

2020

FINANCIAL REPORT

F I R S T H A L F





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FINANCIAL ECONOMIC BALANCE

FIRST HALF 2020

Undoubtedly, the first half of 2020 has experienced unique circumstances due to the confinement measures required as a result of the COVID-19 pandemic. This has jeopardized regrettably all human areas and forced global actors to reconsider their businesses, plans and lives. Meanwhile, we comply with the necessary transparency by undertaking once more time this usual exercise of reviewing our management. We have confidence in informing and honoring our clients, shareholders, collaborators, authorities and social partners/allies.

The financial sector faced a double challenge, since it was one of the areas that was not required to stop its activities, but rather to maintain operational continuity and meet the special needs for technological adaptation. Moreover, we plan and carry out a sophisticated contingency operation to preserve our personnel, their families and our clients' health. At the same time, we provide reliable, agile and timely financial services, and so far we can assert most certainly that we have fulfilled both purposes.

This is why the greatest institutional effort has been directed, apart from protecting our health, at all innovative aspects regarding the digital transformation of the bank's processes and the customer experience. This route, which had already been successfully undertaken, increased considerably during the six-month period, both to adapt and improve our digital and electronic channels and to create new applications in order to meet the customers' needs in this new day-to-day environment, and to explore in depth all the internal and technological options for remote collaborative work to keep Banesco's largest workforce active.

By the end of June 2020, digital and electronic channels show a participation of 99.63% resulting from the materialization of 1.3 MM transactions made by customers.

Nowadays, we have 266 Points of Service (ticket office and promotion) in our network, through which 2.1 MM transactions were made. These were affected by the restriction of activities, which reduced face-to-face operations and increased the preference of our customers for our digital and electronic channels.

Nowadays we can definitely state that e-banking, where we direct tremendous efforts to achieve greater insertion and better customer experience, is the most widely accepted option during the lockdown period. In fact, we recorded a monthly average of 2.2 million active customers, who recurrently completed more than 731 million transactions.

BanescOnline was adapted with functionalities that offer more options in data registration, new beneficiaries and data field optimization. In addition, a process for ratifying operations was included in the website, providing customers with further protection. Banesco stands out as a leader in offering competitive transactional limits to natural and legal clients registered already with the e-Banking service.

Our Mobile Payment application has more than 2.6 million affiliates and 82 MM transactions. In order to facilitate the experience of legal clients, a new functionality was enabled which is allowing more than one Fiscal Registration Number (RIF) to be affiliated to the same cell phone number.



FINANCIAL ECONOMIC BALANCE

FIRST HALF 2020

During this half-year, the new BanescoMóvil application, which includes new features, was massively deployed, surpassing 35 million transactions.

In addition, Banesco Customer Service Center received 17.15 million calls, most of which were handled automatically through the IVR.

As of June 2020, we have installed 510 ATMs in the country (209 mono-functional and 301 multi-functional), having processed more than 8.4 million operations. Besides, we have complied 100% with the claims coming from the channel, along with the regulations and observations issued by Sudeban.

In this 2020 period, Collection and Payment Services registered a 96% growth compared to the same period in 2019, accounting for 151 MM transactions driven by the higher volume of Mobile Payment and e-collection operations.

All information regarding availabilities, investments, credit portfolio, liabilities and obligations, as well as other data resulting from our financial management from January - June 2020, are described in due detail in this report for a comprehensive consultation by all our audiences.

Education, health and financial inclusion are still the basis of our Corporate, Social Responsibility and Sustainability Policy, as well as the pillars that have guided our social investment, both internally and externally, over the last 28 years. During the first half of 2020, we continued the close bond with our different partners and social allies, and the educational initiative too, to support institutions, through Social Micro-entrepreneurship Training and Organizational Management workshops.

To deal with the different needs that arose from the contingency and lockdown caused by COVID-19, our social networks, the Banesco blog and the press room are available to partners and allies, with the purpose of disseminating valuable and useful information to vulnerable communities. Likewise, we have undertaken a constant effort in prevention and information about COVID-19, aimed at the whole community of Banesco citizens and their families, through different internal campaigns and all available means. Similarly, we convey prevention messages and timely information to all our partners by using social networks.

We allocate VES 26.79 billion to programs strengthening the life of Banesco citizens and their families. This accounts for 98% of the total social investment in the first half of the year. In fact, our internal social investment includes: subsidy to food service in the dining room of Ciudad Banesco, medical service and support in cases of severe illness, among other contributions.

We also continue our Corporate Social Responsibility programs and initiatives.

During this time and in alliance with University Institute of Management and Technology (IUGT), FundAcción Social, Association of Catholic Schools (AVEC) and the Association for the Promotion of People's Education (APEP), Banesco organized several sessions of the Training Program for Micro-entrepreneurs, to teach 2,167 entrepreneurs from different regions and

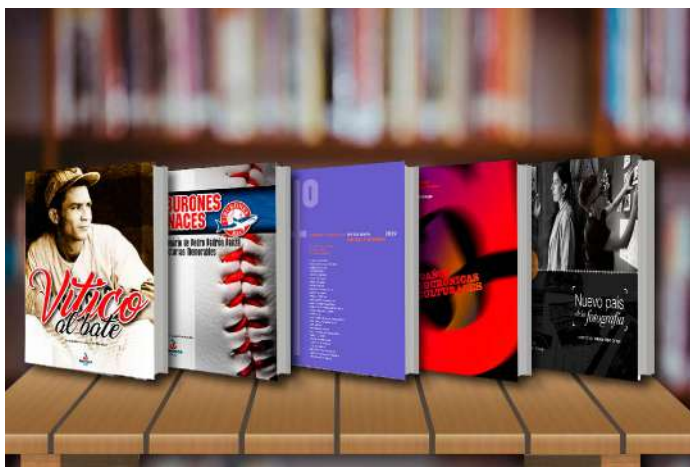


FINANCIAL ECONOMIC BALANCE

FIRTS HALF 2020

Venezuelan entrepreneurs in Germany, Argentina, Colombia, Chile and Peru, thanks to virtual platform training. The program consists of 40 academic hours and is completely free.

Banesco Editorial Fund is one of our programs aimed at contributing to the comprehensive education to Venezuelans. In the first half-year, we worked on the production of three new titles to be published in 2020.



In addition, we promote our Banesco Digital Library through all our Social Networks and Press Room to offer an alternative and take advantage of the time to be spent in lockdown. For instance, 24 informative capsules from the main collections of the Library were released.

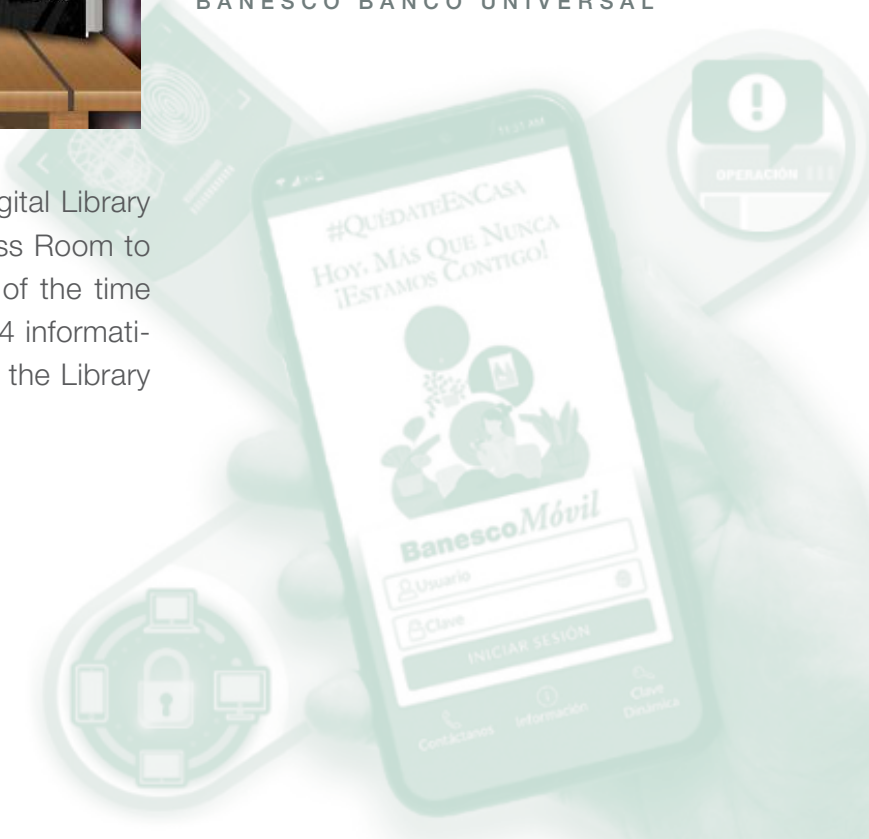
Banesco Corporate Volunteering was restructured and re-launched with the support of the Board of Directors. Moreover, programs and minimum participation mechanisms were redefined to improve the experience of our volunteers and expand the scope in different attention areas.

We would like to reiterate that this half-yearly report is a detailed summary concerning all the areas that we cover as an organization, which is leading role within the Venezuelan financial sector. We are convinced that nowadays Banesco Banco Universal continues to be a reliable, innovative, responsible and quality service provider. These are the values we all share: the Banesco Citizens.

JOSÉ GRASSO VECCHIO

EXECUTIVE CHAIRMAN

BANESCO BANCO UNIVERSAL



THE VENEZUELAN ECONOMY DURING THE FIRST HALF OF 2020

A greater deepening of the already existing economic imbalances was observed during the first half-year, in addition to the outbreak of the COVID-19 pandemic along with the drop of the oil prices. This has caused a greater economic decline and its negative effects include: decrease in income obtained from exports, slowdown in industrial and commercial activity given the lack of financing and low demand due to the loss of the people's purchasing power and a fall in consumption.

According to the Monthly Report of the Organization of Petroleum Exporting Countries (OPEC) corresponding to June 2020, Venezuela's oil production was 356 thousand b/d by that time. Thus, a decreasing trend during the entire half-year is maintained, which is averaging 730 thousand b/d in the first quarter and 512 thousand b/d in the second one. This is equivalent to a 55.3% drop with respect to the average production for 2019 (796 thousand b/d).

Venezuelan "Merey" crude oil price reached USD 26.61 per barrel in the first six months, which along with the production drop affected the export income and contributed to the international reserves decrease. By the end of this period, these amounted to USD 6.47 MM, accounting for a fall of USD 1.63 MM (-20.7%) compared to the same period in 2019.

In a context dominated by an overwhelming drop in oil and tax revenues, a set of measures have been taken in the first half of the year for the purposes of minimizing the adverse effects on the economy and household consumption and mitigating the effects of the Covid-19. For instance:

- The Central Bank of Venezuela (BCV) decreased the legal banking reserve by seven percentage points up to 93% of the weekly balance of deposits

made in legal tender in March. It also established a reserve of 31% for deposits in foreign currency.

- The reform to the Value Added Tax (VAT) for transactions in foreign currencies or crypto-currencies not supported by the Nation that increases the rates between 5% and 25%.
- Increase in gasoline prices as of June 1, date on which a dual system was established, in bolivars and in foreign currency too.
- Replacement of the Tax Unit (TU) as a reference value for the payment of national taxes and customs duties, indexing them to the currency with the highest exchange rate in the BCV.
- Economic aid to low-income population; support to SMEs by covering part of their personnel costs; grant of tariff exemptions to companies in priority sectors, suspension of capital and interest payments on bank loans, including payment of rent, labor immobility, among other decisions.

According to the latest data published by the BCV, the accumulated inflation in the first half of 2020 was 395.09%, driven by the upward trend of the exchange rate. The official price of that currency increased by 338.5% and reached 204,418 VES/USD in June.

This situation took place despite the contractionary monetary policy that limited the growth of monetary liquidity in the six months period to 232.1%. In fact, that was achieved through the legal reserve and the BCV's participation at the exchange market by allocating foreign currency in cash to the banks of the financial system.



THE VENEZUELAN ECONOMY DURING THE FIRST HALF OF 2020

THE FINANCIAL SYSTEM

Over the first half of 2020, the Venezuelan financial system did not experience any change in its structure. That time concluded with 29 institutions: 23 are private capital banks and 6 are state capital entities while 23 are universal banks.

As of June 30, the market consisted of 3,022 offices, 45,738 workers, 3,358 ATMs and 413,400 points of sale. Clients still prefer to use electronic channels.

The total assets of the system rose to VES 1.14 billion at the end of the first half-year, which accounts for a 306.4% increase compared to December 2019 and 2,318.6% over the last twelve months. The largest absolute variation was found in the securities investment item (+ VES 600 billion), maintaining the same upward trend as in the previous period. This includes the adjustment in the valuation of securities in foreign currency due to the variation in the exchange rate to VES 780 billion (68.3% of assets). Available funds accounted for 18.3%, the second largest increase (+ VES 148 billion) for a balance of VES 210 billion at the end of the half-year, given the legal reserve requirements established by the Central Bank of Venezuela.

The deepening of the economic contraction, as well as the impact caused by the COVID-19 pandemic, in addition to the liquidity restriction, caused a significant loss of the gross loan portfolio in creating assets in the system (3.0%). The period ended and reached VES 33.7 billion, consequently decreasing the intermediation coefficient from 18.04% in June 2019 to 11.34% nowadays. Arrears, however, continue to rise, reaching 6.64% in June 2020, exceeding the average for the same period in 2019 by 4.13 percentage points. While the coverage level for the

fixed assets portfolio was reduced by 49.4 percentage points to 49.97% at the end of the half year.

As regards public deposits, an increase of 274.8% was recorded during the last six months, less than the previous half-years, concluding with a balance of VES 287.3 billion as of June 2020, out of which 92.3% corresponded to demand deposits. The amount, excluding foreign currency funds, would be VES 146.2 billion.

Both universal and commercial private banking managed to collect 41.67% of the funds. Nevertheless, it is worth noting the greater participation of the large banks (28.62%), with market shares over 5%.

According to the financial system, the equity of VES 241.8 billion was recorded, which is an increase of 335.4% with respect to the end of December 2019. This was mainly attributable to the higher equity adjustments made in the half-year.

Based on the analysis of the Venezuelan banking results statement, the achievement of a brokerage margin of VES 18.7 billion stands out, after an increase of 1,402.7% compared to the same period in 2019. This is mainly due to the increase in other operating revenues (+1.829.1%) for a closing amount of VES 17.9 trillion. This offset the significant increase in transformation expenses (+ 2,032.9%), which amounted to VES 14.7 trillion, with the net result for the first half of 2020 standing at VES 3.0 trillion.

We maintain the decreasing trend of the system profitability reflecting a Return on Assets (ROA) of 0.89% and a Return on Average Equity (ROE) of 4.25%.



BANESCO BANCO UNIVERSAL IN THE 2020 FIRST HALF

We ended the period with total assets of VES 41.32 billion, accounting for a half-yearly growth of VES 29.65 billion (254.2%) and a year-on-year growth of VES 39.27 billion (1,919.8%). As a result, the increase in available funds (+ VES 2.8 billion) was particularly noteworthy. 18.18 billion), having a balance exceeding VES 25,000 billion. From that amount, 75% is recorded in the Venezuelan Central Bank item, as per the legal reserve requirements.

The above is closely related to the Bank's outstanding position in collecting deposits from the public, ranking first among private banks (8.47% market share), with a balance of VES 24.34 billion at the close of June 2020. When foreign currency accounts are excluded, the interest rises to 15.48%.

We maintained a proactive attitude throughout the half-year, providing our clients with the financial support required to continue their productive activity, granting more than 1,200 loans within the period. Our gross portfolio rose to VES 5.13 billion, after a growth of 1,547.9% compared to the same period of the previous year and 168.6% in comparison to the end of 2019. This placed us in first place in private banking, which is equivalent to a 15.24% participation in the system.

Regarding credits, we allocate VES 2.29 billion to the agricultural sector leading Banesco to be the first private bank with a 27.69% of participation. Moreover, credits to the manufacturing activity amounted to VES 243 billion (15.68% of the market), also obtaining outstanding positions in our excellent quality portfolio (0.002% of delinquency), ending the period with a 20.68% brokerage ratio, exceeding the system average by 9.3 percentage points.

We ended the first half of 2020 with a total equity amounting to VES 4.09 billion, which is reflecting an increase of VES 3.19 billion (351.9%) in comparison to the closing of the second half of 2019. The accounting equity adequacy ratio was 19.21% and the capital adequacy ratio was 26.71%, higher than the minimum required by the Law.

Based on the bank's statement of income and losses, the net result of VES 880 billion was achieved, mainly as a result of the increase in the brokerage margin, which reached VES 3.52 billion, due to the greater relevance of other operating income and the expense efficiency. The average return on assets (ROA) was 7.62%, higher than the market average.



FINANCIAL HIGHLIGHTS

	G R O W T H							
	Second Half 2018	First Half 2019	Second Half 2019	First Half 2020	I Half 2020 II Half 2019		I Half 2020 I Half 2019	
					Absolute	%	Absolute	%
(Stated in Million VES)								
Total Assets	222,713	2,045,800	11,666,789	41,320,140	29,653,351	254.2	39,274,340	1,919.8
■ Cash and Due from Banks	103,099	1,378,135	7,400,370	25,581,546	18,181,176	245.7	24,203,411	1,756.2
■ Security Investments	29,177	115,537	1,091,680	3,696,878	2,605,198	238.6	3,581,341	3,099.7
■ Credit Portfolio	73,279	305,890	1,877,681	5,032,836	3,155,155	168.0	4,726,946	1,545.3
■ Gross Portfolio	74,660	311,776	1,913,073	5,137,887	3,224,814	168.6	4,826,111	1,547.9
Deposits from Clients	159,075	1,378,726	7,465,597	24,342,416	16,876,819	226.1	22,963,689	1,665.6
■ Deposits in Current Accounts	150,654	1,293,846	6,991,270	22,997,005	16,005,734	228.9	21,703,159	1,677.4
■ Savings Deposits	7,446	72,604	406,757	1,259,320	852,563	209.6	1,186,716	1,634.5
■ Time Deposits	16	137	1,408	4,247	2,839	201.7	4,110	3,003.0
■ Other Deposits	959	12,139	66,162	81,844	15,682	23.7	69,705	574.2
Total Stockholders' Equity	18,546	227,000	907,097	4,099,253	3,192,155	351.9	3,872,253	1,705.8
Trust Assets	6,120	66,134	331,059	1,423,134	1,092,075	329.9	1,357,000	2,051.9
Debtor Accounts Due To Trust Assignments (FAOV)	78	1,747	13,324	27,024	13,699	102.8	25,277	1,447.2
■ Financial Revenues	4,457	61,084	425,419	1,071,286	645,867	151.8	1,010,202	1,653.8
■ Financial Expenses	132	11,206	58,883	190,562	131,679	223.6	179,357	1,600.6
■ Gross Financial Margin	4,325	49,878	366,535	880,724	514,188	140.3	830,846	1,665.8
■ Financial Intermediation Margin	9,008	211,807	1,083,219	3,525,119	2,441,900	225.4	3,313,312	1,564.3
■ Transformation Expenses	3,567	97,551	721,174	1,990,345	1,269,171	176.0	1,892,794	1,940.3
■ Income Taxes	1,153	7,072	56,122	201,851	145,729	259.7	194,778	2,754.0
Net Income	3,628	86,690	153,916	880,232	726,316	471.9	793,542	915.4
Accumulate Agriculture Portfolio	9,975	47,163	709,981	580,535	-129,446	-18.2	533,372	1,130.9
Official Institutions Deposits	3,613	110,575	326,928	2,290,283	1,963,355	600.5	2,179,708	1,971.3
Micro Loans	4,489	1,260	39,876	16,203	-23,672	-59.4	14,943	1,185.8
Ratios (%)								
■ Loan Portfolio Provisions / Non Accrual Loans	571,602.9	142,602.0	743,404.1	101,552.4				
■ Non Accrual Loans/ Gross Loan Portfolio	0.0	0.0	0.0	0.0				
■ Net Results / Average Assets *	11.1	15.3	6.9	7.6				
■ Net Results / Average Equity *	179.4	143.9	65.2	78.1				
■ Liquidity	64.9	100.0	99.4	105.6				

* Annual Percentage

CREDIT RISK REPORTS PRONOUNCEMENT

During the first half of 2020, a global pandemic caused by Covid-19 developed, which could not be foreseen in the financial planning and stress scenarios of the loan portfolio developed at the beginning of the year, causing a possible increase in inherent risk. Credit activity as a result of the drop in customer income, as a result of the decrease in demand as well as the disruption of production processes, which reduces the ability to pay the contractual obligations assumed, especially in the case of short term.

Despite the exacerbation that the quarantine has caused on the pre-existing crisis that has been affecting the Venezuelan economy, the expected losses in the loan portfolio have remained constant, due to the continuous monitoring process of clients, which allows to preventively detect

the deterioration of the payment capacity, the strengthening of the criteria for granting and maintaining credits; as well as the monitoring of the evolution and management of overdue balances, which resulted in the generation of value on the final result of the credit business.

Among the evidences of the quality of the loan portfolio, we can highlight the delinquency rate that closes the semester at 0.0020%, placing us as the leading bank in private banking. Likewise, the level of provision coverage on immobilized portfolio registered a value of 101,552%.

The culture of monitoring tolerance levels and acting proactively have mitigated the deterioration of portfolio, obtaining very satisfactory results in the credit risk management.

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 thirty-five

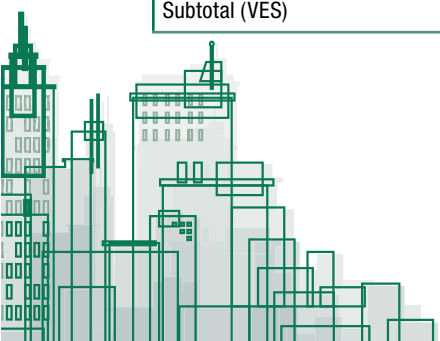
(35) credits, that by individual or group risk, in the same monthly period, exceeded five percent (5%) of the bank's equity.

PARTICIPATION IN THE COUNTRY'S PRODUCTION SECTOR AS A PERCENTAGE OF THE LOAN PORTFOLIO

The largest share of the Loan Portfolio is found in the Agricultural, Fishing and Forest sector with 69.06%; followed by Manufacturing Industry with a proportion of

13.75% and closing with 8.92% the Wholesale and Retail Trade, Restaurants and Hotels sector.

Economic Activities	Outstanding	Restructured	Past to Due	In Litigation	Total	% Composition
■ Agriculture, Fishing and Forest	3,548,007,167,413	0	0	0	3,548,007,167,413	69,06 %
■ Hydrocarbons and Mining Exploitation	12,439,568	0	0	0	12,439,568	0,00 %
■ Manufacturing Industry	706,316,334,720	0	—	0	706,316,334,720	13,75 %
■ Electricity, Gas and Water	24,363,491	0	0	0	24,363,491	0,00 %
■ Construction	19,046,123,438	0	—	0	19,046,123,438	0,37 %
■ Trade, Restaurants and Hotels	458,064,192,829	0	97,252,226	0	458,161,445,055	8,92 %
■ Transport, Storage and Communications	37,626,169,093	0	—	0	37,626,169,093	0,73 %
■ Financial Establishments, Real State and Services Provided to Companies	364,871,804,061	0	2,024,706	0	364,873,828,767	7,10 %
■ Community, Social and Personal Services	3,814,949,558	0	4,168,071	0	3,819,117,629	0,07 %
Subtotal (VES)	5,137,783,544,172	0	103,445,003	0	5,137,886,989,175	100,00 %



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 Glasco Vucelja
Miguel Ángel Marcano C.
Emilio Durán Ceballos
María Josefina Fernández M.

