

# SEMESTER REPORT SECOND HALF 2008

# TO THE BANESCO COMMUNITY: EMPLOYEES, CLIENTS, STOCKHOLDERS, AND SOCIAL PARTNERS

Banesco takes pride in being a 100% domestic-owned bank. We confirmed this fact in 2008 by incorporating over 40,000 new partners through the issuance of Preferred Shares, and expanding our service points to 459 throughout the national territory -the largest banking network operating in Venezuela.

The Banesco team's efforts bore fruits and gained the trust of our customers. At the cutoff of the second half of 2008, we were leading the banking system credit portfolio upon registering Bs.F. 18,581 million in financings (a 14.4% market share). Banesco's brokerage fees were 56.8%, that is, we lent Bs.F. 56.80 per every Bs.F. 100 raised. With regards to assets, we were also leaders in loans to agriculture with an accumulated portfolio as of December 2008 cutoff of Bs.F. 2,701 million and microloans with Bs.F. 882 million.

It is worth mentioning the role of Banca Comunitaria Banesco (Banesco Community Bank) in the service provision to sectors, which used to have no relationship with the bank. There are 13 Community Agencies, providing services to over 1,600 slums in popular areas of the Metropolitan Area of Caracas, Miranda, and Carabobo. We have 57,440 clients; we have granted 28,118 Préstamos para Trabajar (Working Loans) and 5,416 Personal Loans; 26,209 clients subscribed to Ahorro Paso a Paso (Step-by-Step Savings), and 233 have acquired a Póliza de Vida Integral (Comprehensive Life Policy). In October, we implemented the Programa Piloto de Formación de Microempresarios (Microentrepreneurs Development Pilot Program), which provided the 56 participating clients with administrative, managerial and technological tools that will allow optimizing their businesses' performance.

Likewise, we showed excellent financing figures for tourism projects with loans amounting approximately to Bs.F. 249 million. Loan accruals evidence the commitment of our Organization in financing productive activities in Venezuela. Over the last years, we have been particularly focused on the mortgage loan segment. To date, we recorded a total of 77,027 mortgage loans granted with the Mandatory Housing Savings Fund (FAOV) resources and ours for Bs.F. 4,376 billion, which have benefited over 385,000 people of all social levels by offering them the opportunity to live in decent homes.

The public's preference enabled the consolidation of our positive performance in other sectors throughout 2008, like assets (Bs.F. 37,115 million and a market share of 13.8%), customers' deposits plus ceded investments (Bs.F. 33,671 million and a market share of 15.3%), customers' deposits (Bs.F. 32,690 million), management of third-party resources (Bs.F. 36,121 million), and deposits in checking accounts (Bs.F. 16,369 million). The Bank operation was strengthening by a significant increase in equity of Bs.F. 374 million (14.6%) during the six-month period that ended, for a total current equity of Bs.F. 2,930 million.

Banesco is made up by over 14,000 people located even in the most remote areas of the country, able to provide the quality service our clients and bank users deserve. We can show these excellent results through our collaborators.

We expanded our presence through the incorporation of 21 agencies, for a total of 459 banking service points, complemented with state-of-the-art technology, thus providing our clients the possibility of making transactions year round, 24/7, through 1,711 ATMs, 392 Self-Service Equipment, 278 Check Book Issuing Machines, and 50,554 Points of Sale.

Being aware of our role in society, our Corporate Social Responsibility Program recorded an investment of Bs.F. 29.42 million, of which Bs.F. 19.34 million were allocated to several projects in the community interest. The difference of Bs.F. 10.08 million was reserved for other initiatives, which translates into a better quality of life for our workers. In this regard, we are proud to inform that our 2007 Corporate Social Responsibility (CSR) Report received at the six-month period end a B+ classification from the Global Reporting Initiative (GRI), the financial, environmental, and social sustainability report system most used worldwide. We are the first Venezuelan company receiving such recognition for its Corporate Social Responsibility report. We are still committed to Venezuela by supporting the productive sectors and incorporating more and more Venezuelan people to bank services, as we know it has a bearing in the quality of life of the people living in our country.



