main banks in the country for evaluating and interpreting their emotions in the interaction with our brand, products and services. As a result of this monitoring, we identify your expectations, valuable information that allows us to continually deepen actions that attract, link, build loyalty and consolidate a relationship, not only satisfactory for customers, but profitable for the organization. During this half-year, we are evolving with the operational measurement of Banesco Móvil and Pago Móvil, so that we can know precisely how our clients rate these two important applications.

In order to deepen the understanding of the client and how it is linked to the organization, since this semester we implemented the analysis of the *Customer Journey* for the Digital Banking

and Agencies channels. This methodology, which follows a client's path when using our services, has allowed us to monitor behavior, needs and problems during each point of contact, as well as identify valuable elements to focus on in order to improve. This, combined with the continuous analysis of the indicators that support the strategy, has led to the development of numerous initiatives that have had an impact on the Banesco customer experience, actions that since 2016 have totaled more than 100.

During the six months, two waves of *Mystery Shopper* were carried out in Agencies, a study through which we monitor and evaluate the standards and processes of the attention provided in these important interaction points to customers, as part of the studies that feed the knowledge about the customer experience with our services.

Focusing on the *Customer Intelligence*, we continue advancing in the development of knowledge related to our clients and deepening the understanding in the interaction with our channels. This has allowed us to identify a significant sum of customers that from the behavioral perspective have preferred our e-Banking to carry out their day-to-day operations. The change towards digital transformation in Banesco has led us to have a fairly significant number of digital clients, which account for 75% of the total global bank customers at present.



Focusing on the *Customer Intelligence*, we continue advancing in the development of knowledge related to our clients and deepening the understanding in the interaction with our channels.



# CORPORATE MANAGEMENT REPORT

## INFORMATION TECHNOLOGY, BUSINESS PROCESSES AND OPERATIONS

In the areas of Information Technology, Processes, Operations and Project Office, we continue to be aligned with our strategy of transforming actions into business opportunities for the Bank, strengthening the self-management of processes, enabling growth strategies and the development of new markets, offering a reliable experience to our clients, guaranteeing stability, continuity and the increase of services. All of this is done with quality and profitability criteria.

### Processes

In the process area, we are committed to the continuous improvement and transformation of the organization's processes. During this half year, we implemented the permanent process of Custody of Processes, which allows guaranteeing the knowledge and compliance of the organization's processes in the different areas that comprise it. This is managed through a gap closing plan for each area.

We continue to work with efficient structures, that is, light structures that have allowed us to consolidate areas with similar functions, as well as to simplify roles and optimize processes, resulting in a more cost-efficient organization.

All regulatory requirements have been met by complying with requests on the required dates, designing and implementing new processes, as well as refurbishing the existing ones.

### Project Office

The Project Office has managed to maintain a consistent level of performance in the execution of projects by reporting indicators of portfolio compliance with satisfactory results. This is the result of strict control, constant monitoring, identification of synergies, relationships and priorities, as well as the optimization and atomization of scopes, activation of timely change

controls, leading us to rationalization and dynamism of the project portfolio and requirements to adapt to the organizational environment and the country's environment.

We achieved greater integration and communication of work teams with the introduction of agility practices (sprints, war rooms, daily meetings) in selected projects, which allowed us to perform the most effective and efficient test cycles.

### Application Development and Maintenance

In the field of Application Development and Maintenance, by working together with businesses on their strategy and vision, we have delivered technological solutions that support corporate strategies.

In the framework of regulatory compliance, all the requests made by the different government entities were completed within the established timeframe, and 30 requests were dealt with. It is important to highlight the fulfillment in terms of date and time of the project implementation for the updating of customer data in the agencies network, retail exchange operations and exchange desk, as well as the attention to Local Interconnection projects, Biometric Authentication, Interbank Mobile Commerce Payment to People (C2P), among others.



We implemented the permanent process of Custody of Processes, which allows guaranteeing the knowledge and compliance of the organization's processes in the different areas that comprise it.

# CORPORATE MANAGEMENT REPORT

## Technology Operations

We guarantee the availability of services, assuring the execution of operations under conditions of security, reliability and stability, accompanying the growth of the Bank based on principles of quality and profitability.

As a result of the plans for continuous improvement of processes (preventive and corrective actions), health of systems, and replacement by obsolescence in the different layers, the technology operations area reached optimal levels in the platforms that support the bank's services, its products and channels.