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

External Auditors
Lara Maramba & Asociados (DELOITTE)

Stock Capital Bs. 12,580
Capital Paid-in Bs. 12,980
Capital Reserves Bs. 4,099,252,631.723

June 30, 2020 (Stated in VES)

ASSETS	June-20	June-19
CASH AND DUE FROM BANKS	25,081,646,935.529	1,378,135,243.623
Cash	2,547,246,946.907	74,070,251.002
Central Bank of Venezuela	19,150,721,766.852	1,051,557,336.639
Local Banks and Other Financial Institutions	20,832,440.438	5,822,365.749
Foreign and Correspondent Banks	3,013,500,230.368	228,537,861.007
Head Office and Branches	0	0
Pending Cash Items	33,055,052.001	10,393,130.740
(Provision for Bank Accounts)	-1,446,399.598	-44,904.001
INVESTMENTS IN SECURITIES	3,695,877,778.098	116,636,733.418
Investments in Central Bank	110,000,000.000	22,351
Investments in Trading Securities	0	0
Investments in Securities Available for Sale	17,158,449.331	388,883.056
Investments in Securities Held to Maturity	332,119,505.704	9,086,625.275
Limited Availability Investments	3,237,557,161.718	105,411,708.033
Other Security Investments	42,381.537	30,494.703
(Provision for Security Investments)	0	0
LOAN PORTFOLIO	6,032,836,979.876	386,889,860.911
Outstanding Credits	5,137,783,544.172	311,771,389.882
Restructured Credits	0	1
Post Due Credits	103,445.003	4,127.478
Credits in Litigation	0	0
(Provision for Credit Portfolio)	-105,050,909.306	-5,095,866.450
INTEREST AND COMMISSIONS RECEIVABLE	39,924,541.484	8,762,414.390
Interest receivable from cash and due from banks	0	0
Interest receivable from security investments	506,445.188	385,833.768
Interest receivable from credit portfolio	37,611,106.336	8,179,467.627
Commissions Receivable	1,021,816.026	190,726.340
Interest Receivable on Other Accounts Receivable	0	0
(Provision for Interest Receivable and Other)	-14,726.125	-1,813.354
INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES	37,845,589.065	1,330,386.418
Investments in subsidiaries and affiliates	37,845,589.065	1,330,386.418
Investments in branches	0	0
Provision for investments in subsidiaries, affiliates and branches	0	0
PROPERTY RECEIVED IN LIEU OF PAYMENT	621,887.537	2,615
PROPERTY IN USE	523,260,241.974	18,781,383.002
OTHER ASSETS	6,487,427,674.628	242,584,770.828
TOTAL ASSETS	61,320,140,925.097	2,045,890,482.700

LIABILITIES AND EQUITY	June-20	June-19
LIABILITIES	24,342,415,715.184	1,378,224,229.826
DEPOSITS	22,987,004,706.500	1,293,046,190.294
Deposits in Current Accounts	13,583,651,990.980	600,354,238.467
Non-Remunerated Checking Accounts	7,587,773,371.578	441,885,544.052
Remunerated Checking Accounts	404,786,281.758	15,200,050.863
Current accounts under exchange agreement N° 20	159,552,648.819	14,018,181.536
Demand Deposits and Certificates	1,224,030,413.373	22,286,134.976
Current Accounts Exchange System Free Convertibility	0	0
Special Funds in Trusts Free Convertibility System	0	0
Other Demand Liabilities	81,843,888.288	12,139,148.202
Obligations for Money Desk Operations	0	0
Savings Deposits	1,258,320,258.878	72,804,033.342
Time Deposits	4,246,789.432	136,880,017
Securities Issued by the Institution	0	0
Restricted Deposits from Clients	0	0
Right of Ownership and Participation on Security Investments	0	0
OBLIGATIONS WITH BICV	0	0
DEPOSITS AND OBLIGATIONS WITH BANAVIH	300,005.680	81,240
OTHER FINANCING OBTAINED	2,410,947,858.253	108,438,095.535
Liabilities with local financial institutions up to one year	2,410,947,858.253	108,438,095.535
Liabilities with foreign financial institutions up to one year	0	0
Liabilities with foreign financial institutions more than one year	0	0
Other Liabilities up to one year	0	0
Other Liabilities more than one year	0	0
OTHER FINANCIAL OBLIGATIONS	0	0
INTEREST AND COMMISSIONS PAYABLE	13,670,924.484	643,398.388
Expenses payable due to deposits from clients	8,368,583.264	154,435.350
Expenses payable due to obligations with BICV	0	0
Expenses payable due to obligations with BANAVIH	0	0
Expenses payable due to other financing obtained	5,308,341.140	277,460.135
Expenses payable due to other financial obligations	0	11,483.353
Expenses payable due to obligations convertible to capital	0	0
Expenses payable due to subordinated debt	0	0
ACCUALS AND OTHER LIABILITIES	10,452,538,877.614	321,035,808.731
SUBORDINATED DEBT	0	0
OTHER LIABILITIES	0	0
TOTAL LIABILITIES	37,229,087,381.774	1,819,898,574.789
STOCKHOLDERS' EQUITY	12,580	12,580
Capital Paid-in	12,580	12,580
Unsubscribed Equity Contributions	0	0
Capital Reserves	0	0
Equity Adjustments	3,441,306,953.272	140,911,302.154
Accumulated Income	367,190,293.644	85,999,175,251
Non-Realized Gain or (Loss) on Available for Sale Security Investments	-403,034.544	189,013,655
Treasury Stock	-349	-349
TOTAL EQUITY	4,099,252,631.723	225,989,913,371
LIABILITIES AND EQUITY	41,329,140,023.597	2,045,890,482.700
Contingent Debtor Accounts	109,528,265.694	64,157,539.948
Trust Assets	1,423,132,870.610	65,132,697.623
Other Trust Assignments	167,158.183	858.317
Debtor Accounts Due to Trust Assignments (Housing Mutual Fund)	27,025,543.082	1,746,678.387
Other Debtor Accounts (Housing Mutual Fund)	0	120
Other Debtor Memorandum Accounts	165,233,467,768.988	8,478,773,182.434
Other Debtor Book Accounts	131	312
Assets of Trust Entities for Operations in Sovereign Crypto Assets	0	0

Statements of Earnings (Stated in VES)

	June-20	June-19
Financial Revenues	1,671,286,180.646	61,083,861.178
Revenues from Cash and Cash Equivalents	3,184,512.245	1,280,750.677
Revenues from Security Investments	112,017,508.371	3,058,643.638
Revenues from Credit Portfolio	956,083,772.793	55,837,468.870
Revenues from Other Accounts Receivable	37	94
Income from investments in subsidiaries, affiliates and branches	0	0
Revenues from Head Office and Branches	0	0
Other Financial Revenues	0	0
Financial Expenses	198,562,403.442	11,206,884.383
Expenses Due to Deposits from Clients	136,476,158.055	4,340,486.729
Expenses Due to Obligations with BICV	0	0
Expenses Due to Obligations with BANAVIH	0	0
Expenses Due to Other Financing Obtained	54,086,305.387	5,068,463.211
Expenses Due to Other Financial Obligations	0	1,788,936.453
Expenses Due to Subordinated Debt	0	0
Expenses Due to Other Obligations	0	0
Expenses Due to Head Office and Branches	0	0
Other Financial Expenses	0	0
Gross Financial Margin	889,723,777.204	49,877,966.796
Income from Recovered Financial Assets	16,233.028	588.655
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	58,949,408.314	4,688,945.803
Provision for Loan Portfolio and Other Accounts Receivable, Losses	55,042,582.827	4,588,491.645
Provision for Cash and Due from Banks	906,963.487	61,454.009
Net Financial Margin	824,796,543.918	45,388,665.788
Other Operating Income	3,421,303,591.880	183,742,348.122
Other Operating Expenses	717,975,024.576	17,243,368.630

	June-20	June-19
Financial Intermediation Margin	3,626,119,451.222	211,807,365.288
Transformation Expenses	1,990,344,536.193	97,556,883.215
Personnel Expenses	535,491,779.752	25,183,341.888
Administrative and General Expenses	1,333,529,843.554	68,159,542.187
Contributions to Deposit Guarantee and Bank Protection Fund	51,208,385.580	1,128,588.185
Contributions to Superintendency of Banks and Other Financial Institutions	47,116,527.298	2,079,412.394
Gross Operating Margin	1,034,774,919.029	114,256,602.045
Income from Adjudicated Goods	0	0
Income from Special Programs	0	0
Income from Sundry Accounts	15,787,239.213	17,601.160
Expenses Due to Realizable Property	832	1,419
Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods	0	0
Expense Due to Sundry Accounts	468,470,408.462	20,381,887.240
Net Operating Margin	1,082,082,747.448	93,912,284.549
Extraordinary Income	1,200	0
Extraordinary Expenses	1,199	145,084.370
Gross Income Before Taxes	1,082,082,747.449	93,762,420.179
Income Taxes	201,850,949.047	7,072,469.674
NET INCOME	880,231,798.102	86,689,950.505
Application of Net Income	0	0
Legal Reserve	0	0
Statutory Utilities	52,813,907.000	5,201,390.000
Board of Directors	0	0
Officials and Employees	0	0
Other Capital Reserves	0	0
Accumulated Income	827,417,891.102	81,488,569.505
LOEP Contribution	11,064,456.408	959,030.248

Net Income Distribution	0	0
Legal Reserve	0	0
Other Capital Reserves	52,813,907.000	5,201,390.000
Reserve for other provisions	0	0
Restricted Surplus	442,115,893.091	42,744,260.253
Surplus to apply	387,301,992.091	42,744,260.253
NET INCOME	880,231,798.102	86,689,950.505

REPORT OF DEMANDS AND COMPLAINTS OF CUSTOMERS OF THE BANKING SERVICES

FIRST HALF 2020

July 2020

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 2020, 259 complaints and requests were reported, for a total amount of 693,823,591 VES; of which 108 were ruled in favor of the client with a reimbursement of 9,665,068 VES. When evaluating the attention times of the claims and requirements reported

by customers/ users in the first half of 2020, 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 98.66%..

TABLE 1 SUMMARY OF COMPLAINTS AND REQUESTS REPORTED BY STATUS

Report Month	Managed					In Process		Level of Compliance in the service Supply
	Admissible			Not Admissibles		No. of Complaints	Claim Amount (VES)	
	No. of Complaints	Claim Amount (VES)	Reimbursed Amount (VES)	No. of Complaints	Claim Amount (VES)			
January	40	1,716,393	1,716,393	39	82,699,177	12	38,673,270	98.73 %
February	25	500,000	500,000	32	89,125,660	9	38,398,601	100.00 %
March	25	500,000	500,000	28	136,634,253	2	935,000	100.00 %
April	2	340,000	340,000	5	10,201,540	2	4,154,370	100.00 %
May	5	4,461,687	4,323,476	5	30,334,240	3	37,530,200	80.00 %
June	11	2,285,200	2,285,200	7	128,969,000	7	86,365,000	100.00 %
Total I Half	108	9,803,280	9,665,068	116	477,963,870	35	206,056,441	98.66 %

B) SUMMARY BY TYPE OF FINANCIAL INSTRUMENT

TABLE 2 SUMMARY BY TYPE OF FINANCIAL INSTRUMENT

Report Month	Credit Card (CC)		Debit Card (DC)		Savings		Checks		Customer Service	
	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
January	2	1,008,393	88	122,080,447	—	—	—	—	1	—
February	—	—	66	128,024,261	—	—	—	—	—	—
March	—	—	54	137,469,253	1	600,000	—	—	—	—
April	3	4,444,370	5	9,651,540	1	600,000	—	—	—	—
May	5	5,091,887	8	67,234,240	—	—	—	—	—	—
June	4	1,945,200	21	215,674,000	—	—	—	—	3	—
Total I Half	48	5,299,422	1,250	815,423,101	0	0	2	255,000	5	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).



RATIO POSITIONING OF EQUITY ADJUSTMENT

In accordance with provisions of Resolution 305.09, dated July 9, 2009, published in Official Gazette No. 39,230, July 29, 2009, the following principles and procedures are established to calculate the level of equity ratio.

THE ACCOUNTING EQUITY RATIO INDEX

The Accounting Equity Ratio Index, calculated by dividing the amount of the accounting equity plus the operational management, divided by the value of the total assets. The ratio, when multiplied by one hundred (100), should not be less than nine percent (9%), according to what is published in Official Gazette No. 40,509, October 1, 2014.

Furthermore, by means of letters SIB-II-GGR-GNP-10189 dated April 7, 2016 and SIB-II-GGR-GNP-24974 dated November 22, 2017, the Superintendency of Banking Sector Institutions (SUDEBAN) grants a regulatory exception to determine the Accounting Equity Adequacy Index", provided for in article 6 of the aforementioned Resolution No. 305.09, in the following terms:

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

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

- Bonds and Obligations issued by the Central Bank of Venezuela
- Deposits in the Central Bank of Venezuela
- Availability of the bank in the Central Bank of Venezuela (including the Legal Reserve)
- Bonds and Obligations issued by the state-owned company Petróleos de Venezuela, S.A. (PDVSA)

b) Include in the accounting assets, as per definition set forth in the aforementioned article 2, the amount corresponding to the:

- Generic provision for credit and microcredit portfolio
- Anti-cyclical provision for credit and microcredit portfolio

The amount to be included for the concept of said provisions shall be the one corresponding to the percentages established in the regulations issued to that end by the Superintendency.

SIB-II-GGR-GNP-10189 (DATED APRIL 27, 2016)

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

The amount to be included for the concept of said provisions shall be the one corresponding to the percentages established in the regulations issued to that end by the Superintendency.

DESDE TU CASA, AÚN ESTANDO EN PIJAMAS

ISLR

PUEDES REALIZAR EL PAGO DE TU ISLR CON **BanescoOnline** ¡MÁS FÁCIL Y RÁPIDO!

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RATIO POSITIONING OF EQUITY ADJUSTMENT

RESOLUTION NO. 025.17 (DATED MARCH 28, 2017)

The “Regulations Related to the Application of the Revaluation of Assets in Banking Institutions” was established whereby the Superintendency of Banking Sector Institutions indicates that the revaluation amount “may not exceed the total Primary Equity (Level I) of the Institution considering the standards established therein for the calculation of the Total Equity Adequacy Index. Similarly, Article 6 states that “The recording of the amount of the asset revaluation in the Asset item shall be made in the accounts and sub-accounts established in the Accounting Manual for Banking Institutions, with a balancing entry in the account of Equity 351.00 “Adjustment for Asset Revaluation”.



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TOTAL CAPITAL ADEQUACY RATIO (LEVEL I):

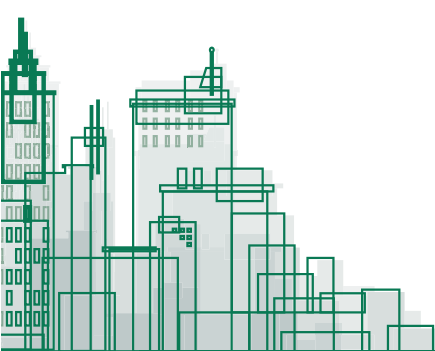
This is the Primary Equity relation (Level I) between the total amount of assets and contingent operations weighted by risk levels. It should not be less than 6%.

THE TOTAL CAPITAL ADEQUACY RATIO:

This consists of the sum of the value of Primary Equity (Level I), plus the Complementary Equity (Level II), divided by the total amount of assets and contingent operations, weighted by risk levels. The ratio obtained once multiplied by one hundred (100) shall not be less than twelve percent (12%).

According to the proposed arrangement and based on the results obtained in June 2020 and December 2019, the percentages achieved are:

Description	Jun. 2020	Dec. 2019
Capital Adequacy Ratio	19.21%	17.04%
Total Capital Adequacy Ratio	26.71%	23.56%
Tier 1 Capital Adequacy Ratio	26.71%	23.56%



ELECTRONIC CHANNELS AND BANK AGENCIES



As of June 2020 close, Banesco had a wide network of physical and electronic distribution channels whereby the Bank offers a wide range of products and services:

- 266 Service Points (agencies, satellites and Banesco Express).
- 130,536 Points of Sale.
- 510 ATMs (209 Monofunctional y 301 Multifunctional).

EXTERNAL AUDITOR'S REPORT

The financial statements of the Bank corresponding to the first half of 2020, 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	Jun. 20	Dec. 19	Jun. 19	Dec. 18
1. Equity				
■ Equity + Operative Management / Total Assets	19.21 %	17.04 %	24.08 %	15.80 %
■ Non-Productive Assets / Equity + Operative Management	781.35 %	929.14 %	706.73 %	619.49 %
2. Assets Quality				
■ Loan Portfolio Provisions / Gross Loan Portfolio	2.04 %	1.85 %	1.89 %	1.85 %
■ Non Accrual Loans / Gross Loan Portfolio	0.00 %	0.00 %	0.00 %	0.00 %
3. Management				
■ Personnel Expenses + Operative Expenses/ Average Productive Assets *	66.43 %	83.05 %	59.30 %	21.34 %
■ Personnel Expenses + Operative Expenses / Financial Income *	176.61 %	163.53 %	154.45 %	76.73 %
4. Earnings				
■ Net Results / Average Assets *	7.62 %	6.92 %	15.32 %	11.07 %
■ Net Results / Average Equity *	78.13 %	65.23 %	143.86 %	179.44 %
5. Liquidity				
■ Availability / Customer Funds	105.09 %	99.13 %	99.96 %	64.81 %
■ Availability + Investment in Securities / Customer Funds	105.61 %	102.89 %	99.99 %	64.89 %

* Annual Percentages

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

FIRST HALF 2020

In accordance with provisions of article number 28 of the Decree with Rank, Value and Force of Law on the Partial Reform of the Law on the Institutions of the Banking Sector, published on Official Gazette Number 40,557, dated December 8, 2014, and reasonable regulations issued by the Superintendency of the Institutions of the Banking Sector (hereinafter, SUDEBAN), published on August 27, 2014, articles 1 and 16 of Resolution 064. 14 referred to the “General Regulations Related to the Internal Audit Unit of the Institutions of the Banking Sector”, we submit the summary of the management, performed works and activities developed by the Internal Audit Unit in Banesco Banco Universal, C.A., from January 01, 2020 to June 30, 2020, which was presented for the consideration of the Audit Committee and the Board of Directors.

In Banesco Banco Universal, C.A. a Unit of Internal Audit is defined, which exercises in an independent and objective way the function of assurance and consultation. It seeks to add value through the evaluation and improvement of the effectiveness in the processes of risk management, control and governance, helping to achieve its objectives. Its main mission is to improve and protect the value of Banesco Banco Universal, C.A. providing assurance and consulting services based on risk and adequate to the best international practices. It provides high quality products with a proactive and continuous improvement approach.

The Vice President of Internal Audit has been designated as the Internal Auditor, as per Resolution 064.14 “GENERAL RULES ON THE INTERNAL AUDIT UNIT FOR THE BANKING SECTOR INSTITUTIONS”, which reports functionally and administratively to the Board of Directors of Banesco Banco Universal, C.A.

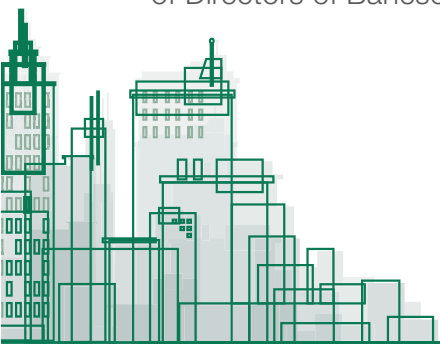
The Unit is organized in accordance with the provisions of Resolution 064-14 and includes an Operating Manual that establishes the principles, policies, standards and procedures related to the Internal Audit function, which are in line with National and International Internal Audit Standards, and the rules established by the Institution. In the event of significant regulatory or functional changes, it is submitted to the Auditing Committee, which recommends its approval to the Board of Directors.

I. CRITERION FOR THE INTERNAL AUDIT UNIT FUNCTIONING

The Internal Audit Unit applies a risk-based approach that is carried out through a transversal analysis of the value chain in evaluated processes.

In order to develop its activities, the Internal Audit Unit applies the following:

- The Internal Audit Operating Plan is evaluated by the Audit Committee, which recommends its submission to the Board of Directors to be formally approved.
- Regarding the progress in the execution of the Operational Plan and the results obtained in the completed audits, monthly reports are made to the Audit Committee and the Board of Directors.
- We continuously report to the Comprehensive Risk Management Unit the observations arising from the evaluation of processes and units that involve the direct or indirect generation of risks, including a biannual report to the Risk Committee.
- The rules established by SUDEBAN were considered, as well as the regulations in force for the



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

banking activity and the international supervision practices.

- Audit management is mainly aimed at reviewing the risk-based processes of the Central Administrative and Operational areas, Banks and Network of Agencies, Information Technology and Prevention and Control of Money Laundering and Financing of Terrorism (hereinafter PCLC/FT/FPADM) in accordance with the timetable set out in the Audit Plan PCLC/FT/FPADM.
- Audit tests are applied for the evaluation of significant exposures and verification of the effectiveness of the Internal Control Environment. The aim is evaluating if risks are adequately managed, contributing to the continuous improvement of processes and areas in Banesco Banco Universal, C.A.
- Mitigation and control strategies are monitored and defined by the areas responsible for managing the identified risks to ensure that the insurance cycle is closed.
- The framework for the professional practice of internal auditing is applied as per the regulatory framework in force in the country, jointly with the best practices of internal auditing in terms of assurance, standards and internal auditing procedures.

II. REACH AND COVERAGE OF THE INTERNAL AUDIT UNIT MANAGEMENT

For the first half of 2020, reviews were carried out with the coverage established in the Internal Audit Operating Plan, among which the following aspects stand out:

1. INTERNAL CONTROL AND RISK MANAGEMENT

- Effectiveness assessment of the internal control environment by evaluating the various aspects involved in updating, implementing and operating the institution's internal controls, the risk management framework, the effectiveness of internal controls and the efficiency and productivity of resources, as well as the corporate government structure.
- Review and verification of compliance with the legal provisions that regulate the banking activity and especially those established in the Law on Partial Reform of the Law on Banking Sector Institutions, other resolutions, circulars and notices issued by SUDEBAN. Other regulations in force related to the banking activity applicable in the conducted reviews were also revised.
- Verification of the application of provisions contained in the Accounting Manual for Banks of SUDEBAN and in the balances that make up the figures presented in the financial statements of Banesco.
- Monitoring of the processes of Comprehensive Risk Management and Technological Risk, and tests to validate the closing of gaps identified in the analysis of the Regulatory Body, Operational Risk, Internal Audit and External Audit.
- Timely attention to the certifications and requests by SUDEBAN, other regulatory bodies, the Audit Committee and the Board of Directors.
- Regarding the findings and situations identified and reported for the internal control strengthening, a follow-up of the action plans, established by the responsible parties, was carried out to validate documentation and supporting papers that prove the correct implementation within the deadlines.



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

2. REGULATING FRAMEWORK IN FORCE

- Evaluation of compliance with Resolution 136.03 “Standards for an Adequate Comprehensive Risk Management” and Resolution 136.15 “Standards for an Adequate Comprehensive Risk Management of Banks’ Liquidity”, including validation of organizational structure contemplated in the regulations, and the design of methodologies to identify, measure, control, monitor and assess the Organization’s risks.
- In the area of PCLC/FT/FPADM, the “Annual Evaluation and Control Program” was prepared and implemented in accordance with provisions of Resolution 083.18 “Rules on Prevention, Control and Prosecution of the Crimes of Money Laundering, Terrorist Financing and Financing of the Proliferation of Weapons of Mass Destruction Applicable to the Institutions of the Banking Sector”.
- In terms of Information Technology, we continued monitoring the inspection reports issued by SUDEBAN, and evaluated the components related to technological platform in order to attest compliance with provisions contained in the “Regulations on Information Technology, Dematerialized Financial Services, Electronic, Virtual and Online Banking for Entities Subject to Control, Regulation and Supervision by the Superintendency of Banks and Other Financial Institutions”, and Resolution 641.10 “Regulations Governing the Use of Electronic Banking”.
- Balancing of the credit portfolio to verify the reasonability of the accounting records and establishment of provisions in accordance with regulatory standards.