Juan Carlos Escotet Rodríguez  
Chairman of the Board of Directors

# FINANCIAL HIGHLIGHTS

	Growth							
	I Half 2007	II Half 2007	I Half 2008	II Half 2008	II Half 2008 I Half 2008		II Half 2008 II Half 2007	
(Stated in Million VEF)					Absolute	%	Absolute	%
Total Assets	20,347	27,700	30,873	37,115	6,242	20.2%	9,415	34.0%
Cash and Due from Banks	4,775	6,638	7,188	9,285	2,097	29.2%	2,647	39.9%
Security Investments	2,882	3,338	4,699	6,432	1,733	36.9%	3,094	92.7%
Credit Portfolio	11,432	16,207	17,213	18,581	1,368	7.9%	2,374	14.6%
Deposits from Clients	17,855	24,297	26,155	32,690	6,535	25.0%	8,393	34.5%
Deposits in Current Accounts	9,401	12,858	11,163	16,369	5,206	46.6%	3,512	27.3%
Savings Deposits	3,859	5,047	4,226	6,258	2,032	48.1%	1,211	24.0%
Time Deposits	1,746	1,819	2,675	1,596	-1,078	-40.3%	-223	-12.2%
Other Deposits	2,849	4,573	8,092	8,466	375	4.6%	3,893	85.1%
Total Stockholders' Equity	1,736	2,150	2,556	2,930	374	14.6%	780	36.3%
Trust Assets	6,680	7,003	5,835	5,744	-90	-1.5%	-1,258	-18.0%
Debtor Accounts Due To Trust Assignments (FMH)	1,516	1,851	2,162	2,451	289	13.4%	600	32.4%
Financial Revenues	1,052	1,365	1,912	2,438	525	27.5%	1,073	78.6%
Financial Expenses	316	455	788	1,291	502	63.7%	836	183.8%
Gross Financial Margin	736	910	1,124	1,147	23	2.0%	237	26.0%
Financial Intermediation Margin	993	1,196	1,333	1,483	149	11.2%	287	24.0%
Transformation Expenses	607	693	896	964	68	7.6%	271	39.0%
Income Taxes	30	47	43	29	-14	-32.2%	-18	-37.8%
Net Income	296	398	338	429	91	27.1%	31	7.8%
Ceded Investments	5,803	2,494	1,737	980	-757	-43.6%	-1,514	-60.7%
Accumulate Agriculture Portfolio	1,227	1,582	2,342	2,701	359	15.3%	1,119	70.8%
Official Institutions Deposits	1,787	2,766	3,090	2,138	-952	-30.8%	-628	-22.7%
Micro Loans	504	766	788	882	94	11.9%	117	15.2%
Commercial Loans	6,202	8,730	7,392	7,618	226	3.1%	-1,112	-12.7%
Credits to Consumer	2,549	3,780	5,261	5,632	371	7.0%	1,852	49.0%
Vehicles	220	448	517	605	89	17.2%	157	35.0%
Credit Cards	2,329	3,332	4,745	5,027	282	5.9%	1,695	50.9%
Mortgage Loans	1,046	1,380	1,501	1,973	472	31.4%	593	43.0%
Ratios								
Loan Portfolio Provisions/Non Accrual Loans	226.8%	173.3%	133.8%	110.1%				
Non Accrual Loans/ Gross Loan Portfolio	0.7%	0.7%	1.2%	1.8%				
Net Results / Average Assets	3.1%	3.3%	2.4%	2.5%				
Net Results / Average Equity	36.1%	39.1%	28.4%	30.4%				
Liquidity	33.9%	32.0%	33.7%	41.4%				

\* Operations in Venezuela

# CALLS

**BANESCO**  
**BANCO UNIVERSAL, C.A.**  
 Subscribed and Paid-in Capital Bs.F. 1,050,000,000.00

By order of the Board of Directors and pursuant to articles 10, 12 and 27(2) of the Bylaws, the stockholders of Banesco Banco Universal, C.A. are hereby called to a Regular Stockholders' Meeting to be held on Monday, March 30, 2009, at 8:00 AM, in Auditorium Fernando Crespo Suárez, Piso 3 (third floor) of Edificio Ciudad Banesco (Banesco headquarters), located in Avenida Principal de Bello Monte, entre Calle Lincoln y Calle Sorbona, of the city of Caracas, in order to discuss and resolve the following matters:

**FIRST:** Upon revision of the Board of Directors' report and the comptrollers' report, approval of the independent auditors' report on the Financial Statements for the six-month period ended December 31, 2008.

**SECOND:** Dividends decree with charge to 2008 close income.

**THIRD:** Assignment of the 2009-2010 Board of Directors.

**FOURTH:** Assignment of 2009-2010 comptrollers and payment thereof.

**FIFTH:** Modification of the par value of Banesco Banco Universal, C.A. common shares and preferred shares from ten cent Bolívars Fuertes (Bs.F. .10) to ten Bolívars Fuertes (Bs.F. 10.00), and of article 5 of the Bylaws.