Works for the recovery of disk storage space were implemented by means of optimization actions on IT platforms. The renewal and regular expansion of the renewal and periodic expansion of the main capacity architectures (OSB, P2P, AS4OO, IBS Core Actual, Sir Web, Credit WorkFlow) continued, as well as the reutilization of processing and storage of the banking core in its non-productive environments, monitoring platforms, communications, data centers. This is entitled to support the business and transactional growth, maintaining reliability and the stability regarding the bank's operations, which also allows guaranteeing the availability of services.



## COMPREHENSIVE RISK MANAGEMENT

During the first half of 2019, the organization's risk management continued to focus on the control and mitigation of global losses, the promotion and strengthening of continuity and the monitoring of the key risk indicators approved by the Board of Directors within the risk - return levels accepted by the shareholders, based on the identification of risks. This identification is achieved through the constant review and monitoring of the exhibitions, products evaluation, both new and existing, and the accompaniment associated with this analysis, as well as the continuous updating of the risk models, together with the continuity of the communication, measurement and training actions that make up the Risk Culture Plan, whose main objective is to provide the necessary tools to Banesco citizens for risk management in their processes.

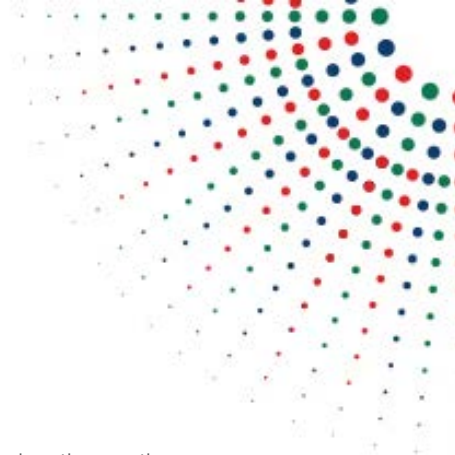
At the end of June 2019, talks on integral risk to new income were given, covering 175 trained persons. Besides, specialized training on market risk and liquidity was delivered to the Treasury and Finance area, while for credit risk, specialized training talks were given to the network of risk management agencies.

## Operational Risk

In the case of operational risk, which is understood as the possible financial impact on the bank due to weaknesses, inadequacies or failures of internal processes, people and systems, or external events, Banesco has maintained and reinforced the application of risk analysis methodologies in the various value chains, as well as in new products and/or services.

The evaluations, analysis and continuous follow-up with the owners of processes, jointly with the Internal Audit area, have conformed a key component to ensure that risk levels remain within the established thresholds and thus be able to control the Bank's exposures.

# CORPORATE MANAGEMENT REPORT



Similarly, the risk culture was strengthened for the timely identification and reporting of events, as well as the establishment of mitigation actions to close gaps, minimize losses and reduce reputational and/or legal impact, through an expeditious process of reporting, control and event management.

At the same time, the risk management at organizational level was emphasized, focusing on those that represent customer involvement, attention to regulatory issues and the probability of financial losses for the organization.

## Market and Risk Models and Liquidity

During the first half of 2019, the review of the existing models and methodologies at Banesco Banco Universal for credit risk management was deepened, through the predictability analysis of the granting, behavior and early warning models, and the design of a new model of qualifications for the granting of credit cards, contributing to a better placement of credit, to the adequate detection of early alerts and to the reduction of the expected losses of the portfolio.

Likewise, estimates of indicators in base and stress scenarios were developed, seeking to foresee factors that could increase the exposure to risk in unforeseen situations, such as the estimation of expected losses and economic capital for credit risk, as well as the determination of the limits and thresholds of general exposure of the institution.

Regarding Risk Culture, the Executive Management of Models and Market and Liquidity Risk participated in the different trainings held by the Vice Presidency of Integral Risk Management, established in the Risk Culture Plan, in order to inform about the importance of supporting decision-making in models, methodologies and strong tools for risk management in the different processes.

With regard to market and liquidity risk at Banesco Banco Universal, these risk categories are managed through methodologies framed in international standards and practices. In the

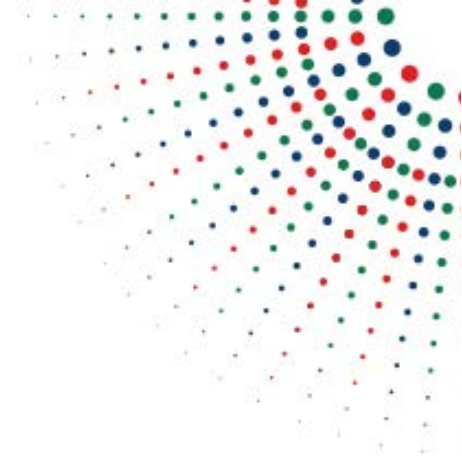
event of market risk, this being understood as the contingency arising from price fluctuations, exchange rate and interest rate in the Organization, it is evaluated through the calculation of the Risk Value (VaR), as well as the sensitivity of the financial margin to changes in interest rates.