- The Financial Statements were reviewed in accordance with the provisions of the Decree with Range, Value and Force of Law on Banking Sector Institutions in order to verify the reasonableness of the accounts that make up the sheets and ensure that they are presented consistently and in compliance with the criteria established by the Superintendency and other reasonable standards, verifying the Bank’s financial indicators that enable an assessment of the economic, financial and equity situation.
- Evaluation of the determination regarding the Total Equity Adequacy Index and the Accounting Equity Adequacy Index in accordance with Resolution 004.18 “Temporary Measures to Determine the Equity Ratio on Contingent Assets and Operations, Applying Risk-Based Weighting Criteria”.
- Monitoring of liquidity indicators and compliance with the actions contained in the Liquidity Risk Contingency Plan, in accordance with Resolution BCV No. 19-0902 “Norms Governing the Establishment of Legal Reserves”.

III. RESULTS OF THE INTERNAL CONTROL ASSESSMENT

As a result of the execution of the Annual Operative Plan and compliance with the principles of objectivity and independence that define the practice of Internal Audit, during the assessments of assurance made to the processes of Banesco Banco Universal, C.A. in the first half-year of 2020, the following was observed:

- Operating processes in accordance with the strategies and guidelines defined by the Senior Management, having the necessary human, technologi-



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

cal and material resources, and seeking an efficient use of them.

- For an 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 stakeholders), it is necessary to rely on information of systems in terms of required quality, sufficiency, security and timeliness.
- Formal processes of identification, evaluation and monitoring of risks, to maintain effective control and decrease of losses by means of adequate management of them.
- Continuous process evaluation practices to verify the functioning of controls and to take, when required, corrective action in a timely and effective manner.
- Compliance with current regulatory standards and internal policies and procedures established by the Board of Directors and the Executive Management.
- Risk awareness, adequate Corporate Governance and continuous and timely supervision, which guarantees integrity and ethical values, strategic objectives based on operability, compliance by Management and control of activities related to policies and procedures.
- Formal procedures for continuous monitoring on defined action plans to correct identified gaps and strengthen the control environment, which allows an adequate risk management.

- Regarding the recommendations and instructions made by the Superintendency in its different inspections, the bank has explained what it has considered appropriate, and it has been verified that the responsible areas work and respond in the follow ups conducted in audit processes, including the regularization of remarks and recommendations provided by the Regulatory Entity.

CONCLUSION

Based on the results obtained in the execution of the Audit Plan during the first half of 2020, the Internal Control environment obtained a “SATISFACTORY” rating, evidencing that there are designed processes that allow the efficient execution of operations, maintaining control activities that reasonably manage the inherent risks and preventing the occurrence of relevant events. Current weaknesses can be corrected in the short term with available resources.

Taking into account the above, it is concluded that Banesco Banco Universal, C.A. maintains an Internal Control environment adequate to its characteristics and dimensions.

Additionally, it is necessary to maintain and strengthen the evaluation, monitoring and continuous improvement of the Internal Control environment. This must be done in a manner that allows the timely identification and management of emerging risks caused by changes that may occur in the various factors of internal and external origin that affect the Organization.



NOTICES BY THE SUDEBAN

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

ASAMBLEA GENERAL DE ACCIONISTAS	
DATE OF RECEIPT	SHAREHOLDER'S MEETING
02/01/2020	■ SIB-II-GGR-GA-14622: Sudeban gives its opinion about the ratification and appointments approved in the Annual General Meeting of Shareholders held on March 26, 2019, referred to the Customer and Bank User Defender and the Commissioners (Main / Alternate).
25/03/2020	■ SIB-II-GGIBPV-GIBPV5-02436: Statement on the requirements that were filed on March 6, 2020, on the occasion of the Special Shareholders' Meeting to be held on March 26, 2020 at 8:30 a.m.
25/03/2020	■ SIB-II-GGIBPV-GIBPV5-02435: Remarks regarding requirements at the Special Shareholders' Meeting to be held on March 26, 2020.
25/03/2020	■ SIB-II-GGIBPV-GIBPV5-02437: Sudeban gives its opinions related to the requirements corresponding to the Annual General Meeting of Shareholders, held on March 26, 2020.
08/05/2020	■ SIB-II-GGR-GA-02655: Sudeban comments on the ratifications and designations approved at the Annual General Meeting of Shareholders held on September 27, 2018.
19/05/2020	■ SIB-II-GGR-GNP-02709: Aspects to be considered for the publication and notification of the call for shareholders' meetings.
23/06/2020	■ SIB-II-GGRA-GA-03331: Sudeban comments on the ratifications and designations approved at the Special Meeting of Shareholders held on September 26, 2019.

INSPECTION VISITS	
DATE OF RECEIPT	OFFICIAL LETTERS
02/01/2020	■ SIB-DSB-OPCLC-FT-FPADM-13298: Report containing the results obtained in the Special Inspection Visit held in Ciudad Ojeda office (0430) located in the state of Zulia.
22/01/2020	■ SIB-II-CCSB-00727: Sudeban reports on officials who have been authorized to conduct a Special Inspection on pension payment days by the Venezuelan Institute of Social Security (IVSS), in matters of Quality of Banking Service in agencies, ticket offices and/or branches in the country.
22/01/2020	■ SIB-II-CCSB -00740: Sudeban informs about the authorization of twenty-three (23) officials to carry out a special inspection visit regarding the quality of banking services.



NOTICES BY THE SUDEBAN

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

OTHERS	
DATE OF RECEIPT	OFFICIAL LETTERS
15/01/2020	■ SIB-DSB-CJ-PA-00400: Sudeban informs that the bank has not settled the outstanding balance in Trust No. 6295 to Banco de Venezuela, which belongs to the workers assigned to the payroll of the Attorney General's Office of Monagas state.
31/01/2020	■ SIB-II-CCD-01111: Sudeban urges the bank to comply with the agricultural portfolio, since it did not fulfill the minimum percentage established for June 2019, in accordance with article 6 of the Joint Resolution issued by the Ministry of the People's Power for Productive Agriculture and Lands No. 010/2019, Ministry of the People's Power for Economy and Finance DM/No. 024/2019, Ministry of the People's Power for Fishing and Aquaculture DM/No. 008/2019 and of Urban Agriculture DM/No. 006/2019, dated April 18, 2019, published in the Official Gazette of the Bolivarian Republic of Venezuela No. 41. 639, dated May 23, 2019. This decree establishes the basis, conditions, terms and minimum mandatory percentages of the credit portfolio destined to the agricultural sector during the production cycle April 2019 - March 2020.
31/01/2020	■ SIB-II-GGR-GA-01116: Observations regarding the closing of the agency at El Recreo (0867), located at Avenida Casanova, Centro Comercial El Recreo, Level C-3, Sabana Grande, El Recreo Parish, Libertador Municipality, Caracas, Capital District. Hence, the Bank was ordered to publish the information in the press within 10 continuous days.
31/01/2020	■ SIB-II-GGR-GA 01117: Considerations regarding the closing of the Parque Central Agency, Tacagua Building (0386), located at Avenida Lecuna, Parque Central, Tacagua Building, San Agustín Parish, Libertador Municipality, Caracas, Capital District. Hence, the bank was ordered to publish this information in the press within 10 continuous days.
03/02/2020	■ SIB-II-GGIR-GSRB-01122: Considerations on (i) estimation of financial indicator impacts for the banking business, (ii) action plan containing the measures to be taken in the short term to mitigate exposure to liquidity risk, legal reserve deficits and the impacts mentioned in Resolution No. 19-09-02. Finally, Sudeban requests the submission of any information requested in item (ii) within 10 banking days from the notification of this letter.
05/02/2020	■ SIB-II-GGR-GA-01375: Considerations regarding the closing of La Candelaria Agency II (0224), located at Avenida Este, Sur 19 and Sur 21, La Candelaria, Centro Parque Caracas, La Candelaria Parish, Libertador Municipality, Caracas, Capital District, in which it was determined that the closing of said Agency negatively affects the quality of the service provided and limits the rights of clients and users to enjoy banking services.



NOTICES BY THE SUDEBAN

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

OTHERS	
DATE OF RECEIPT	OFFICIAL LETTERS
11/05/2020	■ SIB-DSB-CJ-OD-02668: Statement on the Single Portfolio and Microcredit Loan Agreement models.
17/04/2020	■ SIB-DSB-CJ-OD-02526: Positive statement on the feasibility of opening a number not exceeding 40 agencies in the country, only for administrative activities purposes, in full compliance with all preventive measures issued by the Executive branch and the World Health Organization.
26/05/2020	■ SIB-II-GGIR-GSRB-02718: Remarks in relation to the Half-Yearly Independent Auditor's Assurance Report and the Compliance with Resolutions No. 136.03 and 136.15 of the Financial Statements audited as of June 30, 2019, which includes the compliance level of the laws in force with regard to the matter of risks.
26/05/2020	■ SIB-II-GGIBPV-GIBPV5-02734: Observation on the request made by the Bank regarding the authorization to record expenses due to the lack of coverage of the legal reserve charged to the account 352.00 "Profit or loss due to exchange rate fluctuations from holding assets and liabilities in foreign currency", which are registered with sub-account 439.991 "Miscellaneous Operating Expenses".
26/05/2020	■ SIB-DSB-CJ-OD-02764: Positive considerations regarding the application of the limits for authorized customer services.
26/05/2020	■ SIB-II-GGIBPV-GIBPV5-02735: Favorable statement to establish the provision for accrued interest and interest to be accrued on ecurities issued by PDVSA charged to the balance kept at June 30, 2019, in account 352.00. Also, it authorized the registration of accruals in sub-account 819.99, as of the coupon that matures on April 12, 2020.
09/06/2020	■ SIB-II-GGR-GNP-02843: Favorable statement to formalize and execute the "2020 Raining Season Sowing Plan" by financing Conglomerado Agrosur, S.A. at a term not exceeding 180 days for each disbursement.
25/06/2020	■ SIB-II-GGIBPV-GIBPV5-03343: Considerations regarding the assessment issued by Escritorio Jurídico Grau, García, Hernández & Mónaco as legal representative of this Institution, in relation to the lawsuit filed by Inversiones Bchara against Banesco Banco Universal, C.A.
25/06/2020	■ SIB-II-GGR-GNP-03340: Statement on the correctness of the model contract to be signed with suppliers of points of sale, in accordance with Resolution No. 116.17 "Resolution Rules governing contracts with suppliers that trade points of sale".



NOTICES BY THE SUDEBAN

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

OTHERS	
DATE OF RECEIPT	CIRCULARS
10/01/2020	■ SIB-II-GGR-GNP-13810: Sudeban reports on the payment of contributions to be made by the institutions under the supervision and control of this body.
21/01/2020	■ UNIF-DDG-DSU-00039: The National Financial Intelligence Unit (NFIU) informs that the guide entitled " Rules for the proper transmission of e-files of the Comprehensive Financial Information System (SIF), used by NFIU". This is intended for the full compliance of Banking Institutions, Exchange Houses, Mutual Guarantee Societies and National Mutual Guarantee Funds and other Entities.
21/02/2020	■ SIB-II-GGR-GNP-01947: We inform to all the banking sector institutions that it is necessary to guarantee the continuity in the services provided to the clients, users and the general public. In addition, it is important to ensure the full operation of the entire agency network, offices and administrative headquarters throughout the country on February 21, 2020. This is due to the public service nature of the activities provided by this financial institution.
03/03/2020	■ SIB-II-GGR-GNP-GIDE-02131: Sudeban reports the criteria for disclosing details of clients with collection instruments in the banking sector through AT14 "Instruments of the Comprehensive Financial Information System (SIF)".
12/03/2020	■ SIB-II-GGR-GNP-02377: The establishment of daily limits for transactions through Interbank Mobile Payment (P2P) and Mobile Payment of Persons to Commerce (P2C) is reported.
16/03/2020	■ SIB-DSB-CJ-OD-02415: The regulating entity, in accordance with the state of emergency decree issued by the Executive branch, based on Article 338 of the Constitution of the Bolivarian Republic of Venezuela, orders the continuity of the on-line banking service while a national emergency is in progress.
15/04/2020	■ SIB-DSB-CJ-OD-02512: Sudeban encourages all banking institutions to make easier to foreign persons, regardless of their status of non migrant (tourist), temporary migrant or permanent migrant, the opening and mobilization of bank accounts and access to their products or services offered, after the verification of the client's identity, according to the provisions of Resolution No. 083.18.



NOTICES BY THE SUDEBAN

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

OTHERS	
DATE OF RECEIPT	CIRCULARS
21/04/2020	■ SIB-II-GGR-GNP-GIDE-02533: Sudeban requests the sending on a daily basis of the Consolidated Position of the Depositors: Natural and Legal Persons and Official Organizations as well.
22/04/2020	■ SIB-II-GGR-GNP-GIDE-02532: Sudeban informs that on April 17 and 20, 2020, the Steering Committee of Single Productive Portfolio submitted before the banking institutions the list of natural and legal persons to be financed by each entity to execute the 2020 Sowing Plan.
24/04/2020	■ SIB-II-GGR-GNP-02541: All the banking sector institutions are informed about the accounting records of the credits destined to the agricultural and food production within the framework of Resolution No. 20-02-01, dated February 20, 2020, issued by the Central Bank of Venezuela.
29/04/2020	■ SIB-DSB-CJ-OD-02548: Sudeban urges banks to refrain from blocking pensioners' accounts, which are inactive during the time of the State of Emergency decreed by the Executive, under the terms normally established by the Venezuelan Institute of Social Security (IVSS). The purpose is to guarantee the reimbursement of the amounts corresponding to the bonds issued by such entity.
04/05/2020	■ SIB-DSB-CJ-OD-02554: Sudeban notifies the aspects to consider about the collection and suspension of the POS service and related activities to users who do not have transactional activity.
19/05/2020	■ SIB-II-GGR-GNP-02707: The amendment of the Accounting Manual for Banking Institutions regarding the incorporation of the accounts for the accounting records of credits to the agricultural and food sector granted in accordance with Resolution No. 20-01-01, dated February 20, 2020, issued by the Central Bank of Venezuela, as well as credits in sovereign cryptoactives, is reported.
19/05/2020	■ SIB-II-GGR-GNP-02708: the presentation of the complementary information corresponding to the closing of the first half of 2020, regarding the consolidated and/or combined financial statements prepared in accordance Generally Accepted Accounting Principles; as well as the individual audited half-yearly financial statements for publication adjusted due to inflation is postponed.



NOTICES BY THE SUDEBAN

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

OTROS	
FECHA RECEPCIÓN	CIRCULARS
19/05/2020	■ SIB-II-GGIR-GSRB-GGR-GNP-02710: The decision to extend the deferral of compliance with the provisions of articles 24 to 31 of Resolution No. 136.15 dated November 11, 2015, which contains the "Rules regarding the adequate comprehensive liquidity risk management of banks" is informed.
27/05/2020	■ SIB-DSB-CJ-OD-02776: The National Telecommunications Commission has established the permanent verification by banks and companies that offer POS services, that the provision of this kind of telecom services must be duly authorized by the regulating body (CONATEL).
27/05/2020	■ SIB-DSB-CJ-OD-02777: CONATEL has implemented a series of improvements to the technological platform that supports the administration of the nic.ve domain in March 2020.
31/05/2020	■ SIB-DSB-CJ-OD-02793: Continuity of the banking service during the state of emergency and flexibility of the lockdown.
07/06/2020	■ SIB-DSB-CJ-OD-02831: Sudeban ordered the continuity of the banking service during the State of Emergency and the relaxation of the lockdown. For this purpose, the 7-day period corresponding to the activity suspension commenced on Monday, June 8th, 2020.
11/06/2020	■ SIB-DSB-CJ-OD-02866: The establishment of minimum amounts for operations through POS, E-Banking, Telephone Banking, Mobile Interbank Payment (P2P) and Mobile Payment from People to Businesses (P2C) and Adequacy of the Real Time Gross Settlement System is ordered.
12/06/2020	■ SIB-DSB-CJ-OD-02884: The features of POS equipment for processing payments at service stations are instructed.
18/06/2020	■ SIB-DSB-CJ-OD-02928: Alternative means of payment and integration of Debit and Credit Card operators are established.
23/06/2020	■ SIB-DSB-CJ-OD-03326: Sudeban reports the extension of the validity period of the pension collection authorizations.
28/06/2020	■ SIB-DSB-CJ-OD-03521: Sudeban indicates that as of June 29, the agency network will offer services to the public during the flexibilization phase, which includes a period of 7 days of work beginning on June 30, 2020.



RELEVANT'S INFORMATION TO STAKEHOLDERS



Stock Capital
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 24th, 2020, 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 30, 2020.

SECOND: Discuss and decide on the allocation to be made to the profits as of June 30, 2020.

JUAN CARLOS ESCOTET RODRIGUEZ | CHAIRMAN OF THE BOARD

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 Extraordinary Shareholders' Meeting to take place on September 24th, 2020, 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 matter:

SOLE: Statutory Modification.

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 "B" of the "Ciudad Banesco" Building..

Caracas, August 28th, 2020

RIF: J07013380-5



CORPORATE GOVERNANCE REPORT

BANESCO BANCO UNIVERSAL, C.A.

BanESCO Banco Universal, C.A., is a banking entity domiciled at the city of Caracas, Bolivarian Republic of Venezuela, authorized to carry out all the operations of financial intermediation and its related services. It has no other limitations than those established in the Decree with Range, Value and Force of Law on Institutions of the Banking Sector.

ORGANIZATIONAL STRUCTURE OF BANESCO BANCO UNIVERSAL

BODIES AND MECHANISMS OF THE CORPORATE GOVERNANCE SYSTEM

The Bank's Corporate Governance structure emanates from the company bylaws, the Banking Sector Institutions Law, the Commercial Code, the regulations issued by the Superintendency of the Banking Sector Institutions and the decisions made by the Board of Directors, aligned to current trends in order to apply best practices.

The Bank maintains a governance structure composed of the Shareholders' Meeting, the Institution's Board of Directors, the President of the Board of Directors, the Executive President, the Thematic Committees (Directors and Executives), the different Executive Directors of the Bank, as well as the Compliance Officer and the Internal Auditor.

SHAREHOLDER'S MEETING

This instance represents the universality of shareholders and has the supreme management of the company. The meeting takes place in a regular basis, within 90 days following the closing of each half-year, and in a special manner, at the time deemed convenient for the interests of the company by the Board of Directors, or when requested by a group of shareholders representing at least 20% of the capital stock. Its acts and resolutions are bidding for the bank and its shareholders.

The Shareholders' Meeting is in charge of the following: i) To determine the number of Directors who will comprise the Board of Directors; ii) to appoint the members of the Board of Directors and set their remuneration; iii) to designate the Principal and Alternate Commissioners and establish their remuneration; iv) to discuss, approve or modify the Financial Statements submitted to it, in view of the Commissioner's report; v) to issue and amend the Bylaws; vi) to decide on early dissolution, extension, merger with another company, sale of corporate assets, change of corporate purpose, increase, reduction or refund of corporate capital and amendment of the Bylaws in the matters expressed; vii) to 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 Bank's Bylaws; viii) to decide on the establishment of reserves or special reserves submitted for its consideration by the Board of Directors; ix) to hear and decide on any other matter within its competence, in accordance with the Law and the Bank's Bylaws.

BOARD OF DIRECTORS

The Decree with Range, Value and Force of Law on Institutions of the Banking Sector (LIBS) published on Extraordinary Official Gazette No. 6,154, dated November 19, 2014, reprinted on Official Gazette No. 40.557, dated December 8, 2014, establishes in its article 30 that the Board of Directors must be comprised of no less than seven (7) main directors and their respective alternates; one third of both, main and alternate directors, must be independent directors. This means that they may not be shareholders of the Banking Institution, directly or indirectly.

Based on the above, the appointment of the members of the Board of Directors of BanESCO Banco Uni-



CORPORATE GOVERNANCE REPORT

versal, C.A., is made in accordance with the LISB and other provisions to be issued by the Superintendency of Banking Sector Institutions (Sudeban); for instance, the “Regulations that allow to establish the fulfillment of the requirements of Moral and ethical quality required for the exercise of the banking activity” and with the bank’s bylaws.

This governing body is responsible for the general administration of the business and operations, including its Corporate Social Responsibility policy. The Board of Directors is made up of qualified individuals with extensive experience in different areas of the banking business, of recognized solvency and honorability.

The Board of Directors is made up of more than 1/3 independent directors and is responsible for the definition and strategic direction of the organization, approving business principles and policies and regulating the autonomy of executive decisions. It also monitors the work of the bank’s operating and functional areas, evaluates and compares the business projections and results of each year with those in previous years.

This governing body is also responsible for identifying the various risks to which the organization is subject, including economic, environmental and social risks. Accordingly, it establishes policies and processes for their management. Some of these tasks are carried out along with the Risk Management Committee, whose main function is the comprehensive management of the risks to which the institution is exposed.

PRESIDENT OF THE BOARD OF DIRECTORS

The President of the Board of Directors exercises the legal representation of the Bank in the broadest sense before all authorities and any other public or private person or entity, and presides over the deliberations at such instance. Its powers include representing the institution, granting contracts, agreements and, in general, all types of documents of any nature on its behalf. The President and the Board of Directors exercise the broadest powers of administration and arrangement of the bank.

CHIEF EXECUTIVE OFFICER

He is appointed by the Board of Directors and has the functions of the management, daily operation and internal services of the Bank, including the administration and comprehensive management of the businesses related to the banking activity. He is responsible for coordinating the activities and tasks assigned to each of the departments and reports to the Board of Directors on his performance and management.

COMPLIANCE OFFICIAL

This is a high official dedicated exclusively to the works of prevention and control of crimes regarding Money Laundering, Financing to Terrorism and Proliferation of Weapons of Mass Destruction (ML/FT/FPWMD). He directly reports to the Board of Directors of Banesco Banco Universal, C.A., and is also in charge of the supervision and control of the Unit of Prevention and Control ML/FT/FPWMD. Additionally, he is authorized to make decisions in the framework of executing attributions, among them, the following: a) promote and supervise the compliance with policies, procedures, provisions and controls related to the Prevention and Control of Money Laundering and



Financing of Terrorism and Proliferation of Weapons of Mass Destruction, approved by the Board of Directors of the Obligated Party; b) design together with the Prevention and Control Unit of ML/FT/FPWMD the Annual Operational Plan; c) submit annual and quarterly reports to the President and the Board of Directors of the Bank, which, among other aspects, contain the progress of the Annual Operational Plan, the Annual Training Program on Prevention and Control against these crimes, and its recommendations for the improvement of the adopted procedures; d) send to the National Financial Intelligence Unit (UNIF) the Suspicious Activity Reports deemed necessary, as well as the responses to the requests for information related to the subject matter that other competent authorities require, within the deadlines established by the laws and communications of request for information; e) to maintain institutional relations with this Superintendency/UNIF; as well as with other competent authorities, non-governmental organizations and institutions dedicated to the prevention, repression and control of ML/FT/FPWMD.

f) To represent the Institution in conventions, events, forums, committees and official national and international acts related to this matter, when designated by the Board of Directors of the Obligated Party.

g) To develop, along with the communications teams, communication strategies aimed at informing and raising awareness among customers and employees on issues related to the subject; h) to be part of the Comprehensive Risk Management Committee of the Banking Institution, exercising the functions assigned to it in the current prudential regulations governing the matter, among others.

INTERNAL AUDITOR

In accordance with the Decree with Range, Value and Force of Law on Banking Sector Institutions, he is responsible for ensuring that the bank's operations and procedures comply with the Law, prudential regulations, the institution's internal process manuals and the accounting principles approved by the Superintendency of Banking Sector Institutions.