**SIXTH:** Authorization to the Board of Directors to acquire and dispose of its own shares for valuable consideration as deemed appropriate, pursuant to the Capital Market Law.

On behalf of the Board of Directors  
**JUAN CARLOS ESCOTET RODRÍGUEZ**  
 Chairman

**Note:** Known all stockholders by these presents that the Board of Directors' report, the comptrollers' report, the audited financial statements, as well as other reports and proposals to be discussed in the Stockholders' Meeting, will be available to you fifteen (15) days prior said Meeting at the offices located in Edificio "Ciudad Banesco", Avenida Principal de Bello Monte, entre Calle Lincoln y Calle Sorbona, Urbanización Bello Monte of the city of Caracas, Piso 3, Consultoría Jurídica (Legal Vice Presidency).

Caracas, March 14, 2009

**BANESCO**  
**BANCO UNIVERSAL, C.A.**  
 Subscribed and Paid-in Capital Bs.F. 1,050,000,000.00

By order of the Board of Directors and pursuant to articles 10, 12 and 27(2) of the Bylaws, the stockholders of Banesco Banco Universal, C.A. are hereby called to an Extraordinary Stockholders' Meeting to be held on Monday, March 30, 2009, at 8:00 AM, in Auditorium Fernando Crespo Suárez, Piso 3 (third floor) of Edificio Ciudad Banesco (Banesco headquarters), located in Avenida Principal de Bello Monte, entre Calle Lincoln y Calle Sorbona, of the city of Caracas, in order to discuss and resolve the following matters:

**FIRST:** Dividends decree in shares to be distributed among common stock holders with charge to 2008 close income.

**SECOND:** Upon approval of the foregoing, modification of article 5 of the Bylaws in order to show the increase of capital stock, and unification thereof in one single text.

On behalf of the Board of Directors  
**JUAN CARLOS ESCOTET RODRÍGUEZ**  
 Chairman

**Note:** Known all stockholders by these presents that the Board of Directors' report, the comptrollers' report, the audited financial statements, as well as other reports and proposals to be discussed in the Stockholders' Meeting, will be available to you fifteen (15) days prior said Meeting at the offices located in Edificio "Ciudad Banesco", Avenida Principal de Bello Monte, entre Calle Lincoln y Calle Sorbona, Urbanización Bello Monte of the city of Caracas, Piso 3, Consultoría Jurídica (Legal Vice Presidency).

Caracas, March 14, 2009

# ECONOMY DURING 2008

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## Gross Domestic Product (GDP)

During 2008, the gross domestic product of the Venezuelan economy maintained a steady increase, which extends to five consecutive years after showing a 4.8% actual variance as per preliminary aspects of the Central Bank of Venezuela (BCV).

Although positive, these results imply a slowdown over 2007, when the year-on-year variance was 8.4%. The product rate of growth slowdown would be related to the rate of increase of the aggregate demand, which has been the main economy's driving force since 2004.

In fact, the Venezuelan Government took economic policy measures aimed to reduce the consumption rate of growth in order to promote savings, such as interest rate increase of credit card transactions, and import restrictions for certain goods deemed luxury articles by reducing the foreign currency allocated for the purpose hereof. This caused a decrease of the final private consumption rate of growth from 18.7% in 2007 to 7.1% in 2008.

Likewise, there was a 2.4% decrease of gross fixed capital formation during 2008, while 2007 experienced a 25.4% increase, which reveals a significant contraction of investments. As a result of the joint performance of these items, the aggregate demand increased by 5.5% in 2008, which implies a significant slowdown of the rate of growth over 2007, with a 18.3% increase.

From the institutional point of view, the public sector recorded a 16.4% annual variance, which is related to the economic activity restructuring due to the company nationalization policy by the Venezuelan Government.

By braking down the analysis into activities, the economic growth in 2008 was mainly driven by the 5.1% increase of non-oil activities over the 3.2% increase of the oil activity.

The sectors with significant growth were communications (18.0%), community, social, and personal services (9.2%), Government services (5.1%), and trade and repair services (4.7%), while mining and financial institutions and insurance decreased by 5.6% and 1.7%, respectively.

The private manufacturing industry increased by 1.3% with substantial outcome in paper manufacturing (6.2%), metal manufactured products (2.7%), and food industry (4.1%).