As for liquidity risk, defined as potential asset losses due to inability or difficulty in obtaining funds to meet commitments with creditors, the Bank determines and manages asset and liability gaps at different maturities, as well as liquidity ratios: coverage indicator, liquidity ratio and structural liquidity ratio, which are monitored on a daily basis. Thus, the methodologies, indicators and recommendations detailed in the resolutions of the Superintendence of Banking Sector Institutions (SUDEBAN) No. 136.03, concerning standards for adequate comprehensive risk management, and 136.15, associated with liquidity management, are complied with.

## Credit Risk

During the first half of 2019, actions were continued to strengthen credit risk management, leveraged on: a) the strengthening of credit granting and maintenance criteria, b) the execution of training plans on credit risk, with emphasis on the Know Your Customer Policy and customer selection criteria, c) models and methodologies for granting and behavior, with adequate levels of predictability, which are continually reviewed, and which have allowed the quality of the credit portfolio to be maintained at the levels foreseen by the Institution.

All these actions, along with the application of more effective collection strategies and differentiated type of credit, maintaining a comprehensive view of the customer, have enabled the Bank to obtain indicators of past-due balances and non-performing loans at levels lower than those expected by the institution and observed in the financial system.



# PROPOSAL TO DECREE AND PAID DIVIDENDS

BANESCO BANCO UNIVERSAL

Caracas, August 30, 2019

**Proposals Presented by The Board of Directors For  
The Consideration And Decision of The Regular General  
Meeting of Shareholders Called For September 26,  
2019, to Decree And Pay Shares Dividends, Approved  
in Session No. 1,469 Dated July 31, 2019.**

## Dividends in Shares

If the redemption of **twenty thousand (20,000)** preferred shares is approved, in accordance with the prospectus of public offering of preferred shares issues 2008-I and 2008-II. and for the purpose of maintaining the Bank's Capital Stock, it will be proposed to the Extraordinary Meeting of Shareholders to decree and pay a dividend in shares, for **Two Bolívars (Bs.2,00)**, by issuing **twenty thousand (20,000)** new common shares.

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

**José Grasso**  
Executive President





# BALANCE SHEET

## ASSETS

Stated in Million VES

|  | Jun. 19          | Dec. 18        | Jun. 18      | Dec. 17    |
|--|------------------|----------------|--------------|------------|
| <b>CASH AND DUE FROM BANKS</b>                                     | <b>1,378,135</b> | <b>103,099</b> | <b>2,307</b> | <b>212</b> |
| Cash   | 74,070           | 7,740          | 21           | 2          |
| Central Bank of Venezuela  | 1,051,557        | 73,521         | 2,165        | 204        |
| Local Banks and Other Financial Institutions                       | 5,622            | 645            | 8            | 1          |
| Foreign Bank   | 228,537          | 17,240         | 24           | 0          |
| Head Office and Branches   | 0                | 0              | 0            | 0          |
| Pending Cash Items   | 18,393           | 3,952          | 90           | 5          |
| (Provision for Bank Accounts)                                      | -45              | 0              | 0            | 0          |
| <b>INVESTMENTS IN SECURITIES</b>                                   | <b>115,537</b>   | <b>29,177</b>  | <b>61</b>    | <b>7</b>   |
| Investments in Central Bank  | 0                | 0              | 0            | 0          |
| Investments in Trading Securities                                  | 0                | 0              | 0            | 0          |
| Investments in Securities Available for Sale                       | 389              | 123            | 3            | 1          |
| Investments in Securities Held to-maturity                         | 9,697            | 19,138         | 20           | 1          |
| Limited Availability Investments                                   | 105,412          | 9,870          | 18           | 0          |
| Other Security Investments   | 39               | 45             | 20           | 6          |
| (Provision for Security Investments)                               | 0                | 0              | 0            | 0          |
| <b>LOAN PORTFOLIO</b>  | <b>305,890</b>   | <b>73,279</b>  | <b>2,242</b> | <b>74</b>  |
| Outstanding Credits  | 311,771          | 74,660         | 2,288        | 76         |
| Restructured Credits   | 0                | 0              | 0            | 0          |
| Past Due Credits   | 4                | 0              | 0            | 0          |
| Credits in Litigation  | 0                | 0              | 0            | 0          |
| Provision for Credit Portfolio                                     | -5,886           | -1,381         | -46          | -2         |
| <b>INTEREST AND COMMISSIONS RECEIVABLE</b>                         | <b>8,762</b>     | <b>1,075</b>   | <b>17</b>    | <b>1</b>   |
| Interest receivable from cash and due from banks                   | 0                | 0              | 0            | 0          |
| Interest receivable from security investments                      | 386              | 437            | 1            | 0          |
| Interest receivable from credit portfolio                          | 8,179            | 621            | 16           | 1          |
| Commissions Receivable   | 199              | 17             | 1            | 0          |
| Interest Receivable on Other Accounts Receivable                   | 0                | 0              | 0            | 0          |
| Provision for Interest Receivable and Other                        | -2               | 0              | 0            | 0          |
| <b>INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES</b>        | <b>1,330</b>     | <b>32</b>      | <b>0</b>     | <b>0</b>   |
| Investments in subsidiaries and affiliates                         | 1,330            | 32             | 0            | 0          |
| Investments in branches  | 0                | 0              | 0            | 0          |
| Provision for investments in subsidiaries, affiliates and branches | 0                | 0              | 0            | 0          |
| <b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>                        | <b>0</b>         | <b>0</b>       | <b>0</b>     | <b>0</b>   |
| <b>PROPERTY IN USE</b>   | <b>18,781</b>    | <b>5,334</b>   | <b>15</b>    | <b>4</b>   |
| <b>OTHER ASSETS</b>  | <b>217,365</b>   | <b>10,717</b>  | <b>220</b>   | <b>10</b>  |
| <b>TOTAL ASSETS</b>  | <b>2,045,800</b> | <b>222,713</b> | <b>4,863</b> | <b>308</b> |