Likewise, this official is responsible for supervising the adequate functioning of the internal control systems; ensuring compliance with the resolutions of the Shareholders' Meeting, the Board of Directors and the Superintendency of Banking Sector Institutions; signing the financial statements, jointly with the legal representative and the general accountant; internally coordinating the analysis of the different operations of the Institution and, acting jointly with the Audit Committee, informing the Board of Directors of the results of the different audits carried out in order to improve the processes and be able to correct any gaps that may arise.

STEERING THEMATIC COMMITTEES

They are the bodies that support the exercise of the responsibilities of the Board of Directors, whose objective is to promote compliance with corporate policies and the transparency of the businesses managed by the management.

COMMITTEE OF ASSETS AND LIABILITIES (ALCO)

ClI is the body directly responsible for managing market and liquidity risks (price, interest and exchange rate) and asset adequacy. It periodically analyses the degree of exposure to risks and defines the short- and medium-term financial strategies to deal with the risks assumed in accordance with the foreseeable evolution of the markets.



CORPORATE GOVERNANCE REPORT

The main objective is to manage the bank's assets and liabilities from a financial, commercial and risk perspective, anticipating market threats and opportunities in order to optimize results and achieve the goals set out in the financial planning.

AUDITING COMMITTEE

The Audit Committee is responsible for monitoring the efficiency of the Internal Control System based on the results obtained in internal and external audits, reporting and giving an opinion on the reports of audits and inspections carried out, and verifying that a solution has been given to the observations raised.

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

The Audit Committee is derived from the Bank's Bylaws, the Banking Sector Institutions Law, and the Regulations issued by the Superintendency of Banking Sector Institutions (Sudeban). Its structure complies with current regulations and best international practices, allowing transparent management based on the highest professional and ethical principles that frame the relationship with shareholders, clients, employees and other interested parties of the Institution. This Committee has Internal Regulations for its operation in line with good corporate governance practice, it meets monthly and is chaired by an Independent Director.

CENTRAL CREDIT COMMITTEE

The objective of this committee covers the following aspects:

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

ETHICS COMMITTEE

Its role is to receive, analyze, evaluate and resolve issues that may be damaging to compliance with the rules established in the Banesco Code of Ethics and Conduct. Similarly, it is responsible for encouraging the promotion of the organization's values.

APPOINTMENT AND REMUNERATION COMMITTEE

It is a body that supports the management carried out by the Board of Directors and is assigned responsibilities in relation to advising on the selection, appointments and remuneration of the members of the Board of Directors, in addition to developing the strategic management approach of executive human talent, in terms of compensation, development and succession.



RISK COMMITTEE

Its main function is the management, identification, measurement and mitigation of the risks to which the Bank is exposed, through a system that includes objectives, policies, and procedures, capacities for identifying, measuring, assessing and monitoring risks. This supports the Board of Directors in strategic planning and reasonably assures the achievement of its objectives.

TECHNOLOGY COMMITTEE

Its main function is to ensure that technology implementations are aligned with the Bank's strategies and objectives, with a global and horizontal vision of the business, using resources responsibly and identifying and managing risks. It also proposes policies under the main standards in the technology area.

EXECUTIVE COMMITTEE

It is the executive body whose responsibility is to ensure compliance with the policies, strategies, standards, procedures and guidelines established and approved by the Board of Directors, since it acts by delegation of the same.

This committee is responsible for the execution and monitoring of the most relevant issues that are related to the administration, monitoring and control of business plans, their financial results and the Bank's profitability.

It is also responsible for taking the necessary actions for the effective and optimal control of the executive management in order to achieve the objectives, indicators and growth goals established in the Strategic Planning.

EXECUTIVE THEMATIC COMMITTEES

HUMAN CAPITAL COMMITTEE

It is the collegiate body in charge of ensuring the proper management of the human team. Its general objective is to constantly evaluate the demands and requirements that derive from organizational and strategy changes and their interrelation with human capital, to ensure alignment between the best practices in personnel management and the real needs of the business. It is made up of Directors who are members of the Board of Directors, by Executive Directors and representatives of the Human Capital area.

COMMUNICATIONS AND CORPORATE RESPONSIBILITY AND SUSTAINABILITY COMMITTEE

It is the committee in charge of designing, implementing, and ensuring compliance with the Bank's Corporate Strategic Communications Plan, which ensures the alignment of the variables of the communication processes with the business strategy, facilitates interrelation with the different audiences of interest and contributes to strengthen and improve identity and organizational performance. Likewise, it defines and coordinates communication strategies that allow the incorporation of the company's culture into the Banesco Citizen, uniting its values and promoting the organizational philosophy to facilitate change processes. It works to generate identification and position the mission, vision, values and philosophy of the company through internal communications. This governing body makes it possible to manage the business with a long-term perspective, incorporating the evaluation and monitoring of risks in economic, social and environmental matters. He is appointed by the Bank's Board of Directors, reports to the Executive President and constitutes the body



CORPORATE GOVERNANCE REPORT

directly responsible for implementing and developing the Responsibility and Sustainability policy, with the participation of all areas of the Bank.

CORPORATE DEVELOPMENT COMMITTEE

It is the body responsible for defining, prioritizing and monitoring the commercial strategy of Banesco Banco Universal CA, understanding this as the set of initiatives that allow business plans to be operational under a philosophy that aligns the segments, products and channels of attention, guaranteeing the customer experience as a structural component of differentiation.

STRATEGIC SERVICE QUALITY COMMITTEE

Its general objective is to promote and ensure compliance with the offer of value and promise of service to customers, appropriate to their needs, through monitoring the policy, norms and standards, continuous improvement of processes, products, services and of human capital, with a view to fostering a culture of quality of service aligned with the Organization's strategic framework and its profitability.

BUDGET MANAGEMENT AND PROCUREMENT COMMITTEE

Its main function is to direct and govern the Bank's budget management and procurement processes, from the formulation of the budget to the contracting of goods and services, guaranteeing the levels of spending efficiency, as well as the selection of the best option offered in the market, for the fulfillment of the strategic objectives of the Organization.

INFRASTRUCTURE AND ASSETS COMMITTEE

It is the body in charge of coordinating and promoting the design, development and implementation of physical infrastructure projects to provide the Or-

ganization with spaces according to its needs. It is also in charge of evaluating the destination of the institution's assets that, due to their conditions, have fulfilled the service for which they were disposed of and are susceptible to divestment, as well as those assets that come from payments in payment, judicial auctions, acquisitions and leases.

PROJECTS AND INVESTMENTS COMMITTEE

Its primary objective is to ensure that the annual or emerging Project and Investment Portfolio, which will be recommended to the Executive Committee for approval, complies with factors that justify the allocation of resources in terms of: impact on the achievement of the strategy; value generated for the institution; business continuity; compliance with regulations; viability of the amount to be invested and the required execution capacity; to ensure the reasonableness and viability of the business cases for each of the approved investments; and finally, ensuring the control and monitoring of the Portfolio of Projects and Investments approved, with a focus on the return on investment as a promise of value.

COMPREHENSIVE SECURITY AND BUSINESS CONTINUITY COMMITTEE

It is the management support body carried out by the Comprehensive Security area for the prevention and control of financial crimes and business continuity in order to guarantee the availability of the critical services of the Organization. It also has responsibilities in relation to advising on information security, control and prevention of losses, financial and administrative investigations, as well as preparing and executing contingency plans or measures in the event of unexpected or high-impact situations.



COMMISSIONER'S REPORT

FIRST HALF 2020

BANESCO BANCO UNIVERSAL, C.A.

Half finished at June 30, 2020 • Caracas, August 28, 2020

In the exercise of our capacity as Commissioners designated by the Annual General Meeting, held on March 26, 2019, as per provisions contained in the bank's Bylaws and the Inter-professional Regulations for the exercise of the Commissioner position, as per articles 287, 309 and 311 of the Code of Commerce, we hereby inform the assessment of the balance sheet as of June 2020 and the Related Income Statements and Application of Net Result, Changes in Equity and Cash Flow concerning this recently ended period. Find also attached the report prepared by Auditores Independientes Lara, Marambio & Asociados (Members of Deloitte), dated August 26, 2020, which shall be deemed for all purposes to be a comprehensive part of this document.

RESPONSIBILITY OF THE MANAGEMENT AND THE OFFICIALS IN CHARGE OF THE CORPORATE GOVERNANCE IN RELATION TO THE FINANCIAL SHEETS

The management of Banesco Banco Universal, C.A., is responsible for the preparation and reasonable presentation of the attached financial statements, in accordance with the Accounting Norms and Instructions established by the Superintendency of Banking Sector Institutions (SUDEBAN), and of the internal control that the management considers necessary to allow drafting the financial documents and to be free of material mistakes, due to fraud or error.

When preparing these documents, the management is responsible for assessing the bank's capa-

city to continue operating as a going concern, disclosing, as appropriate, the matters related thereto and using the basis of accounting applicable, unless the management intends to liquidate the entity or cease operations, or there is no other realistic alternative.

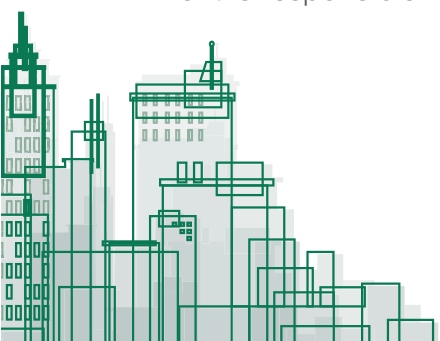
Corporate governance officers are responsible for overseeing the bank's financial reporting process.

ACCOUNTING BASIS

Banesco Banco Universal, C.A., reports its financial statements in accordance with the accounting standards established by the Superintendency of Banking Institutions (SUDEBAN), which differ in some respects from the Generally Accepted Accounting Principles (GAAP), as explained in Note 2 to the Financial Statements of the Independent Auditor's Report. The papers accompanying this report were prepared by the bank's management in order to comply with the standards and practices established by that Superintendency and not for the purpose of being shown in accordance with the GAAP in Venezuela (VEN-NIF GE).

RESPONSIBILITY OF THE INDEPENDENT AUDITORS IN RELATION TO THE FINANCIAL STATEMENTS AUDITING

The independent auditor's responsibility is to express an opinion concerning these statements based on auditing, based on the International Standards on Auditing (ISA). These require the fulfillment of ethical



COMMISSIONER'S REPORT

requirements, the planning and execution of verifications to find out a reasonable security if said financial statements are free from relevant mistakes. An audit includes the implementation of certain procedures to obtain evidence related to the amounts and disclosure therein.

The chosen procedures depend on the auditor's judgment and include assessing the risks of material distortions in financial statements due to fraud or error. When evaluating risks, the auditor considers the significant internal controls that Banesco Banco Universal, C.A. uses in the preparation and presentation of its financial statements to establish audit procedures, which are appropriate in the circumstances, but it is not intended to express an opinion on the effectiveness of the Bank's internal control. This also includes evaluating accounting policies appropriateness and the reasonableness of accounting estimates made by management, as well as the overall financial statement presentation. The independent auditor considers that the audit evidence obtained during the revision is sufficient, pertinent and provides a reasonable base to support a professional opinion.

RESPONSIBILITY OF THE COMMISSIONERS

It is important to highlight that we are committed to provide a recommendation about the approval of the financial statements based on our revision and drafted in accordance with the scope deemed necessary, which is substantially less demanding than an audit made pursuant to the International Standards on Auditing. Thus, its purpose is expressing

an opinion in relation to the basic financial statements in general. Our revision included the financial operations contained in the Financial Statements submitted for the consideration of the Meeting: Balance sheet as of June 30, 2020 term ended on the same date. Internal Audit and Revision for the Prevention and Control of Money Laundering and Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction, as well as correspondence received and sent from and to the Superintendency of Banking Institutions (SUDEBAN). It is important to emphasize that the judgments and opinions issued on this report about the financial situation of Banesco Banco Universal C.A., as of June 30, 2020 in the review conducted by Lara, Marambio & Asociados (Deloitte Members), the bank's independent auditors, for the same period whose reports were issued on August 26, 2020, which must be deemed an integrated part of this report, namely:

- I. Financial Statements ended on December 31 and June 30, 2019 and the one corresponding to December 31, 2019.
- II. Special Report for the half year ended at June 30, 2020.
- III. Combined Financial Statements of the Trusts half years as of June 30, 2020 and December 31, 2019.
- IV. Half-yearly Report on the Independent Auditors' Assurance for fulfilling Resolution No. 083.18 issued by the Superintendency of Banking Sector Institutions, dated June 30, 2020.



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- V. Half-yearly Report on the Independent Auditors' Assurance for fulfilling Resolution No. 136.15, issued by the Superintendency of Banking Sector Institutions at June 30, 2020.
- VI. Half-yearly Report on the Independent Auditors' Assurance for fulfilling Resolution No. 136.03, issued by the Superintendency of Banking Sector Institutions at June 30, 2020.
- VII. Report on the Convened Procedures Related to the Financial Information at June 30, 2020.
- VIII. Report on Convened Procedures Regarding Non-Financial Information, specifically related to provisions of Official Letter No. SIB-II-CCSB-09025, dated March 25, 2014.
- IX. Observation and recommendation memorandum for the half-year ended June 30, 2020.

RECOMMENDATION

Based on our audits and the opinion of the Independent Auditors, identified above, the Financial Statements in question present fairly, in all material respects, the financial position of Banesco Banco Universal, C.A, at the end of June 30, 2020, the result of its operations, the movement in the equity accounts and the cash flow for the six-month ended in accordance with the Generally Accepted Accounting Principles established by the Superintendency of Banking Sector Institutions (SUDEBAN) for the Venezuelan banking system, which allows us to recommend its approval.

EMPHASIS PARAGRAPH

- The Independent Auditor's Report, Note 2, states that the Bank, as a financial institution of the Venezuelan banking sector, prepares its financial statements based on accounting rules and instructions established by the Superintendency of Banking Sector Institutions. These rules differ from some aspects referred in the Venezuelan Generally Accepted Accounting Principles (VEN-NIF-GE).

OTHER MATTERS TO BE REPORTED

The bank maintains monitoring mechanisms to surveil the compliance of Article 307 of the Code of Commerce. The institution does not decree or pay dividends to shareholders, but over liquid and collected profits.

The reserves, deposits and corporate funds are reasonable and comply with the provisions that govern on this matter. Thus, administrators have met the duties set forth in the Law, the Articles of Incorporation-Bylaws and the legal framework in force.

Banesco Banco Universal, C.A., has implemented the corresponding audit programs in order to fulfill the instructions contained in Circular No. HSB-200-1155, dated February 24, 1984, issued by the Superintendency of Banking Sector Institutions.

In the period under audit, we have not received any complaints from shareholders, nor have we been informed by any of them, of the existence of circumstances, which in our opinion, weaken or have the potential to weaken the financial condition of the institution.



COMMISSIONER'S REPORT

We reviewed the communications exchanged between the entity and the Superintendency of Banking Sector Institutions (SUDEBAN) during the semester ended June 30, 2020, as part of our evaluation. In this regard, we highlight the following:

1. Circular SIB-DSB-CJ-PA-00400, reception date: January 15, 2020. Sudeban announces that the Bbank has not settled the outstanding balance in Trust No. 6295 to Banco de Venezuela, which belongs to the workers assigned to the payroll of the State Attorney's Office of the State of Monagas. For such purpose, and since the first quarter of the current year, a trust substitution identified with No. 36580, was made from Banco Banesco to Banco de Venezuela. The Supervisory Body grants Banesco Banco Universal, C.A., a period no longer than five (5) working days, counted from receiving this document, for submitting a detailed report to the Superintendency according to the facts set forth in Official Letter PGEM-DP-2019-00207, dated December 17, 2019, issued by the Attorney General's Office of the State of Monagas, requesting Sudeban to proceed with the issuance of the final trust substitution contract and to successfully transfer the remaining balance from the account of Banco Banesco to Banco de Venezuela.
2. Official Letter SIB-II-GGIR-GSRB-01122, reception date: March 03, 2020. Sudeban give its opinion in relation to communications S/N received through this body on December 4 and 5, 2019, whereby is answering official letter SIB-II-GGIR-GSRB-13227, dated November 20, 2019, particularly those concerning the deficit of the legal reserve in the Central Bank of Venezuela.
3. Circular SIB-DSB-CJ-OD-02415, reception date: March 16, 2020. The regulating body in accordance with the Emergency State decree issued by the Executive branch based on provisions set forth in Article 338 of the Constitution of the Bolivarian Republic of Venezuela, orders that from Monday, March 16, 2020, all activities implying direct customer attention or services to users and public in general at offices, ticket offices, administrative branches throughout the country will be suspended.
4. Circular SIB-II-GGR-GNP-GIDE-02532, reception date: April 22, 2020. Sudeban informs that on April 17 and 20, the Steering Committee of Single Productive Portfolio submitted before the banking institutions the list of natural and legal persons to be financed by each entity to execute the 2020 Sowing Plan.
5. Circular SIB-II-GGIR-GSRB-GGR-GNP-02710, reception date: May 19, 2020. Sudeban announces its decision to extend the deferral to comply with provisions enshrined in Article 24 to 31 of Resolution No. 136.15, dated November 11, 2015, containing the "Regulations concerning the proper comprehensive risk administration of banks' liquidity".
6. Official Letter No. SIB-II-GGIR-GSRB-02718, reception date: May 26, 2020. Sudeban gives its opinion in relation to the Half-Yearly Independent Auditor's Assurance Report and Compliance with Resolutions No. 136.03 and 136.15 of the Financial Statements audited as of June 30, 2019, which includes the compliance level of the laws in force regarding the matter of risks.



- 7. Official Letter SIB-II-GGIBPV-GIBPV5-02734, reception date: May 26, 2020. Sudeban gives its opinion concerning the letter issued by the Bank, which requests the authorization to record expense registration due to coverage deficit in the legal bank reserve charged to account 352.00 "Profit or loss in exchange fluctuations for holding assets and liabilities in foreign currency", which are recorded in subaccount 439,991 "Sundry operating expenses".
- 8. Official Letter SIB-II-GGIBPV-GIBPV5-02735, reception date: May 26, 2020. Sudeban authorizes the creation of an item for interests Sudeban authorized the provision of accrued and unearned interest on securities issued by PDVSA charged to the balance maintained at June 30, 2019, in account 352.00. It also authorized the registration of accruals in sub-account 819.99, as of the coupon that expires on April 12, 2020.
- 9. Letter sent on July 18, 2020, to the Superintendency of Banking Sector Institutions in relation to the Reconsideration Recourse of Official Letter SIB-II-GGIBPV-GIBPV5-03343, which was received on June 25, 2020.
- 10. Official letter SIB-II-GGIBPV-GIBPV5-04151, reception date: July 22, 2020. Sudeban announces that Banesco may exceptionally exceed the maximum percentage of 25% of the loan portfolio for granting loans to the agricultural sector within the 2020 Sowing Plan Program, prior approval of the Steering Committee on Single National Productive Portfolio.

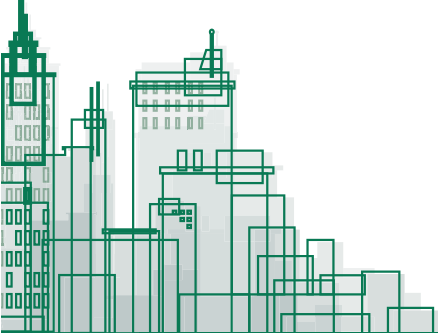
It is recommended to continue strengthening internal control mechanisms and improving policies and

processes to ensure compliance with the provisions contained in the rules governing on this matter, as well as the implementation of activities aimed at considering the recommendations and observations made by the regulatory body and the independent and internal auditors.

GENERAL MEETING OF SHAREHOLDERS	NOTES	DATE
ORDINARY	1	March 26th, 2020
EXTRAORDINARY	2	March 26th, 2020
EXTRAORDINARY	3	March 26th, 2020

During the six months ended June 30, 2020, the following shareholders' meetings were held:

- 1. Discussed Items:** First: Considering and resolving, based on the Report of the Board of Directors and the Commissioners, the approval of the Financial Statements issued by independent public accountants corresponding to the six-month period ended December 31, 2019. Second: Considering and resolving about the destination regarding the profits as of December 31, 2019. Third: To fix the remuneration of the Main and Alternate Commissioners appointed at the Annual General Meeting held on March 26, 2019 for the period 2019-2021.
- 2. Discussed Items:** First: Reducing the bank's share capital as a result of the redemption of all preferred shares issued in 2008-I and 2008-II. Second: Increasing the share capital in the same proportion as a result of the redemption of the preferred shares, through the decree, distribution and payment of dividends in common shares. Third: Based on the decisions concerning the above items, it is necessary to amend article 5 of the Bank's Articles of Incorporation regarding the share capital".



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3. Discussed Items: First: Designation of the members of the Board of Directors. Second: Designation of the Internal Auditor.

We participated as Main and Alternate Commissioners to the Special and Annual General Meeting, held on March 26, 2020.

During the half-year ending on June 30, 2020, the following Board of Directors meetings were held:

BOARD OF DIRECTORS MEETING MINUTES	NOTES	DATE
1,481	1	June 18th, 2020
1,480	2	May 27th, 2020
1,479	3	April 30th, 2020
1,478	4	March 26th, 2020
1,477	5	February 27th, 2020
1,476	6	January 28th, 2020
1,475	7	January 9th, 2020

1. Discussed Items: 1. Verification of quorum. 2. Reading and approval of Minutes No. 1480, dated May 27, 2020. 3. Financial and Economic environment. Business Balance and Financial Report. 5. Adjustment of collection for effective indicators. 6. Write-off of assets proposal 7. Operations exceeding 5% of equity. 8. Training: "Management of Operational Risk and three-defense lines". 9. Update of the structure of the Unit for the Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction. 10. Update of the establishment of the Committee Members. 11. Report of the Directive Committee. 12. Others: Granting of powers of attorney and revocations.

2. Discussed Items: 1. Verification of quorum. 2. Reading and approval of Minutes No. 1479, dated April 30, 2020. 3. Financial and Economic environment. 4. Business Balance and Financial Report. 5. Active Operations exceeding 5% of equity. 6. Write-off of Credits and Credit Cards. 7. Management and Control of Inventory of POS. 8. Profitability of the Commercial Affiliate Portfolio. 9. Update of the IT Policy Manual. 10. Adjustment of the Execution Schedule for the Annual Operating Plan. 11. Employee Records Update Plan. 12. Report of the Directive Committee.

3. Discussed Items: 1. Verification of quorum. 2. Reading and approval of Minutes No. 1478, dated March 26, 2020. 3. Financial and Economic environment. 4. Business Balance and Financial Report. 5. Active Operations exceeding 5% of equity. 6. Proposal of Credit Cards and Credits write-off. 7. Comprehensive Risk Management. 8. Strategies and Plans. 9. Unit for the Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction. 10. Corporate Governance. 11. Technology and Purposes.

4. Discussed Items: 1. Verification of quorum. 2. Reading and approval of Minutes No. 1477, dated February 27, 2020. 3. Financial and Economic environment. 4. Business Balance and Financial Report. 5. Active Operations exceeding 5% of equity. 6. Proposal of Credit Cards and Credits write-off. 7. Treasury and Finances. 8. Products and Payment Method Services. 9. Trust. 10. Corporate Governance.

5. Discussed Items: 1. Verification of quorum. 2. Reading and approval of Minutes No. 1476, dated January 28, 2020. 3. Business Balance and Financial Report. 4. Active Operations exceeding 5% of



equity. 5. Proposal of Credit Cards and Credits write-off. 6. Technology. 7. Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction (UPCLC/FT/FPADM). 8. Client and Bank's user Defender. 9. Corporate Governance. 10. Shareholders' Meeting. 11. Designation of the Internal Auditor.

6. Discussed Items: 1. Verification of quorum. 2. Reading and approval of Minutes No. 1475, dated January 09, 2020. 3. Financial Report. 4. Active Operations exceeding 5% of equity. 5. Proposal of Credit Cards and Credits write-off. 6. 2019 Budgetary execution and 2020 Budgetary approval. 7. Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction (UPCLC/FT/FPADM). 8. Manual of Security Standards. 9. Reports of Committees. 10. Payment of dividends regarding preferred shares.

7. Discussed Items: 1. Verification of quorum. 2. Reading and approval of Minutes No. 1474, dated December 19, 2019. 3. Business Balance and Financial Report. 4. Amendment of the Creation of Directive and Executive Committees. 5. Official Letters Report.



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REVISION OF THE FINANCIAL STATEMENTS AS OF JUNE 30, 2020

Based on the evaluation made by the Independent Auditors to the Bank's Financial Statements as of June 30, 2020 and December 31, 2019, we consider the following aspects:

AVAILABLE FUNDS

LEGAL RESERVE

The Central Bank of Venezuela, through Resolution No. 15-07-01, dated July 2, 2015, published in Official Gazette No. 40,698, dated July 8, 2015 and Resolution No. 16-08-01, dated August 16, 2016, published in Official Gazette No. 40. 967 of the same date, stated that when determining the legal reserve position, banks may deduct the amount settled on the occasion of the acquisition of the Simón Bolívar 2015 and 2016 Dematerialized Participation Certificates, respectively, issued by Fondo Simón Bolívar para la Reconstrucción, S.A., during 2015 and 2016 respectively, within the framework of the Great Housing Mission Program.

As a result of Resolutions No. 15-07-01 and No. 16-08-01, as of June 30, 2020 and December 31, 2019, the Bank deducted from the legal reserve the sum of VES 277,929, corresponding to Dematerialized Participation Certificates issued by Fondo Simón Bolívar para la Reconstrucción, S.A., which are recorded in the account "Investments in securities held to maturity".

In this regard, the balance of the "Banco Central de Venezuela" account as of June 30, 2020, included VES 18.73 trillion corresponding to the balance of the legal reserve and in legal tender. Likewise, the



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bank maintains in the current account of the Central Bank of Venezuela at June 30, 2020, VES 21.07 billion. On the other hand, during the first half of 2020, the bank recorded VES 162 billion in the "Miscellaneous Operating Expenses" account, as financial cost on the deficit balances in the legal reserve operations in accordance with applicable regulations.

EXCHANGE OPERATIONS

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

According to the Independent Auditor's Report as of June 30, 2020, the Bank maintains VES 484.79 billion (US\$ 2,377,540), in the "Banks and correspondents abroad" account, corresponding to clients' deposits in foreign currency.

At June 30, 2020, the bank maintains a balance of VES 405.87 billion (US\$ 1,990,500), in the account "Banco Central de Venezuela", for exchange intervention. It also maintains VES 4.30 billion in the "Cash" account for retail operations.

Besides, pursuant to current regulations and provisions of the Accounting Manual for Banking Institutions, the exchange rate fluctuation generated by these operations will be recorded in the account "Exchange rate gain or loss from holding and selling foreign currency under the Free Convertibility Exchange Market System" under the heading "Adjustments to Equity". In this regard, the bank has recorded VES 270.41 billion by June 30, 2020, as a result of net losses caused by fluctuations in the official exchange rate.

PROVISIONS FOR AVAILABLE FUNDS

Based on the report, the bank maintains provisions for draw-downs of VES 1.17 billion corresponding to some cash items denominated in impaired foreign currency. Likewise, it maintains VES 265.89 million for both half-years, corresponding to items in conciliation with cash custodians.

SECURITIES INVESTMENT

DEPOSITS IN THE CENTRAL BANK OF VENEZUELA AND INTERBANK OPERATIONS

In addition, the bank has overnight obligations with financial institutions in the country for VES 110 billion. Furthermore, during the first half of 2020, as a result of overnight operations carried out with financial institutions in the country, the bank recorded interest income for VES 100.44 billion registered in the account "Income from placements in the Venezuelan Central Bank and inter-bank operations" under the heading "Income from investments in securities".

INVESTMENT IN SECURITIES AVAILABLE FOR SALE

The bank made reclassifications of investments available for sale to the "Maturity Securities" account for VES 3.11 billion (US\$ 29,440) in the first half of 2020, according to said Report. They correspond to participations in non-financial public enterprises in the country that expired in April 2020.

In the half year of 2020, sales of available-for-sale securities resulted in profits of VES 2.94 billion recorded in the "Profits on sale of available-for-sale investments" account. Similarly, in the first half of



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2020, the bank recognized losses amounting to VES 2.94 billion in the "Loss on Sale of Available-for-Sale Investments" account from the sale of securities.

INVESTMENT IN SECURITIES KEPT UNTIL MATURITY

The bank recorded VES 20.60 billion in the "Other operating income" account, for amortization of discounts in investments in securities held to maturity, as per details contained in the Independent Auditor's Report, as of June 30, 2020.

The bank reclassified investments held to maturity in the first half of 2020 to the "Maturity Securities" account for VES 12.73 billion (US\$ 120,510), corresponding to participations in non-financial public enterprises in the country that expired in April 2020.

INVESTMENT IN RESTRICTED FUNDS

The bank maintains license agreements for using Visa International Service Association and Mastercard International Incorporated trademarks for the non-exclusive and non-transferable use of the Visa and Mastercard credit cards, as shown in the report. These contracts establish the obligation to maintain sight or time deposits in foreign financial institutions, as a guarantee of these collateral transactions. On June 30, 2020, the bank maintains in JP Morgan Chase Bank and PNC Financial Services Group, Inc VES 3.09 trillion (US\$ 15.17 MM) under this concept.

At June 30, 2020, the restricted availability investment maintained with American Express amounted VES 142.73 billion (US\$ 700,000) and corresponds to a demand deposit given as a guarantee for the

non-exclusive and non-transferable use of AMEX credit cards.

The bank recognized interest income for VES 3.56 billion during the first half of 2020, which was recorded in the "Income from restricted availability investments" account.

CREDIT PORTFOLIO

The Independent Auditor's Report as of June 30, 2020 reveals that, in accordance with the provisions of the Superintendency of Banking Sector Institutions, the bank maintains a generic provision for the loan portfolio of VES 51.01 billion equivalent to 1% of the capital balance of the loan portfolio, excluding the balance of the microcredit portfolio, for which the bank maintains a generic provision of 2%. By that same date, the bank, based on its own risk estimates, keeps a general voluntary provision of VES 15.30 billion for any possible losses that may occur in the credit portfolio according to its behavior.

Furthermore, by that same date, the bank maintains a counter-cyclical provision for VES 38.53 billion, equivalent to 0.75% of the gross loan portfolio, in accordance with the provisions of Resolution No. 146.13, dated September 10, 2013, issued by the Superintendency of Banking Sector Institutions.

As of June 30, 2020, loan portfolio immobilization reached an amount of VES 103.44 million represented by matured and disputed loans, as established by the Superintendency of Banking Sector Institutions. Likewise, the total immobilized portfolio represents approximately 0.002% of the gross loan portfolio and 0.003% of the bank's total assets.



As of June 30, 2020, the coverage margin of the total loan portfolio provision, in relation to the fixed portfolio is 743,403.92%, complying with the requirements established by the Superintendency of Banking Sector Institutions.

SINGLE NATIONAL PRODUCTIVE PORTFOLIO

On April 8, 2020, the Steering Committee of the Single National Productive Portfolio published Resolution No. 2020-001, establishing that new credit settlements that will make up the Single Productive Portfolio must be aimed exclusively at the agricultural and food sector. In addition, the parameters for the calculation of the monthly Single Productive Portfolio are established, which will be a mandatory maximum percentage of 25% of the gross loan portfolio. This is in accordance with the bank's accounting closings, which must exclude the increase due to the updating of capital, as a result of the application of the Units of Commercial or Productive Credit Value (UVCC or UVCP). Banks may exceed the maximum and established mandatory percentage, in coordination with the Steering Committee and the Superintendency of Banking Sector Institutions during the effectiveness of said Resolution, provided that the new credit liquidations are directed exclusively to the Agricultural and Food Sector.

The Independent Auditor's Report states that the Bank maintains VES 1.71 trillion for productive loans measured in UVCP. This accounts for 47% of the

gross loan portfolio. Likewise, the investment index reached 989.19 as of June 30, 2020.

On June 18, 2020, the bank requested before the Superintendency of Banking Sector Institutions the authorization to exceed the maximum percentage referred on Resolution No. 2020-001 to continue financing the agricultural sector within the 2020 Sowing Program Plan.

INTEREST AND COMMISSIONS RECEIVABLE

It is found on this report that on May 22, 2020, the Superintendency of Banking Sector Institutions, by means of Official Letter No. SIB-II-GGIBPV-GIB-PV5-02735, authorized the bank to record in the "Other registration accounts" sub-account the accrual of the income receivable related to the securities issued by Petróleos de Venezuela, S.A. as of the coupon that matured on April 12, 2020, in the "Other registration accounts" sub-account, and to record the income once the payment of the coupons is received. In this regard, as of June 30, 2020, the bank has recorded in memorandum accounts VES 11.67 billion for income receivable from investments in securities.

INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES

According to this report, dated June 30, 2020, the bank recognized VES 32.46 billion for equity participation of subsidiaries and affiliates in the "Other operating income" account. The bank recorded a net equity participation on its investments with its subsidiaries and affiliates for VES 16.23 billion in the "Restricted Surplus" account.



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Issuing Entity	% of shares and voting	No. of registered shares owned	Book value	Gain from equity participation, net
Proyectos Conexus, C.A.	33.33%	1,500	37,645,589,065	32,469,613,409

Information taken from the un-audited financial statements as of May 31, 2020.

OTHER ASSETS

By June 30, 2020, the “Other deferred expenses” account for VES 154.62 billion corresponds to technological projects as shown in the Independent Auditor’s Report.

The “Advances to Suppliers” account sums a total of VES 3.82 trillion is mainly comprised of advances granted to suppliers for the acquisition of office supplies, computer equipment, services, technological equipment and supplies, software and licenses as evidenced in the report.

The bank also maintains guarantee deposits for the purchase and sale of technology equipment amounting to VES 887.66 trillion (US\$ 4.35 MM).

Based on this document, the “Prepaid Expenses” account includes VES 520.08 billion corresponding to expenses for preventive and corrective maintenance of the bank’s systems equipment.

It also states that the “Taxes Paid in Advance” account includes VES 45.52 billion for taxes on economic activities. In addition, VES 78.68 billion is included for income tax paid in advance.

Furthermore, the bank has recorded VES 42.44 trillion as of June 30, 2020, in the account “Stationery

and miscellaneous items”. This account corresponds mainly to inventories of stationery, plastics for the issuance of debit and credit cards and office supplies.

The “Items to be applied” account for VES 34.50 billion corresponds mainly to credit card transactions in transit as provide in the report were regularized in the first days of July 2020.

Besides, the bank maintains in the “Overdue income receivable from investments in securities” account a sum of VES 53.89 billion (US\$ 264,299), corresponding to interest receivable in foreign currency.

Subsequently, the Superintendency of Banking Sector Institutions, by means of Official Letter No. SIB-II-GGIBPV-GIBPV5-02735, dated May 22, 2020, authorized the creation of the provision corresponding to past due income receivable from investments in securities in the “Other assets” item. This was charged to the balance maintained at June 30, 2019, in account 352.00 “Gain or loss from exchange rate fluctuations from holding assets and liabilities in foreign currency”. Likewise, it authorized the registration of the accruals for future coupons in the sub-account “Other registration accounts”.



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Additionally, since the yields maintained from previous six-month periods for US\$ 396,447 exceed the term allowed in the Accounting Manual for Banking Institutions, the bank wrote off overdue yields receivable provided by VES 80.01 billion. In this regard, as of June 30, 2020, the bank has recorded in memorandum accounts a sum amounting to VES 80.83 billion for income receivable from investments in securities.

Regarding the Independent Auditor's Report as of June 30, 2020, the bank maintains in the account "Matured securities" VES 30.57 billion (US\$ 149,950), corresponding to securities with participation in non-financial public enterprises in the country that expired in April 2020.

On June 30, 2020, the bank maintains a fund provision of VES 53.89 billion (US\$ 264,299) corresponding to yields receivable in foreign currency from securities and provisions for a total of VES 30.57 billion (US\$ 149,950), regarding securities with participation in non-financial public enterprises in the country that expired in April 2020. In addition, this entity keeps funds provision for VES 1.12 billion, VES 83.78 MM and VES 187,575, for claims related to FTT refunds before the Integrated National Service of Tax Customs Administration, accounts receivable for Credit Card and Debit Card operations and accounts receivable for fraud, respectively. This is corresponding to 100% of the balances maintained in said accounts, which are up to three hundred and sixty (360) days old.

PUBLIC DEPOSITS

The Independent Report reveals that the bank maintains current accounts according to Exchange Agree-

ment No. 20 for VES 484.79 billion, equivalent to US\$ 2.37 MM.

Furthermore, public collections include VES 2.29 trillion, which come from official entities, equivalent to 9.41% of the total.

In the first half of 2020, public deposits generated interest expenses of VES 136.47 billion recorded under the "Financial Expenses" item.

ACCUMULATIONS AND OTHER LIABILITIES

Based on this report, the "Provisions for Taxes" account includes VES 226.03 billion for income tax provision and VES 81.21 billion for business tax.

As of June 30, 2020, the financial income collected in advance amounting VES 5.52 billion corresponds to the income from loan portfolio received with anticipation.

FINANCIAL INSTRUMENTS WITH RISK OUT OF GENERAL BALANCE AND OTHER MEMORANDUM ACCOUNTS

Pursuant to the Independent Auditor's Report as of June 30, 2020, the "Guarantees given" account is made up of guarantees given to public entities in foreign currency for a total of VES 29.84 billion (US\$ 146.38 MM).

The bank maintains VES 71.77 billion as of June 30, 2020, in the account "Lines of credit for automatic use" related to the contractual agreements for credit limits granted to clients, after evaluating credit risks, and duly recorded in the "Contingent debtor accounts" item.



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The bank maintains generic provisions for contingent accounts receivable, under the “Guarantees given” heading for VES 3.42 billion, presented in the group “Accruals and other liabilities”, as per this document, dated June 30, 2020, and in accordance with the rules established in the Accounting Manual for Banking Institutions.

In addition, the “Other registration accounts” include US\$ 22.23 MM, equivalent to VES 4.53 trillion, corresponding to foreign currency in process before the National Center for Foreign Trade (CENCOEX). These accounts result from purchases made by the bank's cardholders abroad, which were paid by the bank in foreign currency to affiliated businesses. The entity is waiting for these currencies to be allocated by CENCOEX. Furthermore, it includes VES 1.02 trillion as of June 30, 2020, for foreign currency sale operations agreed through the exchange intervention process.

TRUST

As per this report, dated June 30, 2020, available funds include VES 42.95 billion, which correspond to deposits in special remunerated accounts opened for each bank trustor. These generated interest at an annual rate of 0.20% for both half-years. As a result of these operations, the bank's trust recorded VES 43.83 MM as interest income in the “Income from available funds” account during the first half of 2020.

Likewise, other available funds include balances in remunerated and non-remunerated current accounts in dollars amounting to VES 49.35 billion (US\$ 242,043) by the end of the first half of 2020.

The bank's trust has focused its investment operations mainly on debt securities, bonds guaranteed by the Venezuelan government, obligations with financial institutions in the country and abroad, and capital securities issued by Venezuelan companies.

As per this report, the financial institutions that maintain custody of securities, as well as those where deposits and time deposits are held that make up the investment portfolio, are summarized below:

- Banco Central de Venezuela.
- Caja Venezolana de Valores.
- Banco Exterior, C.A., Banco Universal (National interbank operations).
- Banco Nacional de Crédito, C.A., Banco Universal (National interbank operations).
- Mercantil, C.A., Banco Universal (National interbank operations).
- Banco Provincial, S.A., Banco Universal (National interbank operations).
- Banesco USA (Foreign Deposit Certificate).



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COMMISSIONER'S REPORT

EQUITY

SHARE CAPITAL AND DECREE OF DIVIDENDS

According to the Report of the Independent Auditor's Report as of June 30, 2020, the bank's share capital is made up of 107,850,000 common nominative shares, with a nominal value of VES 0.0001 each, while 17,150,000 also with a nominal value of VES 0.0001 each, are preferred shares.

At the Annual General Meeting held on March 26, 2020, the Board of Directors was authorized to decree and pay in cash dividends to the holders of common shares up to VES 100 billion, which were charged to accrued results as of December 31, 2019.

NON-CAPITAL EQUITY CONTRIBUTIONS

The bank approved increases in subscribed and paid-in capital in 2018 and 2017 by issuing new common

shares through cash contributions by the shareholders who decided to sign up.

As per information contained on the auditors' report, capital increases with cash contribution of the shareholders who decided to sign, as described and submitted to the Special Shareholders' Meetings to be held annually, are awaiting approval by the Superintendency of Banking Sector Institutions, prior binding opinion of the Higher Body of the National Financial System, for their subsequent filing with the Mercantile Registry Office.

PREFERRED SHARES

It was noted on this document that in the Special Meeting Minutes dated March 26, 2020, the share capital was reduced by 16,902,800 shares (VES 1,690.28) due to the total redemption of the preferred shares for 0.0001 per share. Therefore, dividends in

General Meeting	Date	Subscribed and paid share capital in VES.	Number of shares	Nominal value per share in VES.
Extraordinary	November 28th, 2018	160,000,000.00	1,600,000,000,000	0.0001
Extraordinary	October 19th, 2018	150,000,000.00	1,500,000,000,000	0.0001
Extraordinary	September 27th, 2018	330,500,000.00	3,305,000,000,000	0.0001
Extraordinary	August 31st, 2018	60,000,000.00	600,000,000,000	0.0001
Extraordinary	July 31st, 2018	35,000,000.00	350,000,000,000	0.0001
Extraordinary	May 28th, 2018	40,000,000.00	400,000,000,000	0.0001
Extraordinary	April 30th, 2018	18,000,000.00	180,000,000,000	0.0001
Extraordinary	March 22nd, 2018	4,500,000.00	45,000,000,000	0.0001
Extraordinary	February 21st, 2018	1,500,000.00	15,000,000,000	0.0001
Extraordinary	January 17th, 2018	100,000.00	1,000,000,000	0.0001
Extraordinary	December 18th, 2017	500,000.00	5,000,000,000	0.0001
Extraordinary	November 20th, 2017	300,000.00	3,000,000,000	0.0001
		800,400,000.00	8,004,000,000,000	



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shares were immediately declared in the same proportion indicated, for a total of 16,902,800 new common shares.

RESULTS AND CAPITAL RESERVES

The bank, in accordance with the provisions established in its Articles of Incorporation and in the Decree with the Range, Value and Force of Law for Institutions in the Banking Sector, keeps some funds for legal reserve every six months, which are equivalent to 20% of the net income for the half year until reaching 50% of the share capital. Once the amount has reached this limit, the bank will record 10% of the net income for the half-year thereof until reaching 100% of the capital. The bank may also establish additional voluntary reserves. A legal reserve equivalent to 100% of its share capital is owned by this institution by June 30, 2020.

In accordance with provisions established by the Superintendency of Banking Sector Institutions under Resolution No. 329.99, dated December 28, 1999, the bank reclassified VES 440.11 billion to the "Restricted Surplus" account in the first half of 2020, equivalent to 50% of the results for the half year. Amounts included in the "Restricted Surplus" account will not be available for payment of cash dividends and may only be used for future capital increases.

EQUITY ADJUSTMENT

The Independent Auditor's Report as of June 30, 2020 states that the bank has registered VES 16.19 billion corresponding to the first and second phase of the revaluation of fixed assets conducted in 2017, while the revaluation of fixed assets authorized by the regulatory agency will take place in the second half of 2019.

CONTINGENCIES

JUDICIAL CONTINGENCIES

This report indicates that there are civil and commercial lawsuits amounting to VES 900.01 billion, corresponding to claims for material and moral damages against the bank. The corresponding defenses have been presented in due time in all instances and phases of the process, and the respective decisions are awaited.

On June 25, 2020, the Superintendency of Banking Sector Institutions, by means of Official Letter No. SIB-II-GGIBPV-GIBPV5-03343, ordered the Bank to establish a provision of 15% over the total amount of the filed lawsuits for VES 900 billion within a term not exceeding thirty (30) business days, which expires on August 10, 2020.

In this regard, on June 30, 2020, the provision kept by the Bank to prevent any adverse decision reaches VES 1.49 billion, which is included in the "Other provisions" account.

On July 10, 2020, the bank filed an appeal for reconsideration against the instruction issued by the Superintendency of Banking Sector Institutions through Official Letter No. SIB-II-GGIBPV-GIBPV5-03343, which requests the creation of a provision of 15% of the total amount of the lawsuit filed within thirty (30) working days. In this regard, it requested before the regulating body to be allowed and provide the amount demanded in a period of not less than three (3) years from July 31, 2020.

Subsequently, on August 11, 2020, the Superintendency of Banking Sector Institutions issued Official Letter No. SIB-DSB-CJ-PA-04248, notifying Reso-



lution No. 018-20, on the same date, in which partially approves the appeal for reconsideration filed by the bank. Consequently, the provisions referred in the Administrative Act established in Official Letter No. SIB-II-GGIBPV-GIBPV5-03343, dated June 25, 2020, were partially modified.

In this regard, that sum will be constituted progressively on a monthly basis and in a term not exceeding twenty-four (24) months, counting from the notification of the Administrative Act.

PROCESS FOR DRAFTING THE BOARD OF DIRECTORS AND COMMITTEES' MINUTES

Based on the Observation and recommendation memorandum on accounting and internal control procedures related to the audit of financial statements for the half-year ending June 30, 2020, we observed opportunities for improvement in the process of preparing and signing the minutes of the Board of Directors and some of the banking committees. These were specifically related to the timely preparation of Minutes and the subsequent signing by all the members concerned.

RESPONSIBILITIES OF THE INTERNAL AUDIT UNIT WITH RESPECT TO COMPREHENSIVE LIQUIDITY RISK MANAGEMENT

In accordance with article 43 of Resolution No. 136.15, the bank's Internal Audit Unit, within the half-yearly reviews, must include in the audit program, the procedures and wide ranging tests to verify the reasonableness and levels of compliance with policies, processes, methodologies, tools, premises, assumptions and information systems being used inside the VPAIR to comprehensively and adequately manage the liquidity risk within the bank.

By means of the attestation procedures conducted by the independent auditors in the first half of 2020, Minute No. 173 of the Risk Committee, dated February 17, 2020, certified the submission of the report by Internal Audit on the main risks detected and reported in the second half of 2019.

Likewise, the report related to the review of compliance with said requirements, used by the VPAIR to comprehensively and adequately manage the liquidity risk corresponding to the first half of 2020, was presented to the Risk Committee in July 2020, as stated in Minute No. 180, dated July 23, 2020.

LIQUIDITY RISK MANAGEMENT

In accordance with provisions of Article 5 of Resolution No. 136.15, the VPAIR must have the personnel assigned to the management of liquidity risk whose responsibilities and functions will be expressly defined in the manuals.

According to the Half-Yearly Independent Auditor's Assurance Report on Compliance with Resolution No. 136.15 issued by the Superintendency of Banking Sector Institutions, it was observed that the bank has the "Organizational Manual for the VPAIR", which contains all the information regarding the organizational structure and general functions, indicating the hierarchical levels, levels of authority, responsibility and coordination. It also contains the organizational chart describing in graphic form the VPAIR's structure. By means of this manual, we observe the structure of the Executive Management of Market and Liquidity Models and Risk, conformed by one (1) Executive Manager, three (3) Market and Liquidity Risk Management



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Specialists and four (4) Risk Management Specialists.