# BALANCE SHEET

## LIABILITIES

Stated in Million VES

|   | Jun. 19          | Dec. 18        | Jun. 18      | Dec. 17    |
|---|------------------|----------------|--------------|------------|
| <b>DEPOSITS FROM CLIENTS</b>  | <b>1,378,726</b> | <b>159,075</b> | <b>4,247</b> | <b>281</b> |
| Deposits in Current Accounts  | 1,293,846        | 150,654        | 4,082        | 262        |
| Non-Remunerated Checking Accounts   | 800,394          | 105,894        | 2,696        | 177        |
| Remunerated Checking Accounts   | 441,886          | 43,134         | 1,293        | 84         |
| Current accounts under exchange agreement n° 20                               | 15,250           | 1,446          | 3            | 0          |
| Demand Deposits and Certificates  | 14,018           | 180            | 91           | 1          |
| Current Accounts Exchange System Free Convertibility                          | 22,298           | 0              | 0            | 0          |
| Special Funds in Trusts Free Convertibility System                            | 0                | 0              | 0            | 0          |
| Other Demand Obligations  | 12,139           | 959            | 13           | 1          |
| Obligations for Money Desk Operations   | 0                | 0              | 0            | 0          |
| Savings Deposits  | 72,604           | 7,446          | 136          | 17         |
| Time Deposits   | 137              | 16             | 16           | 0          |
| Securities Issued by the Institution  | 0                | 0              | 0            | 0          |
| Restricted Deposits from Clients  | 0                | 0              | 0            | 0          |
| Right of Ownership and Participation on Security Investments                  | 0                | 0              | 0            | 0          |
| <b>OBLIGATIONS WITH BCV</b>   | <b>0</b>         | <b>0</b>       | <b>0</b>     | <b>0</b>   |
| <b>DEPOSITS AND OBLIGATIONS WITH BANAVIH</b>                                  | <b>0</b>         | <b>0</b>       | <b>0</b>     | <b>0</b>   |
| <b>OTHER FINANCING OBTAINED</b>   | <b>108,495</b>   | <b>7,597</b>   | <b>122</b>   | <b>7</b>   |
| Liabilities with local financial institutions up to one year                  | 108,495          | 7,597          | 122          | 7          |
| Liabilities with local financial institutions more than one year              | 0                | 0              | 0            | 0          |
| Liabilities with foreign financial institutions up to one year                | 0                | 0              | 0            | 0          |
| Liabilities with foreign financial institutions more than one year            | 0                | 0              | 0            | 0          |
| Other Liabilities up to one year  | 0                | 0              | 0            | 0          |
| Other Liabilities more than one year  | 0                | 0              | 0            | 0          |
| <b>OTHER FINANCIAL OBLIGATIONS</b>  | <b>0</b>         | <b>0</b>       | <b>0</b>     | <b>0</b>   |
| <b>INTEREST AND COMMISSIONS PAYABLE</b>                                       | <b>543</b>       | <b>1</b>       | <b>0</b>     | <b>0</b>   |
| Expenses payable due to deposits from clients                                 | 154              | 1              | 0            | 0          |
| Expenses payable due to obligations with BCV                                  | 0                | 0              | 0            | 0          |
| Expenses payable due to deposits and liabilities with BANAVIH                 | 0                | 0              | 0            | 0          |
| Expenses payable due to other financing obtained                              | 277              | 0              | 0            | 0          |
| Expenses payable due to other financial obligations                           | 111              | 0              | 0            | 0          |
| Expenses payable due to obligations convertible to capital                    | 0                | 0              | 0            | 0          |