In accordance with the current “Organizational Manual for the VPAIR”, updated in April 2020 and presented to the Risk Committee in Minute No. 176, dated April 23, 2020, and approved by the Board of Directors in Minute No. 1,479, dated April 30, 2020, the functions of the Executive Management of Market Models and Risk and Liquidity, as of June 30, 2020, are duly detailed.

RISK COMMITTEE

We checked the structure of the Risk Committee and its minutes held during the first half of 2020. Since last June, we reviewed through Board of Directors’ Minutes No. 1477, the approval of the Risk Committee and its members.



BY JCOMP / FREEPIK

After each meeting, minutes are drafted to formalize the proposals and agreements reached in each committee. A management report is then prepared and presented to the Board of Directors, with the purpose of notifying the results and actions undertaken by the bank in relation to the different risks to which is exposed. The following meetings were held during the first half of 2020:

Description	Minute No.	Date
Risk Committee	172	January 24th, 2020
Risk Committee	173	February 17th, 2020
Risk Committee	174	March 16th, 2020
Extraordinary Risks Committee	175	March 31st, 2020
Risk Committee	176	April 23rd, 2020
Risk Committee	177	May 21st, 2020
Extraordinary Risks Committee	178	June 10th, 2020
Risk Committee	179	June 22nd, 2020

Using our attestation procedures, we verified the minutes of the Risk Committee meetings held during the first half of 2020. However, we observed that some of them were not fully signed by each of its members. We also inspected through the minutes of the Risk Committee meetings, that the Committee held meetings at least once (1) a month, in accordance with Article 5 of Resolution No. 136.03.



OTHER REMARKS CONCERNING THE CLIENT AND BANK USER'S DEFENDER OF BANESCO BANCO UNIVERSAL, C.A., AS OF JUNE 30, 2020

According to the Report on Agreed Procedures Regarding Non-Financial Information, the independent auditors carried out procedures in relation to the Claims Report filed by the clients in the Customer Experience Management in the first six months. Transmission files (AT13 Claim Group) corresponding to said period were obtained in order to observe the transmission period, date and code, as well as to indicate if there were any delay days.

In the first half of 2020, there were no delays concerning the file transfer (AT13 Complaint Group).

The Customer and Bank User Defender, in his report for the first half of 2020, proposed the following to the Board of Directors:

- a) Creation and setting of requirements associated with updating files and justification of funds in accounts owned by clients who have been with unusual activity.

Due to the large number of requests received from clients claiming to have provided the necessary documentation to update their files, as well as the justification of funds requirement for their financial account, in compliance with the "Know Your Client Policy", but it is not still executed. It was suggested that the bank must ensure that these cases will be attended to and responded within the deadlines established by the Law.

In this regard, the Bank pointed out that the creation an internal requirement called "Client validation receipts" by which the review of documentation received at agencies will be duly managed. This will be activated at the end of July this year.

STRUCTURE OF THE COMPREHENSIVE RISK MANAGEMENT SYSTEM FOR MONEY LAUNDERING, TERRORIST FINANCING AND WEAPONS OF MASS DESTRUCTION FINANCING (SIAR LC/FT/FPADM)

Based on the Semi-Annual Report of the Independent Auditors on the compliance with Resolution No. 083.18 issued by the Superintendency of Banking Sector Institutions, as of June 30, 2020, a copy of the organizational structure established by the Bank in relation to SIAR LC/FT/FPADM was obtained. Said structure is in accordance with article 14 of Resolution No. 083.18, as follows:

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



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Member's functions are established in the Risk Management Policies and Procedures Manual of LC/FT/FPADM (Manual PPARLC/FT/FPADM), maintained by the Bank. The last update was approved by the Board of Directors as stated in Minute No. 1468, dated July 8, 2019, adding the updating of the organizational structure of the SIAR LC/FT/FPADM, as well as the adjustments and changes due to the entry into force of Resolution No. 083.18.

According to the independent Auditor's Report as of June 30, 2020, the institutional commitment signed by each member of the Board is reflected in their files, including a copy of the bank's Code of Ethics, which was last updated and approved with new changes presented in Resolution No. 083.18, and is recorded in Board of Directors' Minutes No. 1468, dated July 8, 2019.

Additionally, communications sent to the bank's employees concerning the Code of Ethics were observed through the communications strategies.

We also verified the minutes of the meetings of the Board of Directors held during the first half of 2020, when quarterly reports prepared by the Compliance Officer were duly submitted. We also monitored the approval of the budget line and the RCPC LC/FT/FPADM for 2020.

One of the duties met by the Compliance Officer is the elaboration of management reports, which are submitted to the Executive President and the Board of Directors on a quarterly and annual basis for approval. The management report corresponding to the first quarter of 2020 was presented by the Compliance Officer to the Board of Directors, as per Minutes No. 1,479 dated April 30, 2020. The manage-

rial report corresponding to the 2020 second quarter was presented by said official and to the Board, as per Minutes No. 1483, dated July 30, 2020.

The following is a summary of the aspects stated in the managerial reports made by the Compliance Officer during the first half of 2020:

■ ANNUAL TRAINING PROGRAM

During the first half-year of 2020, the Annual Operating Plan has shown a real progress of 46% above the expected 42% regarding the objectives and goals to be executed within this period due to: (i) the execution of virtual courses aimed at commercial network and centralized areas, (ii) the preparation of weekly bulletins aimed at employees with specialized content on subject, (iii) the dissemination of communications to customers through various channels such as Banesco Online, social networks and personalized mailings, (iv) the development of a methodology for monitoring employee files, (v) the continuation of self-assessment of current processes and practices of PCLC/FT/FPADM with the recommendations issued by the Financial Action Task Force (FATF).

■ COMMUNICATIONAL STRATEGY

A compliance percentage of 50% was presented at the end of the first half-year of 2020, with respect to the activities included in the 2020 POA. This advance is made up of the publication of six (6) banners through Banesco Online addressing to the clients, six (6) publications in Social Networks (Facebook, Instagram and Twitter) and six (6) emails massively sent to all clients in order to keep them updated about mitigating the risks of Money Laundering and Financing of Terrorism and Financing of Proliferation of



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Weapons of Mass Destruction. Despite the fact that clients do not have access to the internet, posters and regulatory screens are placed in agencies nationwide.

Communication strategies for employees, with specialized content for CPRs, were implemented in the first half of 2020. These were disseminated weekly through forty-two (42) newsletters called "Weekly Bulletin" and "Agency Network Bulletin", with a 54% progress rate. Similarly, six (6) micro e-learning sessions were held to reinforce knowledge, with a progress rate of 50%.

■ REMOTE AGENCY INSPECTIONS CONDUCTED BY UPCLC/FT/FPADM

Two (2) reports were issued as a result of the remote inspection of twenty (20) agencies distributed nationwide in the first quarter of 2020, in which the following procedures were applied:

- Review of client account files.
- Application of the PCLC/FT/FPADM virtual questionnaire.
- Acknowledgement of receipt sent to each monitored agency.
- Sending of minutes for the closing of the findings revealed in the files and client's identification card.

At the same time, remote inspections at agencies by the UPCLC/FT/FPADM were suspended in the second quarter of 2020 in accordance with the instructions issued by the Superintendency of Banking Sector Institutions in its Circular SIB-DSB-

CJ-OD-02415, dated March 15, 2020. The official announce called for cancelling all activities involving direct attention to clients, users and the general public in the banking network, ticket and administrative offices around the country. Consequently, the adjustment of the goal of this activity was presented to the Board of Directors as stated in Minutes No. 1480, dated May 27, 2020, which established nine (9) reports of inspection results to be executed in the second half of 2020 as a goal.

■ EMPLOYEE'S FILE REVISION

This activity was re-planned and approved by the Board of Directors as stated in Minute No. 1480, dated May 27, 2020, in order to align its compliance with the "Management Plan" approved by this body in the same session. The first half of 2020 had 25% of progress, represented by updating the file documentation process and the standardization of requirement checklist and collections based on the documents required by the "Know Your Employee Policy". The file review process will be executed by the second half of 2020.

■ COMPLIANCE ACTIVITY

The Bank's Risk Assessment PCLC/FT/FPADM: In fact, 40% progress has been achieved in the first half of 2020, based on the compliance with activities related to the preparation and monitoring of the plan in order to close the gaps identified in the 2019 risk analysis, through the Corporate Gap Closure Index (GCI). Furthermore, the BCI indicator was totally achieved and qualified as "excellent" by the end of June 2020. This explains why the strategies are within the timeline established for their execution.



■ STRENGTHENING OF THE SIAR PCLC/FT/FPADM BY MEANS OF THE OFFICER RESPONSIBLE FOR COMPLIANCE

This includes the implementation of activities aimed at strengthening the role of Compliance Officers as active players in the Comprehensive Risk Management System for Money Laundering, Terrorist Financing and Weapons of Mass Destruction Financing.

The following activities were held during the first quarter of 2020:

- Eleven (11) conferences at national level and 132 Officers Responsible for Compliance (ORC) attached to the Agency Networks participated therein.
- Training of 25 ORC attached to central divisions.
- The number of ORC in the centralized areas was expanded.
- The “ORC Community” was re-launched as an interactive space where articles and information of interest on PCLC/FT/FPADM are published.

The second quarter of 2020 and in view of the COVID-19 preventive measures, four (04) activities were held and published through the “ERC Community”. The topics were the following (i) Updating the Customer's file (ii) Reporting on Suspicious Operations (iii) Most widely used methods to legalize Capital (iv) Why is important to know the customer?

■ SUPERVISION TO THE REGULARIZATION OF FINDINGS CORRESPONDING TO REMOTE INSPECTIONS MADE TO AGENCIES DURING 2019 BY THE UPCML/FT/FPWMD:

The follow-up of the regularization of findings corresponding to the remote inspections made to the agencies during 2019 is suspended in accordance with Circular No. SIB-DSB-CJ-OD-02415, issued by the Regulatory Entity on March 15, 2020. This instructed the suspension of all activities involving direct attention to clients, users and the general public in banking network, ticket and administrative offices throughout the country. By the end of the first half-year of 2020, 54% progress has been made in regularizing the findings evidenced by the inspections carried out at the agencies during 2019.

■ REQUIREMENTS FROM REGULATORY AGENCIES AND BODIES RECEIVED DURING THE FIRST HALF OF 2020

- During the first half-year of 2020, 220 requests for information (natural and legal persons) were received and processed from State agencies and the regulatory body.
- With regard to requests from the National Financial Intelligence Unit (UNIF) and the Superintendency of Banking Sector Institutions, 71 requests for information were received through the institutional mailboxes.



■ ALARMS AND REPORTS CONCERNING SUSPICIOUS ACTIVITIES

During the first half of 2020, a total of 53,156 alerts were generated in the PCLC/FT/FPADM monitoring tool. In compliance with provisions of article 96 of Resolution No. 083.18, we did not obtain access to statistical information and supporting documentation related to cases, alerts, investigations and reports of suspicious activities carried out by the Bank during this evaluation. In addition, the number of analyzed and pending cases was presented.

UNIT FOR THE PREVENTION AND CONTROL OF MONEY LAUNDERING, TERRORIST FINANCING AND PROLIFERATION OF WEAPONS OF MASS DESTRUCTION (UPC LC/FT/FPADM)

According to the bank's PPAR Manual LC/FT/FPADM, the UPC LC/FT/FPADM is the technical operational body designated to coordinate preventive measures to mitigate the risks of LC/FT/FPADM. The UPC LC/FT/FPADM depends on the Compliance Officer, who must be kept informed and whose functions have been framed in accordance with the provisions of the regulations in force and included in the above-mentioned Manual. We note that the current structure of the UPC LC/FT/FPADM was approved in Board of Directors Minutes No. 1,481, dated June 18, 2020. The UPC LC/FT/FPADM is structured as follows:

- Analysis and Supervision of Financial Operations Managerial Office.
- LC/FT/FPADM Risk Prevention and Control Managerial Office.
- Prevention and Control of LC/FT/FPADM Legal Affairs Managerial Office.
- Statistics and Strategic Analysis of Prevention and Control of LC/FT/FPADM Managerial Office.

The following is a list of the human resources available to this structure:

- Two (2) Executive Managers.
- Four (4) Division Managers.
- Five (5) Coordinators.
- Forty-five (45) Specialists.
- Nine (9) Attorneys.
- One (1) Messenger.

During the first half of 2020, we observed six (6) vacancies at the UPCLC/FT/FPADM. According to inquiries with the bank's management, an average of five (5) vacancies of sixty-six (66) positions that make up this unit during this period, representing a coverage of 92%, is working. As of June 30, 2020, the vacancies maintained correspond to the positions of specialists and a lawyer within the Risk Prevention and Control Unit of LC/FT/FPADM Managerial Office. However, the bank has taken all the necessary steps to ensure the inclusion of the required personnel. However, the hiring process has been affected by the prevention measures applied to the COVID-19 pandemic and in compliance with Circular No. SIB-DSB-CJ-OD-02415 "Continuity of Banking Service during the State of Emergency".

FINANCIAL OPERATIONS AND ALARMS SUPERVISION

From the total number of alerts received during the first half of 2020, we observe the analysis of 43,114 in the same month they were received. Also, 6,768 alerts were processed in the month following their generation within the five (5) day period established for their response. The Bank's management declared that concerning the total number of alerts received



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during the half-year, no one is pending. It also indicated that these, as of June 30, 2020, were dealt within the established deadlines in July 2020.

In the first half of 2020, it was found that alerts generated by different sources (UPC LC/FT/FPADM through Monitoring Systems and Compliance Officers of agencies and sensitive areas) were analyzed the month following their reporting.

Based on the above, we strongly recommend shareholders to approve the financial statements of Banesco Banco Universal, C.A., corresponding to the half year ended June 30, 2020, presented by the Board of Directors, as well as the management of the administrators of the Banking Institution for the term ended on said date. Thus, we urge the implementation of proposals referred by the independent auditors' reports, as well as the observations and instructions issued by the Superintendency of Banking Sector Institutions through letters and circulars emanated in the exercise of its legal powers of regulation and control.



DESIGNED BY FREEPIK

Emilio A. Ladera M.

Main Commissioner

C.P.C. 56.653

Antonio Lobo Zambrano

Alternate Commissioner

C.P.C. 9.431



CORPORATE MANAGEMENT REPORT

HUMAN CAPITAL

TRAINING AND TALENT DEVELOPMENT

We are oriented in a systematic, planned and permanent way towards the organizational learning processes and the latest trends in knowledge management. At all times, we are also interested in new methodological strategies to create learning to help our Human Talent. In this first-half of 2020, we are developing, innovative, and learning experiences, in the framework of opportunities provided by the current working situation, aimed at achieving the Banesco citizen's technical and professional improvement. We are committed to efficiently perform these functions by producing high quality results, while framing our most important initiatives in:

- E-training and development activities, using technologies available to all Banesco Citizens in the country; as a matter of fact, 1,315 collaborators participated developing 7 Web Seminars. The topics also included keeping our collaborators informed about biosecurity standards taken by the Organization regarding Covid-19, as well as maintaining emotional well-being in these times; sharing knowledge on agile methodologies evolution leading to digital transformation; deepening knowledge about Operational Risk Culture; and providing key strategies to guarantee efficiency under remote working.
- We manage key business activities to benefit agency managers, relying on distance learning strategies, such as micro-learning, computer graphics, knowledge capsules, content validation challenges,



ges, regarding aspects to be considered before Sudeban inspection, official bodies and external auditors related to Banking Service Quality, Client File Update Process (My Applications Portal), Know Your Client Policy: Client File, Client Risk Assessment. In compliance with 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 with regard to Occupational Health and Safety.

- While strengthening our organizational learning strategy, we have designed and produced 10 virtual experiences, 100% in house, published in our SAP Succesfactor platform. We have also been introducing new trends in knowledge management according to the contingency caused by Covid-19,



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such as Webinar's - Learning Communities - Knowledge Capsules: Microlearning - Videolearning - Infographics, the idea is the promotion of personal and professional growth through self-development, offering updated content available to all employees nationwide.

- Successfully maintaining the positioning of Banesco Virtual Learning (AVB) to our Banesco Citizens, complying with the strategy defined for continuous and specialized training. We also executed 15,974 academic hours at the end of this period, from which 3,856 employees completed at least 1 virtual activity; that accounts for 95.56% of the active workforce.
- Regarding the specialized training delivered on-site mode, we highlight that there were 1,331 effective participations in the on-site mode and 1,315 in synchronous actions through meetings/webinars this first half-year. A total of 7,408 man/hours were invested in training, which means that 50.3% was delivered on-site and 49.7% online: Meetings/Webinars.
- Among the most important programs executed on-site we can refer to the following: Digital Talent Promotion Program associated to the Digital Transformation strategy - Scrum Master Course - PSF (Both delivered on-site), Java SE8 Career Certification, Client Risk ACRM Tool, Specialized Update in sensitive risk areas in terms of PCML/FT/FPWMD, Internal Audit, Human Capital, Legal Consulting, Credit - Credit Cards, Security and Technology; Credit UVCC - Agency Network, Credit Updates (Internal Training).

- We executed internal training programs that enabled the strengthening of high technical knowledge for key business areas such as: Banesco's Advanced Internal Audit Program (PABAI).
- We ensure the accompaniment in the optimal development of our targeted talents. In this regard, we analyzed the background regarding their training and finding the lines of interest in order to manage actions linked to professional development. In addition, specialized programs and many other activities addressing this segment have been presented to the Issues Committee/Operational Activity of Procurement to be approved.
- In the framework of strengthening the banking knowledge, in terms of Prevention against Money Laundering, Financing of Terrorism and Proliferation of Weapons of Mass Destructions (PCML/FT/FPWMD), we are activated to comply with provisions established in the Annual Training Plan. Besides, we successfully managed the care of 3,474 employees, allowing us to advance 71% of the declared number; more precisely, 373 of which were attended on site and 3,101 virtually. Likewise, we enhance knowledge through Microlearning strategies on a monthly basis and maintain a Learning Community to our Compliance Officers.
- In order to strengthen the knowledge concerning the regulatory framework, specifically in the field of occupational health and safety, we established in the first half-year the participation of 159 collaborators on-site and 7,426 online. It is worth mentioning the publication of 6 Micro-learning with their respective Challenges to Knowledge, which included contents related to: Effective Time Manage-



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ment, What to do in case of accidents?, Tips to maintain good personal hygiene. Our goal is zero accidents; Tips that will help focus your energy on what you can do during the Covid-19.

- Similarly, in order to keep our collaborators updated in terms of service quality and customer experience, we have published on our virtual learning platform a course on “The Value of the Internal Customer and its Effective Management”, in which we have 1,453 collaborators nationwide.
- We actively participate in the legal requirements by supporting the training of 124 INCES apprentices. And this year we managed to have the approval of INCES to initiate internally the Theoretical Phase for a group about 25 trainees in an internal center called Business Learning Development (DAE Banesco, by its initials in Spanish).
- We are inspired by the learning organizations’ philosophy. Therefore, we have developed our Internal Recognition Program, with the participation of 13 employees from the different Vice-Presidency Offices, having successfully completed 34 hours of training to other internal areas in the bank.

These training and education activities lead to achieve the following results in the first half-year of 2020:

- 130,808 man/hours invested in training and development activities from which 7,408 man/hours were spent on classroom training and 123,400 man/hours on e-learning.
- 2,646 participations for on-site training activities.
- 15,974 effective participation using e-training.



ORGANIZATIONAL ENVIRONMENT AND CULTURE MANAGEMENT

We are focused on maintaining a culture of high performance based on our values while providing support to our leaders and teams to maintain the continuity of the company. We also promote a favorable organizational climate, aimed at the adaptability and flexibility required to the situation that has arisen from COVID-19, implementing new methodologies and supporting digitally to continue to meet our customers, employees and community.

We foster the fulfillment of activities and functions seeking to promote the commitment and responsibility of our collaborators, under the premises of compliance with the rules contained in the Code of Ethics and Conduct of Banesco Citizen. For this reason, we focus on undertaking initiatives such as “Banesco Citizenship in Social Action”, driven by an effective communication deployment that includes microcapsules, infographics and announcements that reinforce our values, citizen solidarity as a value to teamwork,



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principles of coexistence and the Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction, PCLC/FT/FPADM, while promoting their knowledge and execution.

In addition, other measures were carried out as part of the organizational climate management, through annual and quarterly engagements, aimed at developing and implementing action plans and accompanying many bank's units, addressing emotional team management at national level through different means, such as telephone contacts, meetings through web platforms, web seminars, among others. The purpose is to facilitate change management, the inclusion of workers, the accompaniment of leaders and the promotion of the digital transformation towards the achievement of organizational strategies and the well-being of employees.

LIFE QUALITY

Throughout the first half-year of 2020, sports, recreational, cultural and volunteer activities were held as part of the Plan for Quality of Life. These contributed to improve workers' living standards and motivate them to use free time better. Moreover, spaces for the conciliation between working and personal lives of Banesco citizens and their families were created. Some of the activities carried out include the following:

- **Sport and Recreational Activities:** Fitness activities, softball training, Banesco Running Club.
- **Food Program:** 3 days of food and basic products activities were held in the Metropolitan Area.

A total of 2,000 employees were able to participate while 2 days were organized in the countryside, focusing on the Andean and Zulía - Falcón regions, resulting in a benefit to 929 employees and their families as well.

- **Choir Workshops:** This activity was carried out in Caracas, 37 participants were involved and we counted on the support of the National Orchestra System.

VOLUNTEERING ACTIVITIES:

- **Donate a Pencil to Fe y Alegría's Kids,** a campaign that began on March 13.
- **World Autism Awareness Day:** Thanks to 12 of our volunteers we build a Decalogue of Blue Hearts to celebrate this beautiful day in times of lockdown. This includes certain significant aspects for the care of people diagnosed with ASD during the confinement.
- **Banesco's Volunteers in Social Action:** 27 activities led by our volunteers nationwide were carried out in May during the Covid-19 period of social isolation in different fields of action.
 - Social Support
 - Communication and assessment to third parties
 - Teaching to children and adults
 - Ecology
- **Ecological volunteering:** On the occasion of celebrating the Arbor Day, 32 volunteers at national level joined this activity: 13 from the countryside and 19 from the Metropolitan area; in fact, they planted 45 trees.



PERSONNEL SERVICES

- **Funerary Services:** Thanks to the Savings Bank, the organization has contracted a free funeral service covering employees and their spouse, parents (without age limit) children up to 30 years old; single brothers and sisters up to 30 years old, in the absence of children (maximum 3 siblings). At the beginning of the year, the coverage was updated and will be in effect in the first half of 2020. In this period, a funeral service was offered to employees to include indirect family members.
- **Contributions:** Banesco at all times complies with provisions of the collective bargaining agreement and legal regulations as well. Accordingly, we proceeded during the first half-year with the payment of ATM contribution, Mother's Day and school supplies.



- **Credit Cards:** Banesco, in the search for the well-being of its employees and their families, carried out two massive processes during the first half of 2020 to increase the limit and allocation of "My First Credit Card" for employees with more than 3 months' seniority in the bank.

CORPORATE SOCIAL RESPONSIBILITY

Education, health and financial inclusion remain the basis of our Corporate, Social Responsibility and Sustainability Policy and the pillars to be guiding our social investment.

Throughout the first six months, we continued supporting our different Partners and Social Allies, applying educational initiatives such as the Social Micro-entrepreneurship Training Workshop, held at Ciudad Banesco headquarters. Representatives from different foundations and educational institutions participated in the workshop.

To meet the different needs that emerged from the contingency and confinement by Covid-19, we used our Social Networks, the Banesco blog and the press room to spread information that our Partners and Social Allies considered important for their respective communities, such as Avesid, Venezuelan Anticancer Association, SenosAyuda, AVEC, the Orchestra System, UCAB, among others. We use technology to offer useful tools to Partners and Allies, such as the Organizational Management Workshop, Social Micro-entrepreneurship Workshop (second cohort), among others.

Likewise, we have undertaken a constant effort in prevention and information about COVID-19 aimed at the whole community of Banesco citizens and their families, through different internal campaigns and all available means. Similarly, we develop prevention campaigns and timely information to all our partners through social networks. Certainly, we allocate VES 26.79 billion to programs that strengthen the quality of life of Banesco citizens and their families in that time. This amount accounts for 98% of the total so-



CORPORATE MANAGEMENT REPORT

cial investment made during the first half-year. Our internal social investment includes the subsidy to food service in the dining room of Ciudad Banesco, medical service and support in cases of severe illness, among others.

Some of our Corporate Social Responsibility initiatives included the following activities in the first half of 2020:

- “Best of Us” Contest Award
- Rafael Cadenas Youth Poetry Contest
- Call for the 3rd Edition of the “Lo Mejor de Nos” Contest
- Social Micro-entrepreneurship Workshop for Social Partners and Allies
- Organizational Management Workshop for Partners and Social Allies



MICROENTREPRENEURSHIP TRAINING PROGRAM

During this time and in collaboration with University Institute of Management and Technology (IUGT), FundAcción Social, the Association of Catholic Schools (AVEC) and the Association for the Promotion of People's Education (APEP), Banesco successfully implemented the Training Program for Micro-entrepreneurs. This is how 2,167 entrepreneurs from the states of Miranda, Aragua, Anzoátegui, Bolívar, Carabobo, Capital District, Delta Amacuro, Guárico, Lara, Mérida, Monagas, Nueva Esparta, Sucre, Táchira, Trujillo, Vargas, Yaracuy, Zulia and in Germany, Argentina, Colombia, Chile and Peru were remotely trained.

This number is in addition to the 11 years of the Micro-entrepreneur Training Program, which consists of 40 academic hours and is totally free.

BANESCO EDITING FUND

This initiative aims to meet the need to support education by helping the publishing activity in the country. Therefore, we sponsor books written by Venezuelan authors and publish titles whose contents contribute to the comprehensive training of people for the creation of citizenship.

During this lockdown, we promote our Banesco Digital Library through our Social Networks and Press Room aiming to offer an educational alternative to spend time at home to the fullest with topics of culture, art, sports, film, photography, journalism, written by recognized editors and compilers of our country, among many others. Besides, 24 informative capsules from the main collections of the Library were released to this end. We also began producing the books to be added in the Banesco Digital Library in 2020.





BANESCO CORPORATE VOLUNTEERING

For the first half of 2020, a redesign of the Banesco Volunteer Program was carried out and programs were redefined to improve the volunteers' experience and expand the scope in different important areas.

As a Corporate Volunteer they drafted a Decalogue with relevant information for the treatment of ASD (Autism Spectrum Disorder) population in Covid-19 pandemic.

In the framework of the Arbor Day, some volunteers took the initiative to plant in our headquarters facilities, also in their homes and areas surrounding their neighborhoods, and using all the biosecurity protocols against Covid-19.

MARKETING AND INNOVATION

WE PROMOTE DATA UPDATING THROUGH MY BANESCO APPLICATIONS PORTAL

We reinforced through the social networks the importance of keeping information up to date, easily and conveniently from home in the half-year.

This campaign deployment was made through social networks and Banesco.com. We accompanied our clients by publishing the video "Follow These Tips" on our YouTube channel. Furthermore, detailed and relevant information for the proper data use, which was well received, was also provided.

THE BANESCOMÓVIL NEW VERSION

The BanescoMóvil new version was launched in March and it was broadly conveyed by means of Banesco.com and social networks (Banner and Landing page were also used).

At first, the main functionality was the inclusion of beneficiaries at the time of performing operations. In addition, two more features were added in May. E.g.: Login through biometrics and guest user.

The strategy also included uploading 3 video-information graphics to Youtube in order to guide clients through enrollment, device registration, beneficiary inclusion and biometric authentication.

WE KEEP PERMANENT CONTACT WITH PENSIONERS

We continue to communicate on a permanent basis with our pensioners to teach them how to use e-Banking and to inform them about their pension payments dates in a timely manner.



A monthly campaign was carried out at Banesco.com and social networks during that time to inform about pension payments and to promote the use of e-Banking. Thanks to this campaign, 93% of our active pensioners use our digital channels to date.

PAGO MÓVIL FOR COMMERCE

A new concept was developed to refresh the application in order to boost the PagoMóvil service to commerce. In this regard, the social networks campaign focuses on teaching clients about affiliation and downloading the application, use of service and the necessary requirements.

The campaign was based on a digital organic posting, which included Facebook, Instagram and Twitter.

WE REINFORCE BANESCO CHAT THROUGH OUR SOCIAL NETWORKS

During the first quarter, the Banesco Chat channel was promoted to indicate our clients that this tool is available. They can make inquiries and clarify doubts about products and services. This campaign aimed at increasing the number of requests through this option.

SECURITY CAMPAIGN

As of January, relevant information was published on social networks regarding various security issues. For instance: Identity Theft, Changing and Cyber Fraud.

Our customers are recommended to protect their personal data and make security validations when making purchases.

IDENTITY USURPATION

We have promoted the Identity Usurpation Campaign during the first half-year, which is the most common fraud nowadays.

SCAMS BY MEANS OF SOCIAL NETWORKS

This is now the focus of the most frequent cybercrimes in Venezuela. For this reason, the Don't fall into their nets! Campaign was promoted.

CARD CHANGING FRAUD

We promoted the card changing fraud campaign in the first quarter so our clients recall that they must not forget their debit cards under any circumstances while using POS for making payments.



CORPORATE MANAGEMENT REPORT

FISHING (FAMILY VERSION)

We refreshed the Security Campaign with the family version since June. In fact, we were seeking to connect with our users through short stories or accounts about common cyber-scam situations and how they can prevent them.

WE CONTINUED WITH PERMANENT COMMUNICATION FOR THE PREVENTION OF MONEY LAUNDERING

In accordance with our role as a financial entity and pursuant to the parameters established in the current legal regulations, we maintain the momentum of our regulatory campaign for the Prevention of Money Laundering by using and graphic content through social networks and Banesco.com. We also teach our clients so they can prevent this kind of organized crime activities, while also reducing the operational, legal and reputation risk associated with Money Laundering and Terrorist Financing.

Six newsletters were prepared over the 2020 first half in order to reinforce our clients' knowledge about the most important issues in this area. This includes: protection of financial products, updating of data, declaration of origin of funds, among others.

This information was conveyed in digital newsletters, in addition to the publication of a banner and a marquee on Banesco.com that redirects users to the landing page. That one is containing information concerning the Prevention of Money Laundering.

We maintained a monthly display in our social networks with information related to this topic and tips about the campaigns that were also accompanied by

mailings related to Prevention against Money Laundering, Terrorist Financing and Financing of Weapons of Mass Destruction Proliferation.



WINNING TICKETS. AVOIDING SCARES!

In order to promote the use of our POS through Banesco Winning Ticket, the campaign "Avoid scares!" was shown on cable TV, social networks and Banesco.com in the first quarter.

During the celebration of the Spanish Football Super Cup and the Santander League, we launched a campaign through Directv and ESPN, with 44 spots in January and 8 in February.

Thanks to the Permanent Ticket Program whereby debit and credit cardholders may win a free purchase upon simply requesting that their payments must be made by means of Banesco POS, we delivered more than 2,300 prizes during that six-month period.



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WE CONTINUE PROMOTING THE PERMANENT PROGRAM THROUGH THE WINNING TICKET CAMPAIGN

The “Winners” campaign has also contributed to promote the use of Banesco POS by means of the winning tickets. Besides, a permanent display on Banesco.com, including monthly updates of banner and landing, was maintained from January to March.

Winners’ testimonials gave greater credibility to the program, thus achieving greater interaction with our clients.



USING BANESCO POINTS OF SALE ARE SAFE, RELIABLE AND WITHOUT SURPRISES!

Following the beginning of the lockdown in Venezuela, we promoted the use of our points of sale in the second quarter for exclusively necessary purchases.

This campaign was shown in our Social Networks and had a banner in Banesco.com.

We wanted to remind debit and credit cardholders that when making purchases through a Banesco POS, they will not have any inconvenience and those will be quickly and effective.

WE PUBLISHED INFORMATION CONCERNING DIFFERENT ANNIVERSARIES IN OUR SOCIAL NETWORKS

We publish, as we do annually, the most important national and international anniversaries through our social networks.

During this first half-year, 26 celebrations were published on Instagram, Facebook and Twitter.

WE PROMOTE MOVISTAR RECHARGE

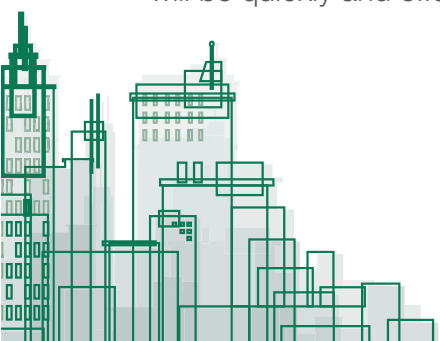
Social Networks and Banesco.com spread information regarding Movistar recharge service for prepaid customers and the invoice payment for postpaid customers in April.

A new concept was made, which due to Covid-19, is based on conversations that clients usually have from their homes, but unfortunately they are left without a credit balance.

We encourage customers to make payments or recharge the Movistar service through BanescOnline and BanescoMóvil. The campaign was on air in April for 3 weeks with a 2-week break and then published for 3 more weeks with a good reception in the social networks.

WE ABIDE BY THE INSTRUCTIONS PROVIDED BY THE WHO AND URGE OUR CLIENTS AND USER TO STAY AT HOME

Due to the current global situation caused by COVID-19 and in accordance with the recommendations of the World Health Organization (WHO), we promote the #StayAtHome campaign so our clients and users take care of themselves during this time.





The campaign will strengthen our bond with our clients and users, and reinforce the meaning they have for us. We invite you to take into account the recommendations given by the WHO in order to prevent infection and to make use of our digital channels without leaving home.

WE INVITE OUR CUSTOMERS AND USERS TO KEEP SOCIAL DISTANCING WHEN MAKING PURCHASES

We promote the “Keep two meters away” message to clients and users every time they purchase, in order to protect themselves.

This campaign shows that distance is only physical, but as an institution we continue to accompany each of our clients and users in their daily lives.

We continue with messages about the use of our digital channels and urging customers and users to make their transactions from wherever they are, while maintaining the biosecurity standards.

WE WOULD LIKE TO THANK ALL THOSE PEOPLE WHOSE EFFORTS HAVE CONTRIBUTED TO MOVING FORWARD IN THE FIGHT AGAINST THE PANDEMIC

We expressed our gratitude to all those people who, with effort and dedication, are in the front line of keeping the work and professional activities active in the country.

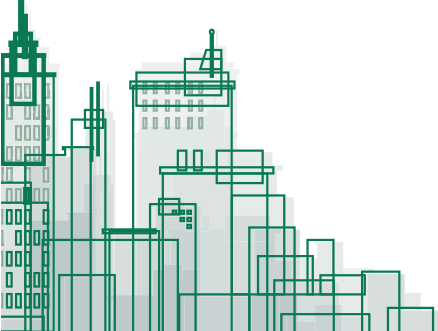
We strengthen our commitment to work together and move forward with this campaign.

The momentum is carried out through the organic and paid social networks in order to reach more people.

WE PROMOTED THE “BETTER FUTURE” CAMPAIGN TO RECALL THE PROXIMITY WE ARE KNOWN FOR AS A BANK

A Better Future is a campaign that continues the launch of “The Challenge”, a communication campaign based on the premise “Stay at Home”. By means of this communicational effort, Banesco focuses on reminding clients and users that, despite the current circumstances in the country and the world, we ratify our commitment to accompany them by offering safe, reliable and quality services and products too. We also stress the importance of taking the necessary preventive measures and staying at home to overcome this period. We also reaffirm that, in this manner, we will be together again tomorrow.

“A Better Future” reminds us that, for Venezuelans, the future is full of people who want to continue fighting for new and better opportunities. These show the essence and meaning that working as a team has for all the country. The launch of this campaign was accompanied by a video that, apart from being included in our social networks, was promoted through the Instagram, Facebook and Google Display platforms in order to obtain a greater reach in the public.



SOCIAL NETWORKS

At the end of June 2020, our social networks had a community of more than 1,499,000 followers on our official Twitter, Facebook, Instagram, YouTube and LinkedIn accounts. These are a great way for us to communicate with our customers and the public, not only to convey our content, but also listening to their ideas almost in real time.

During the first half-year, 14,008 cases referring to products and services were attended to through social networks. Regarding the cases attended to, 26% corresponded to requests from Banesco's clients, while 74% were queries about products and services.

As for our presence in social networks, @Banesco is still the social network of choice for users, with more than 728,000 followers as of June 2020. In addition to serving as a link for queries and requirements, it provides relevant information on personal finance, entrepreneurship, technology, anniversaries, history, sports, business, energy and news about products, services or promotions.

On Facebook, Banesco had over 264,900 followers, while on Instagram reached 200,000. Videos on YouTube channel "Banesco in Pictures" channel have registered more than 4.2 million views, in addition to 13,900 subscribers.

By the end of December 2020, the Banesco Blog had received more than 8.5 million visits. On this site, in addition to corporate information on products and its Corporate Social Responsibility policy, the institution has exclusive content prepared by renowned journalists.



SEGMENT MANAGEMENT

Regarding deposits from the public, a market share of 8.47% was obtained, so we ranked 2nd in the whole system (1st among the private ones). As a result, the balance was VES 24.34 billion, which accounts for an increase of 226.1% with respect to December 2019. It is important to note that 56% of the growth obtained in this period is linked to the legal entity segments.

26,154 accounts were opened in the first half-year of 2020, which is a decrease of -51% compared to the second half-year of 2019. Regarding that total, 9% (2,458) belongs to legal entity clients and 91% (23,696) to natural persons. This decrease is due to the impact generated by the strict lockdown and the different levels of relaxation in the opening schedules of offices nationwide.

Regarding credit portfolio, a 15.24% market share was achieved, maintaining the first position of private banking, with a gross portfolio amount of VES 5.13 billion and a total growth of VES 3.22 billion. In addition, more than 1,211 credit operations were settled



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for a sum of VES 3.31 billion, which accounts for a 76% growth in the last six months.

The Single National Productive Portfolio, expressed through the Productive Credit Value Unit (UVCP), commenced to be granted in April, reaching a figure at the end of the six-month period of VES 1.41 billion. This means a compliance percentage of 34.19%, with the required amount of VES 413.4 billion, equivalent to an excess of VES 1,000 billion.

Within the framework of Resolution 083-18, the management for updating data and files on high-risk clients continued, keeping the Know Your Customer Policy in force and confirming the information provided in each contact made, through visits and interviews allowing the most up-to-date information to be gathered. This resolution sets out in its second chapter the "Risk Management Policies for Money Laundering and Financing of Terrorism derived from customers" and Article 53 refers to "...the implementation of appropriate measures and controls to mitigate risks in potential or new customers", emphasizing that at a greater level of risk more detailed or strict methods shall be used, including contact with or visit to the customer as one of them. In this regard, Banesco carried out a total of 88,254 reports and/or customer interviews during the first half of 2020 in compliance with this resolution.

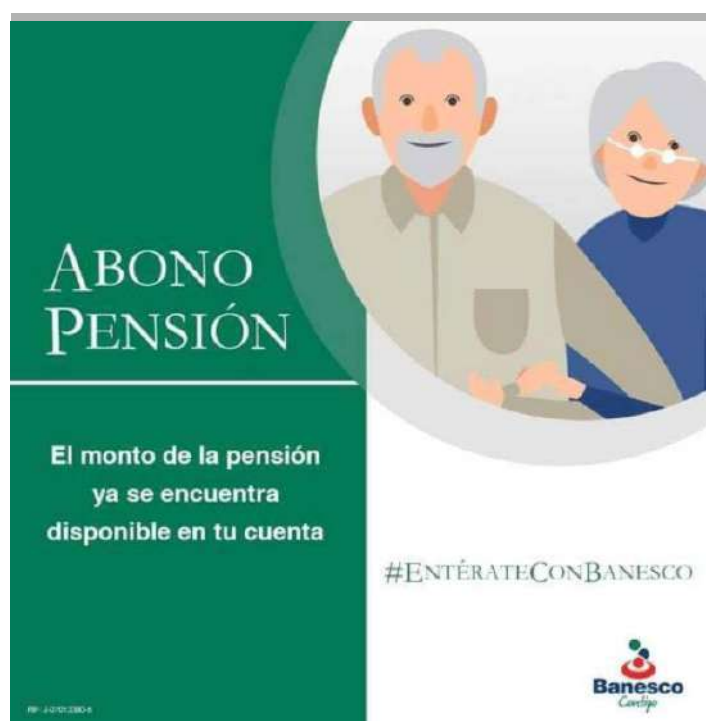
By the end of June 2020, 94.3% the digital banking service is used by 94.3% of our clients. We maintain a permanent update of the daily limits according to the needs of all our customers. In addition, our goal is to provide a better experience with increasingly secure and reliable electronic channels to carry out operations.

DIGITAL AND ELECTRONIC CHANNELS AND AGENCY NETWORK

During the first half of 2020, more than 1.38 billion transactions were carried out by our customers through the service channels offered by Banesco. This was a 37% decrease compared to 2019 and at the end of June the digital and electronic channels accounted for 99.63% of all transactions.

AGENCY CHANNEL

During the first half, Banesco has 266 Points of Attention consisting of window offices and promotion with 2.1 million transactions, which represents a 77% decrease in relation to the previous year due to the Covid-19 contingency.



E-BANKING CHANNEL

BanescOnline recorded an average of 2.2 million active clients per month, which is 58% of the bank's total active clients who executed more than 731 million operations on a recurring basis. Throughout the half-year, the functionality of improvements in data registration for transfer to third parties was included in Banesco, which provides the following options:

- When adding a beneficiary, clients only must complete the fields of ID and Account Number and the system will automatically bring the client's name as recorded in our databases.
- If the client selects a beneficiary that they already have in the Directory, that person's name will be read as registered in our systems.
- There is now an additional message on the screen highlighting the beneficiary's name and the amount, so the client is prompted to ratify who they are doing the transaction for.
- Later, the transfer continues in the same way as it is usually done. In other words, the customer ratifies the operation again, confirming the recipient and the transfer amount.

BanESCO stands as a leader in offering competitive transactional limits to its natural and legal clients registered with the e-Banking service.

PAGO MÓVIL CHANNEL (P2P)

By the end of the first six-month period, the channel had reached more than 2.6 million members and 82 million transactions.

A new feature was added to Mobile Payment that allows each customer to add more than one Fiscal

Registration Number to the same cell phone number. It is aimed at legal clients (businesses) connected to the P2C service, since it makes it easier for them to manage different accounts associated with the same cell phone number.



MOBILE BANKING CHANNEL

More than 35 million operations were completed through BanescoMóvil application.

Additionally, this new app was broadly disseminated, including its new features:

- Including beneficiaries, products and services when transactions are carried out.
- Device registration.
- Available funds to be used in a greater number of operating systems.
- Ability to share receipt of payment through social networks.
- Login with a guest profile on other devices.
- Authenticate through fingerprint or facial recognition. (Available for computers with biometric authentication function).



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- View the monthly trading history.

The new mobile banking allows you to perform the following transactions:

- Consultation of monthly transactions.
- Consult your bank accounts and your credit cards.
- Addition of new beneficiaries at the time of transaction with the option of saving in the banking agenda. New Service!
- Transfer to the same holder and third parties (Banesco and other banks).
- Transfer to the same holder's credit card and third parties (Banesco and other banks).
- Payment of Public Services (CANTV, Electricidad de Caracas, Movilnet, Movistar: only pre-paid payments).
- You will be able to download your receipt of transactions you make.
- The transaction receipt can be shared through your social networks. New Service!
- Other services: Contact us, Information: FAQ, about the topic-night mode application, New Service! and Dynamic Key.



BANKING CALL CENTER CHANNEL

During the first half of 2020, Banesco's Call Center received and answered a total of 17.15 million calls. Besides, 97.63% were attended automatically through the IVR (16.74 million calls) and only 2.37% (406,906 calls) were responded by agents.

ATMS

Banesco closed in June with an installed operational park of 510 ATMs in the country (209 Monofunctional and 301 Multifunctional). These processed more than 8.4 million operations during the half-year.

METHOD AND PAYMENT SERVICES

The collection and payment services registered 151 million transactions in this half-year and a growth of 96% compared to the same period in 2019, driven by the growth in electronic transactions of mobile payment and e-collection.

Throughout this time, the transactional volume of the collection and payment services registered a growth of 2,343% with respect to the first half of 2019, noting the variations in the volume of Mobile Payments and Payments to Suppliers.

DEBIT AND CREDIT CARDS

CREDIT CARD ISSUANCE BUSINESS

The credit card business grew 100% in sales by the end of the first half of 2020 when compared to the second half of 2019. The default rate was only 0.003%.

Extra credit product (purchases and Cash) grew 243% compared to the first half of 2019.

Card maintenance initiatives were implemented in the first half-year to support the needs of medical segment in recognition of the effort and dedication given to the difficult situation created by Covid-19. These initiatives benefited 3,479 clients.

DEBIT CARD ISSUANCE BUSINESS

Banesco Debit Cards recorded a 213% increase in sales volume at the end of the first half of 2020 with respect to the end of the second half of 2019. They will remain the primary means of payment for the acquisition of products and services. This growth is leveraged by the customer base, including 67% acceptance rate and constant adjustments to the maximum amounts for Point of Sale transactions. This has allowed to maintain our service offerings above the market and to strengthen our customers' preference.

In relation to pensioners, 82% of our customers have an active debit card and enjoy the comfort of mobilizing their pension through points of sale, to purchase and pay for services.



PURCHASING BUSINESS

- **Total of Active POS** (Physical and Virtual): 130,665 active POS
- **Number of Transactions:** 509,998,075

Banesco's acquiring business reflected a total of 509.99 million transactions in the first half-year and a 245% growth in sales compared to the second half-year of 2019. This result was leveraged by the increase in consumption with debit cards by 244% and credit cards by 282%.

Banesco remains among the top banks in the country in the acquisition business, driven by the growth in new customers and the loyalty of the current client portfolio. Banesco's acquisition service stands out for the specialized attention and excellent operation levels of POS, which guarantee the agile acceptance of payments and funds settlement.

Banesco implemented a membership plan for different business segments, guaranteeing the quality of the commercial portfolio through certified providers, which offer services and equipment to meet our commercial clients' needs for simple and positive payment experiences.



COMPETITIVE INTELLIGENCE

Since 2015 Banesco promotes the customer experience as a business strategy that focuses on achieving benefits for the organization through the generation of emotional links between customers and the brand. This strategy is based on a value chain, which starts from the premise that the brand makes customers feel emotions, which are the most important element of the memory. These feelings determine the behavior and future decisions that ultimately impact the business results.

This value chain, extremely relevant, connects two concepts that are highly important for organizations today: emotions and business. This explains why it is essential for the client experience to focus on understanding and managing emotions in order to impact positively the results.

According to this vision and in order to manage Banesco Customer Experience, in the first half-year, we continued to measure the Net Promoter Score, both from Benchmarking and the Relational perspective. This mechanism allows listening to the clients' voice, their opinion about the brand, the service we provide, their expectations and preference level. Because of this continuous measurement, we identify valuable information which is translated into actions and initiatives aimed at introducing improvements in channels, products and services from a fundamentally client-centered perspective. The purpose is to guarantee a Banesco customer experience that attracts links, builds loyalty and consolidates a relationship that is not only satisfactory, but also profitable for the organization. Given the importance of this indicator, an internal Customer Experience site was made avail-

able to the entire executive line this half-year. This was specially designed to convey digitally the monthly results of the Net Promoter Score.