| Expenses payable due to subordinated debt                                     | 0                | 0              | 0            | 0          |
| <b>ACCRUALS AND OTHER LIABILITIES</b>   | <b>331,036</b>   | <b>37,495</b>  | <b>307</b>   | <b>11</b>  |
| <b>SUBORDINATED DEBT</b>  | <b>0</b>         | <b>0</b>       | <b>0</b>     | <b>0</b>   |
| <b>OTHER LIABILITIES</b>  | <b>0</b>         | <b>0</b>       | <b>0</b>     | <b>0</b>   |
| <b>TOTAL LIABILITIES</b>  | <b>1,818,801</b> | <b>204,167</b> | <b>4,676</b> | <b>299</b> |
| <b>STOCKHOLDERS' EQUITY</b>   |                  |                |              |            |
| <b>CAPITAL STOCK</b>  |                  |                |              |            |
| Capital Paid-in   | 0                | 0              | 0            | 0          |
| <b>PAID-IN SURPLUS</b>  |                  |                |              |            |
| PAID-IN SURPLUS   | 0                | 0              | 0            | 0          |
| <b>UNCAPITALIZED EQUITY CONTRIBUTIONS</b>                                     |                  |                |              |            |
| UNCAPITALIZED EQUITY CONTRIBUTIONS  | 800              | 800            | 65           | 1          |
| <b>CAPITAL RESERVES</b>   |                  |                |              |            |
| CAPITAL RESERVES  | 0                | 0              | 0            | 0          |
| <b>EQUITY ADJUSTMENTS</b>   |                  |                |              |            |
| EQUITY ADJUSTMENTS  | 140,911          | 14,109         | 30           | 2          |
| <b>ACCUMULATED INCOME</b>   |                  |                |              |            |
| ACCUMULATED INCOME  | 85,099           | 3,611          | 92           | 6          |
| <b>NON-REALIZED GAIN OR (LOSS) ON AVAILABLE FOR SALE SECURITY INVESTMENTS</b> |                  |                |              |            |
| NON-REALIZED GAIN OR (LOSS) ON AVAILABLE FOR SALE SECURITY INVESTMENTS        | 189              | 26             | 0            | 0          |
| <b>TREASURY STOCK</b>   |                  |                |              |            |
| TREASURY STOCK  | 0                | 0              | 0            | 0          |
| <b>TOTAL LIABILITIES</b>  | <b>227,000</b>   | <b>18,546</b>  | <b>187</b>   | <b>9</b>   |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                             | <b>2,045,800</b> | <b>222,713</b> | <b>4,863</b> | <b>308</b> |
| <b>CONTINGENT DEBTOR ACCOUNTS</b>   |                  |                |              |            |
| CONTINGENT DEBTOR ACCOUNTS  | 64,158           | 7,840          | 346          | 12         |
| <b>TRUST ASSETS</b>   |                  |                |              |            |
| TRUST ASSETS  | 66,134           | 6,120          | 15           | 1          |
| <b>OTHER TRUST ASSIGNMENTS</b>  |                  |                |              |            |
| OTHER TRUST ASSIGNMENTS   | 1                | 0              | 0            | 0          |
| <b>DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (HOUSING MUTUAL FUND)</b>         |                  |                |              |            |
| DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (HOUSING MUTUAL FUND)                | 1,747            | 78             | 2            | 1          |
| <b>OTHER DEBTOR ACCOUNTS (HOUSING MUTUAL FUND)</b>                            |                  |                |              |            |
| OTHER DEBTOR ACCOUNTS (HOUSING MUTUAL FUND)                                   | 0                | 0              | 0            | 0          |
| <b>OTHER DEBTOR MEMORANDUM ACCOUNTS</b>                                       |                  |                |              |            |
| OTHER DEBTOR MEMORANDUM ACCOUNTS  | 8,176,773        | 1,884,867      | 4,467        | 734        |
| <b>OTHER DEBTOR BOOK ACCOUNTS</b>   |                  |                |              |            |
| OTHER DEBTOR BOOK ACCOUNTS  | 0                | 0              | 0            | 0          |



## STATEMENTS OF EARNINGS

Stated in Million VES

|  | Jun. 19        | Dec. 18      | Jun. 18    | Dec. 17  |
|--|----------------|--------------|------------|----------|
| <b>FINANCIAL REVENUES</b>  | <b>61,084</b>  | <b>4,457</b> | <b>140</b> | <b>7</b> |
| Revenues from Cash and Cash Equivalents  | 1,290          | 18           | 0          | 0        |
| Revenues from Security Investments   | 3,957          | 277          | 1          | 0        |
| Revenues from Credit Portfolio   | 55,837         | 4,162        | 139        | 7        |
| Revenues from Other Accounts Receivable  | 0              | 0            | 0          | 0        |
| Revenues from Investments in Subsidiaries, Affiliates and Branches                   | 0              | 0            | 0          | 0        |
| Revenues from Head Office and Branches   | 0              | 0            | 0          | 0        |
| Other Financial Revenues   | 0              | 0            | 0          | 0        |
| <b>FINANCIAL EXPENSES</b>  | <b>11,206</b>  | <b>132</b>   | <b>3</b>   | <b>1</b> |
| Expenses Due to Deposits from Clients  | 4,349          | 127          | 3          | 1        |
| Expenses Due to Obligations with BCV   | 0              | 0            | 0          | 0        |
| Expenses Due to Deposits and Obligations with BANAVIH                                | 0              | 0            | 0          | 0        |
| Expenses Due to Other Financing Obtained   | 5,068          | 0            | 0          | 0        |
| Expenses Due to Other Financial Obligations  | 1,789          | 5            | 0          | 0        |
| Expenses Due to Subordinated Debt  | 0              | 0            | 0          | 0        |
| Underlying Obligations   | 0              | 0            | 0          | 0        |
| Expenses Due to Head Office and Branches   | 0              | 0            | 0          | 0        |
| Other Financial Expenses   | 0              | 0            | 0          | 0        |
| <b>GROSS FINANCIAL MARGIN</b>  | <b>49,878</b>  | <b>4,325</b> | <b>137</b> | <b>7</b> |
| <b>INCOME FROM RECOVERED FINANCIAL ASSETS</b>  | <b>1</b>       | <b>0</b>     | <b>0</b>   | <b>0</b> |
| <b>EXPENSES FOR UNCOLLECTIBLE AND IMPAIRED FINANCIAL ASSETS</b>                      | <b>4,570</b>   | <b>1,336</b> | <b>44</b>  | <b>1</b> |
| Uncollectible Loans and Other Accounts Receivable                                    | 4,508          | 1,336        | 44         | 1        |
| Provision for Cash and Due from Banks  | 61             | 0            | 0          | 0        |
| <b>NET FINANCIAL MARGIN</b>  | <b>45,309</b>  | <b>2,990</b> | <b>92</b>  | <b>5</b> |
| Other Operating Income   | 183,742        | 7,028        | 95         | 4        |
| Other Operating Expenses   | 17,244         | 1,009        | 16         | 1        |
| <b>FINANCIAL INTERMEDIATION MARGIN</b>   | <b>211,807</b> | <b>9,008</b> | <b>172</b> | <b>9</b> |
| <b>TRANSFORMATION EXPENSES</b>   | <b>97,551</b>  | <b>3,567</b> | <b>47</b>  | <b>3</b> |
| Personnel Expenses   | 28,183         | 1,259        | 24         | 1        |
| Administrative and General Expenses  | 66,160         | 2,224        | 21         | 2        |
| Contributions to Deposit Guarantee and Bank Protection Fund                          | 1,129          | 31           | 2          | 0        |
| Contributions to Superintendency of Banks and Other Financial Institutions           | 2,079          | 54           | 0          | 0        |
| <b>GROSS OPERATING MARGIN</b>  | <b>114,257</b> | <b>5,441</b> | <b>125</b> | <b>6</b> |
| Income from Adjudicated Goods  | 0              | 0            | 0          | 0        |
| Income from Special Programs   | 0              | 0            | 0          | 0        |
| Income from Sundry Accounts  | 18             | 4            | 0          | 0        |
| Expenses Due to Realizable Property  | 0              | 0            | 0          | 0        |
| Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods       | 0              | 0            | 0          | 0        |
| Expenses Due to Sundry Accounts  | 20,362         | 662          | 15         | 1        |
| <b>NET OPERATING MARGIN</b>  | <b>93,912</b>  | <b>4,782</b> | <b>109</b> | <b>5</b> |
| Extraordinary Income   | 0              | 0            | 0          | 0        |
| Extraordinary Expenses   | 150            | 1            | 0          | 0        |
| <b>GROSS INCOME BEFORE TAXES</b>   | <b>93,762</b>  | <b>4,781</b> | <b>109</b> | <b>5</b> |
| Income taxes   | 7,072          | 1,153        | 20         | 1        |
| <b>NET INCOME</b>  | <b>86,690</b>  | <b>3,628</b> | <b>89</b>  | <b>4</b> |
| <b>APPLICATION OF NET INCOME</b>   |                |              |            |          |
| Legal Reserve  | 0              | 0            | 0          | 0        |
| Statutory Utilities  | 5,201          | 109          | 3          | 0        |
| Other Capital Reserves   | 0              | 0            | 0          | 0        |
| <b>ACCUMULATED INCOME</b>  | <b>81,489</b>  | <b>3,519</b> | <b>86</b>  | <b>4</b> |
| <b>Other Accounts</b>  |                |              |            |          |
| LOSEP Contribution   | 960            | 50           | 1          | 0        |
| Third-Party Investments  | 0              | 0            | 0          | 0        |
| Monthly Agriculture Credit Portfolio   | 1,114          | 3,373        | 157        | 3        |
| Accumulated Agriculture Credit Portfolio   | 47,163         | 9,975        | 347        | 10       |
| Public Sector Deposits   | 110,575        | 3,613        | 55         | 6        |
| Micro-Credits  | 1,260          | 4,489        | 71         | 2        |
| Credits to the Segment of Tourism in accordance to law in force                      | 1,878          | 5            | 2          | 1        |
| Mortgages according to the Special Law for the Protection of the Housing Loan Debtor | 0              | 0            | 0          | 0        |
| Accounting Capital Adequacy Ratio (%)  | 24,08          | 15,80        | 8,91       | 11,08    |
| Manufacturing Loans  | 1,004          | 2,204        | 15         | 6        |