Additionally, through monthly measurement of experience indicators, we promote the understanding of customer interactions with the company in each contact point, by means of the study and monitoring of the Customer Journey concerning each channel. Therefore, we monitor the behavior, needs and problems of our customers throughout the different interactions they have with the Bank. This enables us to identify additional actions to introduce improvements in the service.

As part of the unit's contributions, we continue to accompany Human Capital in strengthening a management model based on employee experience, through the monthly measurement of the Net Promoter Score Employee, with which the level of recommendation is monitored. of Banesco as a workplace.

Since moving forward in the digital transformation of Banesco is a priority, we continued fostering "Mis Solicitudes Banesco" website during this half-year and reinforcing the goal for updating data and clients' file in 2020. In addition, training activities for digital talent development remained and methodological and information material to begin with the third step of "Mis Solicitudes" project was delivered.

When facing the development and evolution of the customer intelligence, we deepened the complex network analysis to identify potential clients to carry out with the whole value chain their businesses. Banesco continues fostering efficiency and, as a result, we



close the first-half of 2020 with a significant number of active clients. From a behavioral perspective, our clients prefer to use digital channels, such as BanescOnline, Pago Móvil (P2P), Banesco Móvil, POS and ATM. At present, we count on a significant number of clients using smartphones as an interactional channel ensuing in a small percentage of exclusive clients in the agency channel.

RELATIONAL AND EXPERIENCING MARKETING

To genuinely win a client, the organization must create a time-bond relation. This is where relationship marketing comes in. We use a set of strategies to create a long term bonds with clients to build loyalty, offer added value, and generate trust, and where the personalization of our communications about products and services is a key factor.

Outbound Marketing support was essential in the cross-selling and relational actions, managing to support in a good percentage all the campaigns deployed by the marketing team.

As part of this strategy and through the use of email marketing, we reached a relevant number of customers during the first-half by sending millions of personalized emails and where we obtained important opening rates, which today exceed international standards for the business segment.

I.T. AND PROCESSES OF BUSINESS AND OPERATIONS

In Information Technology, processes, operations and project office, we aim to deliver solutions, new information technologies and optimized processes that meet the needs of the business and support, the development of its objectives, ensuring continuity and stability of services and providing a higher customer experience.

PROCESSES

Regarding the processes area, we focus on the analysis of operational and business capacities, the optimization of processes that leverage the strategic objectives of the organization, in terms of profitability and productivity; focusing on the implementation of agile processes that guarantee cost-efficiency.

The capability studies methodology was adapted according to new work needs, changing from face-to-face to virtual (remote work), changing the field work, done through face-to-face measurements, to organize templates (formats) that the areas can complete with the information required for capability analysis.

20 processes were optimized during the six-month period, reducing and controlling costs, improving service delivery time, mitigating operational risks and increasing efficiency in execution and management.

Four process quality measurement custody studies and five internal service satisfaction surveys were conducted, i.e., the survey of internal clients to measure the level of service satisfaction they receive from other areas.



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PROJECT OFFICES

The Agile Corb project management methodology was implemented in line with the Scrum framework and the principles and values of agility. This was carried out with the adaptation of work spaces for project teams, as well as the use of Kanban control panels and the execution of daily monitoring.

During May, the Banesco Agile Web Seminar was held with the participation of approximately 200 employees, enhancing the organization's digital transformation towards an agile culture to give way to greater productivity and high performance teams in changing environments and according to the best practices and trends in project execution.

DEVELOPMENT AND MAINTENANCE OF APPLICATIONS

We deliver technological solutions that support business strategies and digital transformation, implementing the new Mobile Banking application with a renewed look and easy navigation. It also includes new functionalities aimed at improving and boosting the experience of our customers, highlighting the authentication through Biometrics (fingerprint and face) and guest login from other devices.

Within the framework of compliance with the regulatory body, in relation to different means of payment and the integration of debit and credit card operators through the Naiquatá Local Network, a plan was initiated to expand this new network by processing the acquisition of Public Bank Debit Cards at Banesco POS.

TECHNOLOGY OPERATIONS

In the Vice-Presidency of Technology Operations, we guarantee the required availability of the bank's services, products and channels. The execution of the best strategies in operations under conditions of security and reliability is ensured, as well as providing a reliable experience to our clients, confirming stability and accompanying the bank's growth with criteria of quality and profitability.

By means of continuous process improvement plans (preventive and corrective actions), and systems health reviews, we have guaranteed the capacities and redundancy schemes, as well as the optimal levels required by the infrastructure in order to keep the bank's operations (services, products, and channels) totally stable. Regarding the Systems Health practice, the result of the indicator was maintained at a satisfactory level of 91%, improving with respect to the measurement obtained in the previous half-year. Additionally, a reduction in total incidents of 23% was achieved with respect to the first half of 2019.

We execute data optimization and debugging actions in order to decrease the percentage of disk space utilization, recovering storage space. Savings were achieved by the efficient use of the bank's technological infrastructure, through the reuse of private cloud capabilities, reuse of technology equipment for the connection of remote users, cleaning of storage data and release of physical spaces in the Data Center.

During this six-month period, improvements were also made to communication times on the storage area network (SAN) platform. The security of Banesco.com domain was increased and new monitors were implemented in the tracking platform.



COMPREHENSIVE RISK MANAGEMENT

This is fundamental to Banesco's sustainable development in "normal" times. Meanwhile, in an environment such as the one that took place during the first half of 2020, with a worldwide economic activity slowdown never seen before, the most important thing to be developed in terms of risk is to intensify the monitoring of appetite and tolerance levels in liquidity and capital risk management and the deterioration of the credit portfolio.

When having pillars rooted in the organization such as: (i) fixing the appetite for risk, determining the levels and types of risk to be assumed, balancing the risk-return elements accepted by the shareholders, (ii) acting proactively in risk management, by identifying through the constant review and monitoring of exposures and (iii) the provision of methodologies in the quantification of risks, appropriate to the new demands of the environment for effective monitoring of the established risk appetites, the institution has been able to successfully address the challenges that have arisen from the current situation.

RISK CREDIT

Credit risk arises from the possibility of loss occurring as a result of customer and/or counterparty default in relation to the provisions contained in contracts.

Consequently, the pandemic has substantially increased the risk inherent in the credit activity as a result of the drop in customer income due to the decrease in demand, as well as to the disruption of the productive processes that may reduce the ability to pay for



the assumed contractual obligations, especially in the short term.

The activation of the Credit Risk Contingency Plan with strategies such as: 1) Weekly monitoring of the Portfolio through the Overdue Balance Committee, in which the status of the credit portfolio is evaluated and actions to be taken with the clients are proposed. This is done in order to provide early warnings and avoid the increase of the overdue balance. 2) Coordination with the credit area to ensure that payment agreements with clients that do not request restructuring are applied, as well as the implementation of new restructuring policies, in accordance with the guidelines issued by the regulatory body. 3) Classification of clients from very low risk to very high risk in order to provide the institution with a review of its Loan Portfolio, discriminated by economic sectors, and based on the concentration of loans in the sectors. These measures have made it possible to act proactively in the management of credit risk, maintaining very low levels of deterioration, despite



the worsening of the pre-existing crisis that has been affecting the Venezuelan economy as a result of the quarantine.

The contingency plan is not only limited to portfolio maintenance, but also includes the continuity of intermediary activity, through credit granting made under the appropriate quality. For this purpose, we evaluate criteria that determine the ability to pay in the credit analysis for new crops.

Likewise, indicators are monitored as per basis and stress scenarios, seeking to anticipate factors that could increase risk exposure in unforeseen situations, such as the estimation of expected losses and economic capital for credit risk, as well as the determination of limits and thresholds concerning the institution's general exposure. Although the exercises developed previously could not foresee a scenario like the one provoked by Covid-19, the culture of monitoring tolerance levels and acting proactively has allowed mitigating the portfolio deterioration. As a result, we have obtained very satisfactory results in credit risk management.

OPERATIONAL RISK

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

A distinctive feature of this backup situation originated by Covid-19, is that the risk related to operational risks has also increased, as a result of the acceleration of remote work protocols activation and contingency plans in order to guarantee business continuity.

The urgency required to adapt to the mobilization limitations implies vulnerabilities, both in systems and controls, where the Bank has managed to adapt effectively to the pandemic, while maintaining the operational risk management indicators at the levels of appetite and tolerances approved for 2020.

To mitigate operational risks, not only those caused by the pandemic but also those concerning the banking normal operations, we continued to strengthen the risk culture during the first half of 2020 by carrying out the following activities:

- The first delivery highlights the communication plan for 2020 (January-June), which focused on presenting the importance of event management, the lines of defense, the Operational Risk methodology, highlighting the preventive management of risk identification and management approach, all through bulletins. In addition, simple computer graphics and sought to emphasize the role of the process owner in risk management as a key factor in strengthening prevention in the organization was included. The management included: 17 Weekly Newsletters, 1 Wallpaper, 1 Somos Banesco Forum, 2 E-learning by a representative of the area commenting on relevant tips on Operational Risk and 3 Risk and Event Management Webinar.
- There were 9 training sessions and virtual training sessions delivered at different levels of the organization, with 3 webinars highlighting the importance of risk event management.



Banesco Banco Universal has outlined the objective of having a complete vision of risk identification, obtained as a result of the Comprehensive Risk Delegate Training Program, which includes aspects as risk assessment and controls, loss events and methodological standards. The effect of this integration is a more precise risk profile and a significant improvement in efficiency due to the savings in effort in the surveys of the operational processes within each area.

MARKET RISK

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

The pandemic has increased market risk in other regions due to the uncertainty of the effects regarding the isolation measure. This resulted in a upper increase at international market volatilities and risk premiums.

As a result of the regulations that prevent Venezuelan banks from making investments other than those issued by the Nation and its decentralized entities, in addition to the limited supply of this type of instruments in recent years, the volatility risk in the investment portfolio of Banesco Banco Universal is minimized. This is reflected in the value at risk (VaR) of the

trading and sale portfolio, which accounted for only 0.132% at the end of the first-half of 2020 in comparison to the bank's equity.

In terms of liquidity, strategies were implemented which allowed sufficient liquidity to respond to the short-term demands derived from a possible reduction in cash flows or possible withdrawals from client deposits due to the pandemic. This was in spite of the continuation of the regulatory measures on legal reserve, which although less severe than at the end of the previous half-year, continue to affect the liquidity levels in the financial system, reflecting high-rate levels and amounts in overnight markets.

Regarding interest rates, the different world actors in monetary policy have adopted the reduction of interest rates as a strategy. On one hand, developed economies experienced unprecedented drops while emerging market economies and lower income countries have cut interest rates. On the other hand, the Central Bank of Venezuela has maintained its regulated interest rates, so this type of risk is not feasible in this context.

With regards to exchange rate risk, despite the volatility of the US dollar quotation and the Bolivar due to the hyperinflation that the country is going through, the operations carried out by Banesco Banco Universal are essentially in the legal tender, having a minimal exposure to this type of risk. Due to regulatory limitations on liquidity issues and the limited supply of investments for which the Bank is eligible, the market risk that can be assumed is practically insignificant.



BALANCE SHEET

ASSETS

(Stated in Million VES)

	Jun. 20	Dec. 19	Jun. 19	Dec. 18
CASH AND DUE FROM BANKS	25,581,546	7,400,370	1,378,135	103,099
Cash	2,547,246	451,632	74,070	7,740
Central Bank of Venezuela	19,158,722	6,048,598	1,051,557	73,521
Local Banks and Other Financial Institutions	29,632	39,145	5,622	645
Foreign Banks	3,813,501	710,740	228,537	17,240
Head Office and Branches	0	0	0	0
Pending Cash Items	33,886	150,788	18,393	3,952
(Provision for Bank Accounts)	-1,440	-534	-45	0
INVESTMENTS SECURITIES	3,696,878	1,091,680	115,537	29,177
Investments in Central Bank	110,000	261,351	0	0
Investments in Trading Securities	0	0	0	0
Investments in Securities Available for Sale	17,158	19,819	389	123
Investments in Securities Held to-maturity	332,120	74,219	9,697	19,138
Limited Availability Investments	3,237,557	736,248	105,412	9,870
Other Security Investments	43	43	39	45
(Provision for Security Investments)	0	0	0	0
LOAN PORTFOLIO	5,032,836	1,877,681	305,890	73,279
Outstanding Credits	5,137,784	1,913,068	311,771	74,660
Restructured Credits	0	0	0	0
Past Due Credits	103	5	4	0
Credits in Litigation	0	0	0	0
Provision for Credit Portfolio	-105,051	-35,392	-5,886	-1,381
INTEREST AND COMMISSIONS RECEIVABLE	39,925	39,917	8,762	1,075
Interest receivable from cash and due from banks	0	0	0	0
Interest receivable from security investments	506	4,175	386	437
Interest receivable from credit portfolio	37,611	37,765	8,179	621
Commissions Receivable	1,822	642	199	17
Interest Receivable on Other Accounts Receivable	0	0	0	0
Provision for Interest Receivable and Other	-15	-2,665	-2	0
INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES	37,646	5,176	1,330	32
Investments in subsidiaries and affiliates	37,646	5,176	1,330	32
Investments in branches	0	0	0	0
Provision for investments in subsidiaries, affiliates and branches	0	0	0	0
PROPERTY RECEIVED IN LIEU OF PAYMENT	622	0	0	0
PROPERTY IN USE	523,260	264,077	18,781	5,334
OTHER ASSETS	6,407,428	987,887	217,365	10,717
TOTAL ASSETS	41,320,140	11,666,789	2,045,800	222,713

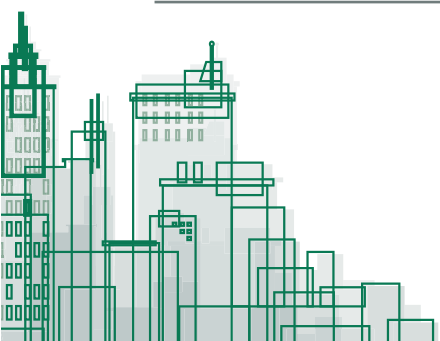


BALANCE SHEET

LIABILITIES

Stated in million VES

	Jun. 20	Dec. 19	Jun. 19	Dec. 18
DEPOSITS FROM CLIENTS	24,342,416	7,465,597	1,378,726	159,075
Deposits in Current Accounts	22,997,005	6,991,270	1,293,846	150,654
Non-Remunerated Checking Accounts	13,569,652	4,509,544	800,394	105,894
Remunerated Checking Accounts	7,557,773	2,231,614	441,886	43,134
Current accounts under exchange agreement n° 20	484,796	103,023	15,250	1,446
Demand Deposits and Certificates	159,953	27,499	14,018	180
Current Accounts Exchange System Free Convertibility	1,224,830	119,590	22,298	0
Special Funds in Trusts Free Convertibility System	0	0	0	0
Other Demand Obligations	81,844	66,162	12,139	959
Obligations for Money Desk Operations	0	0	0	0
Savings Deposits	1,259,320	406,757	72,604	7,446
Time Deposits	4,247	1,408	137	16
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
OBLIGATIONS WITH BCV	0	0	0	0
DEPOSITS AND OBLIGATIONS WITH BANAVIH	308	47	0	0
OTHER FINANCING OBTAINED	2,410,948	664,007	108,495	7,597
Liabilities with local financial institutions up to one year	2,410,948	664,007	108,495	7,597
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
OTHER FINANCIAL OBLIGATIONS	0	0	0	0
INTEREST AND COMMISSIONS PAYABLE	13,677	1,348	543	1
Expenses payable due to deposits from clients	8,369	1,195	154	1
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	5,308	154	277	0
Expenses payable due to other financial obligations	0	111	0	0
Expenses payable due to obligations convertible to capital	0	0	0	0
Expenses payable due to subordinated debt	0	0	0	0
ACCRUALS AND OTHER LIABILITIES	10,453,539	2,628,691	331,036	37,495
SUBORDINATED DEBT	0	0	0	0
OTHER LIABILITIES	0	0	0	0
TOTAL LIABILITIES	37,220,887	10,759,691	1,818,801	204,167
STOCKHOLDERS' EQUITY				
CAPITAL STOCK	0	0	0	0
Capital Paid-in	0	0	0	0
PAID-IN SURPLUS	0	0	0	0
UNCAPITALIZED EQUITY CONTRIBUTIONS	800	800	800	800
CAPITAL RESERVES	0	0	0	0
EQUITY ADJUSTMENTS	3,141,357	675,231	140,911	14,109
ACCUMULATED INCOME	957,198	229,780	85,099	3,611
NON-REALIZED GAIN OR (LOSS) ON AVAILABLE FOR SALE SECURITY INVESTMENTS	-103	1,285	189	26
TREASURY STOCK	0	0	0	0
TOTAL LIABILITIES	4,099,253	907,097	227,000	18,546
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	41,320,140	11,666,789	2,045,800	222,713
CONTINGENT DEBTOR ACCOUNTS	109,524	270,046	64,158	7,840
TRUST ASSETS	1,423,134	331,059	66,134	6,120
OTHER TRUST ASSIGNMENTS	117	11	1	0
DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (HOUSING MUTUAL FUND)	27,024	13,324	1,747	78
OTHER DEBTOR ACCOUNTS (HOUSING MUTUAL FUND)	0	0	0	0
OTHER DEBTOR MEMORANDUM ACCOUNTS	155,233,468	54,436,960	8,176,773	1,884,867
OTHER DEBTOR BOOK ACCOUNTS	0	0	0	0



BALANCE SHEET

STATEMENTS OF EARNINGS

Stated in million VES

	Jun. 20	Dec. 19	Jun. 19	Dec. 18
FINANCIAL REVENUES	1,071,286	425,419	61,084	4,457
Revenues from Cash and Cash Equivalents	3,185	5,503	1,290	18
Revenues from Security Investments	112,018	18,760	3,957	277
Revenues from Credit Portfolio	956,084	401,155	55,837	4,162
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
FINANCIAL EXPENSES	190,562	58,883	11,206	132
Expenses Due to Deposits from Clients	136,476	31,708	4,349	127
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	54,086	25,371	5,068	0
Expenses Due to Other Financial Obligations	0	1,805	1,789	5
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
GROSS FINANCIAL MARGIN	880,724	366,535	49,878	4,325
INCOME FROM RECOVERED FINANCIAL ASSETS	0	5	1	0
EXPENSES FOR UNCOLLECTIBLE AND IMPAIRED FINANCIAL ASSETS	16	32,666	4,570	1,336
Uncollectible Loans and Other Accounts Receivable	58,949	32,177	4,508	1,336
Provision for Cash and Due from Banks	0	489	61	0
NET FINANCIAL MARGIN	821,791	333,875	45,309	2,990
OTHER OPERATING INCOME	3,421,304	966,752	183,742	7,028
OTHER OPERATING EXPENSES	717,975	217,408	17,244	1,009
FINANCIAL INTERMEDIATION MARGIN	3,525,119	1,083,219	211,807	9,008
TRANSFORMATION EXPENSES	1,990,345	721,174	97,551	3,567
Personnel Expenses	558,492	204,682	28,183	1,259
Administrative and General Expenses	1,333,530	496,529	66,160	2,224
Contributions to Deposit Guarantee and Bank Protection Fund	51,206	9,305	1,129	31
Contributions to Superintendency of Banks and Other Financial Institutions	47,117	10,658	2,079	54
GROSS OPERATING MARGIN	1,534,775	362,045	114,257	5,441
Income from Adjudicated Goods	0	0	0	0
Income from Special Programs	0	0	0	0
Income from Sundry Accounts	15,787	99	18	4
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	468,479	151,345	20,362	662
NET OPERATING MARGIN	1,082,083	210,799	93,912	4,782
Extraordinary Income	0	0	0	0
Extraordinary Expenses	0	762	150	1
GROSS INCOME BEFORE TAXES	1,082,083	210,038	93,762	4,781
Income Taxes	201,851	56,122	7,072	1,153
NET INCOME	880,232	153,916	86,690	3,628
APPLICATION OF NET INCOME				
Legal Reserve	0	0	0	0
Statutory Utilities	52,814	9,235	5,201	109
Other Capital Reserves	0	0	0	0
ACCUMULATED INCOME	827,418	144,681	81,489	3,519
OTHER ACCOUNTS				
LOSEP Contribution	11,164	2,191	960	50
Third-Party Investments	0	0	0	0
Monthly Agriculture Credit Portfolio	0	253,625	1,114	3,373
Accumulated Agriculture Credit Portfolio	580,535	709,981	47,163	9,975
Public Sector Deposits	2,290,283	326,928	110,575	3,613
Micro-Credits	16,203	39,876	1,260	4,489
Credits to the Segment of Tourism in accordance to law in force	11,403	3,978	1,878	5
Mortgages according to the Special Law for the Protection of the Housing Loan Debtor	0	0	0	0
Accounting Capital Adequacy Ratio (%)	19.21	17.04	24.08	15.80
Manufacturing Loans	243,094	348,027	1,004	2,204



BALANCE SHEET

TRUST

Stated in Million VES

	Jun. 20	Dec. 19	Jun. 19	Dec. 18
TRUST	136,881	45,001	4,921	347
HERITAGE TRUST	21,967	13,355	618	82
Individuals	7,469	2	0	0
Corporative Entities	21,560	13,161	585	81
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	0	0	0	0
Decentralized Entities and Other Entities with Special Regime	399	191	32	1
GUARANTEE TRUSTS	0	0	0	0
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
MANAGEMENT TRUSTS	114,914	31,646	4,304	265
Individuals	6	1	0	0
Corporative Entities	54,902	15,139	2,407	72
Central Administration	10,293	4,079	47	7
Public, State, Municipal and Central Administrations	1,069	266	65	1
Decentralized Entities and Other Entities with Special Regime	48,645	12,162	1,784	185
FEATURES MIXED TRUSTS	0	0	0	0
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
OTHER TRUSTS	0	0	0	0
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 2020

Stated in VES at June, 2020

DESCRIPTION	Year 2020	Accumulated 1998 – June 2020
SOCIAL INVESTMENT		
Application Banesco Resources	64,533,502,041.38	93,066,754,803.63
Fe y Alegría	(0.00)	7,803,385.81
Microentrepreneurs Training Program	2,150,042,776.17	2,340,525,769.79
Simón Bolívar Music Foundation	0.00	15,964,530.30
Association of Venezuelan Catholic Education (AVEC)	(0.00)	6,188,140.50
Universities and Other Institutions	(0.00)	621,999,916.94
Venezuelan Foundation against Child Paralysis	0.00	6,002,650.47
Other Health and Medical Care Organizations	0.00	60,080,561.17
FUNDANA	(0.00)	83,952,093.74
Civil Association Don Bosco Houses Network	(0.00)	50,007,130.02
Salesian Ladies Civil Association	0.00	5,012,372.29
Attendance to the childhood and people with special necessities	330,600.00	6,045,600.95
Editorial Projects	2,389,129,186.73	2,485,589,536.15
Other Contributions	327,951,892.45	397,842,865.76
Events for the Community	75,581,570.49	368,430,524.57
Non-Contractual Social Benefits for Banesco Employees	59,521,118,458.01	86,471,781,486.18
Corporate Volunteering Contribution	69,347,557.51	139,528,238.97
Application of Article 96 (LOCTISEP)	—	336.12
TOTAL SOCIAL INVESTMENT	64,533,502,041.38	93,066,755,139.75
TOTAL SOCIAL INVESTMENT MORE COMMITMENTS CONTRACTED	64,533,502,041.38	93,066,755,139.75



PRESIDENT

Juan Carlos Escotet R.

DIRECTORS

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

Emilio Durán Ceballos
María Josefina Fernández M.