|   | Jun. 19      | Dec. 18    | Jun. 18  | Dec. 17  |
|---|--------------|------------|----------|----------|
| <b>TRUST</b>  | <b>4,921</b> | <b>347</b> | <b>5</b> | <b>1</b> |
| <b>HERITAGE TRUST</b>   | <b>618</b>   | <b>82</b>  | <b>1</b> | <b>0</b> |
| Individuals   | 0            | 0          | 0        | 0        |
| Corporative Entities  | 585          | 81         | 1        | 0        |
| Central Administration  | 0            | 0          | 0        | 0        |
| Public, State, Municipal and Central Administrations          | 0            | 0          | 0        | 0        |
| Decentralized Entities and Other Entities with Special Regime | 32           | 1          | 0        | 0        |
| <b>GUARANTEE TRUSTS</b>                                       | <b>0</b>     | <b>0</b>   | <b>0</b> | <b>0</b> |
| Individuals   | 0            | 0          | 0        | 0        |
| Corporative Entities  | 0            | 0          | 0        | 0        |
| Central Administration  | 0            | 0          | 0        | 0        |
| Public, State, Municipal and Central Administrations          | 0            | 0          | 0        | 0        |
| Decentralized Entities and Other Entities with Special Regime | 0            | 0          | 0        | 0        |
| <b>MANAGEMENT TRUSTS</b>                                      | <b>4,304</b> | <b>265</b> | <b>4</b> | <b>1</b> |
| Individuals   | 0            | 0          | 0        | 0        |
| Corporative Entities  | 2,407        | 72         | 2        | 0        |
| Central Administration  | 47           | 7          | 0        | 0        |
| Public, State, Municipal and Central Administrations          | 65           | 1          | 0        | 0        |
| Decentralized Entities and Other Entities with Special Regime | 1,784        | 185        | 2        | 1        |
| <b>FEATURES MIXED TRUSTS</b>                                  | <b>0</b>     | <b>0</b>   | <b>0</b> | <b>0</b> |
| Individuals   | 0            | 0          | 0        | 0        |
| Corporative Entities  | 0            | 0          | 0        | 0        |
| Central Administration  | 0            | 0          | 0        | 0        |
| Public, State, Municipal and Central Administrations          | 0            | 0          | 0        | 0        |
| Decentralized Entities and Other Entities with Special Regime | 0            | 0          | 0        | 0        |
| <b>OTHER TRUSTS</b>   | <b>0</b>     | <b>0</b>   | <b>0</b> | <b>0</b> |
| Individuals   | 0            | 0          | 0        | 0        |
| Corporative Entities  | 0            | 0          | 0        | 0        |
| Central Administration  | 0            | 0          | 0        | 0        |
| Public, State, Municipal and Central Administrations          | 0            | 0          | 0        | 0        |
| Decentralized Entities and Other Entities with Special Regime | 0            | 0          | 0        | 0        |





# SOCIAL BALANCE ACCUMULATED 1998 - JUNE 2019

Stated in VES

| DESCRIPTION   | 2019                    | Accumulated 1998 - June 2019 |
|---|-------------------------|------------------------------|
| <b>SOCIAL INVESTMENT</b>  |                         |                              |
| <b>Application Banesco Resources</b>                            | <b>6,426,404,255.34</b> | <b>6,568,501,853.52</b>      |
| Fe y Alegría  | —                       | 24,885.81                    |
| Microentrepreneurs Training Program                             | 2,113,861.30            | 2,160,922.91                 |
| Simón Bolívar Music Foundation                                  | —                       | 48,530.30                    |
| Association of Venezuelan Catholic Education (AVEC)             | 6,182,948.00            | 6,188,140.50                 |
| Social Undertaking Project with the IESA                        | —                       | 929.99                       |
| Universities and Other Institutions                             | —                       | 964,623.84                   |
| Banesco Long Scholarships Life                                  | —                       | 2,025.40                     |
| Other Education Institutes and Organizations                    | —                       | 5,107.54                     |
| Venezuelan Foundation against Child Paralysis                   | 6,000,000.00            | 6,002,650.47                 |
| Other Health and Medical Care Organizations                     | 50,238,000.00           | 50,264,241.17                |
| FUNDANA   | 83,943,421.70           | 83,952,093.74                |
| Civil Association Don Bosco Houses Network                      | —                       | 7,130.02                     |
| Salesian Ladies Civil Association                               | —                       | 4,350.28                     |
| Attendance to the childhood and people with special necessities | 3,500,000.00            | 3,504,500.95                 |
| Toys donation to the communities                                | —                       | 34.17                        |
| Editorial Projects  | 92,643,400.00           | 92,660,189.42                |
| Other Contributions   | 1,183,200.00            | 1,184,218.44                 |
| Solidarity (Capital and Regional)                               | —                       | 61.29                        |
| Events for the Community  | 7,212,044.80            | 7,994,592.42                 |
| Investment in works in Colinas de Bello Monte                   | —                       | 23.06                        |
| Mayoralties, Regional Governments and Other                     | —                       | 141.71                       |
| Community Participative Budget                                  | —                       | 31,073.71                    |
| <b>Non-Contractual Social Benefits for Banesco Employees</b>    | <b>6,173,330,332.98</b> | <b>6,313,421,060.43</b>      |
| Dining Subvention   | 2,821,767,683.39        | 2,944,214,446.06             |
| Medical Service   | 101,653,413.81          | 102,779,100.60               |
| Parking Subsidy   | 0.00                    | 577.32                       |
| Medical Assistance for Extreme Diseases                         | 126,945,483.82          | 127,591,676.43               |
| Unsecured Loans for Housing                                     | (2.50)                  | 671.41                       |
| Transportation between offices                                  | 29,512,000.00           | 29,926,471.08                |
| Housing sales between employees                                 | —                       | 1.31                         |
| Collective Agreement  | 3,093,451,754.46        | 3,108,908,116.21             |
| <b>Corporate Volunteering Contribution</b>                      | <b>57,046.56</b>        | <b>80,325.94</b>             |
| Training and Volunteer Training                                 | (0.00)                  | 11,562.60                    |
| Special projects  | —                       | 0.30                         |
| Complementary Training Workshops                                | —                       | 0.06                         |
| Volunteering Cost Hours / Man                                   | 57,046.56               | 68,731.80                    |
| Amount executed from the Volunteer Logistics budget             | —                       | 31.17                        |
| <b>Aplication of Article 96 (LOCTISEP)</b>                      | <b>—</b>                | <b>336.12</b>                |
| <b>TOTAL SOCIAL INVESTMENT</b>                                  | <b>6,426,404,255.34</b> | <b>6,568,502,189.64</b>      |
| <b>TOTAL SOCIAL INVESTMENT MORE COMMITMENTS CONTRACTED</b>      | <b>6,426,404,255.34</b> | <b>6,568,502,189.64</b>      |



**President**  
Juan Carlos Escotet R.

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

Emilio Durán Ceballos  
María Josefina Fernández M.