## Balance of Payments

The balance of payments closed 2008 with US\$ 9,275 million, as a result of a US\$ 39,202 million surplus in the checking account and a US\$ 26,180 million deficit in the financial account.

The checking account showed a 96.2% increase over 2007, as oil export revenues increased as a result of the US\$ 87,443 million increase of the value thereof, upon the increase of the Venezuelan oil basket prices (36.1%) and the export volume (2.5%). The non-oil related external sales experienced 7.7% decrease over last year to US\$ 6,099 million (less invoicing of the main export products in common metals and motor vehicles).

Import of goods increased by 5.8% due to the dynamic economic activity and higher requirements of intermediate inputs and final goods, which resulted in a greater demand of foreign products.

The deficit in the financial account derived from the net flows related to other investment and direct investment accounts. Other investment account has greater incidence with a net assets increase of US\$ 27,574 million, which shows the increase in public assets in oil deposits and loans granted to non-related foreign customers, as well as the increase of the private sector's deposits due to the complementary foreign currency offer (dealing of debt securities in foreign currency).

The direct investment had a US\$ 1,041 million deficit related to trade credits and the public oil sector's profit reinvestment in its foreign affiliates. On the other hand, there was an increase in liabilities of foreign investment in the country due to dividends payable to private sector companies and their related companies, and new investments and profit reinvestment in national financial institutions and private sector companies.

Lastly, portfolio investment had a US\$ 2,435 million surplus due to the reduction of portfolio

# UNEMPLOYMENT INFLATION

instruments by national private financial institutions, which was partly compensated by the increase in public assets in marketable securities incorporated to the National Treasury's investment portfolios.

The country's net international investment position closed with US\$ 137,331 million, thus showing an increase over last year (US\$ 86,851 million), due to the US\$ 214,895 million increase of foreign assets and the US\$ 77,564 million decrease in foreign liabilities.

## Unemployment

As of December 2008, the unemployment rate was 6.1% (782,917 unemployed), based on an economically active population of 12,824,626 inhabitants. This implies a .1-point decrease over last year (6.2%), as a result of the general economic activity growth and the continuity of the social programs generated by the National Government.

The unemployment rate decrease has progressively slowed down since 2004, which leads toward the conclusion that the economy is closer to its natural unemployment rate. This level of unemployment is considered to be a regular part of the functioning of the economy, and it relates to the concept of a production which changes the rate of growth of the potential GDP in the long term. The informal economy recorded a 44.1% during 2008.

## Inflation

The National Consumer Price Index (CPI) recorded a 30.9% accumulated rate of growth during 2008. This performance is mainly related to offer-demand imbalances. The core inflation annual variance was 31.7%.

Based on the preliminary figures of the BCV, during 2008, there was a 6.3% increase in consumption, while the internal offer increased by 4.9%, which led to a rising inflation throughout the period.

Although the National Government and the BCV implemented a series of fiscal and monetary measures, such as exchange rate nominal anchor, prices administered for certain items, reduction of VAT rate, and elimination of Financial





# MONETARY POLICY

Transactions Tax (FIT), limited monetary policy and direct subsidy for some agricultural items, they proved to be insufficient for the performance of the general price level.

Despite the inflation performance and the implementation of price controls, as to supply, there has been a steady improvement in merchandise availability in common market places. In December, the product shortage in the market was 11.0% -the lowest in the last 24 months.

On the other hand, the index of product diversity in the market progressively improved, thus closing the year at 154.2, in comparison with the 93.8 index recorded in 2008.

## Monetary Policy

During 2008, the monetary policy was characterized by maintaining the restrictive bias existing since 2007. The monetary aggregates were mainly used as a mechanism to decrease the existing rising inflation in the Venezuelan economy.

The BCV mainly leveraged in the modification and increase of legal reserve regulations. This was used as a monetary policy instrument in order to moderate the rate of growth of monetary aggregates. Thus, the costs of implementing a rigorous monetary policy of the BCV are transferred to the national financial system through the non-productive asset increase, since a part of each institution's customers' deposits must be deposited in the issuing institute with no remuneration whatsoever for such funds<sup>1</sup>.

Likewise, upon implementing this measure, the creation of secondary money decreases, which

is evident in the progressive decrease of the monetary multiplier upon enforcement thereof, and of the money supply.

The legal reserve increase caused the implementation of other measures like the increase of remuneration of savings and the use of absorption transactions.

Since May 1, 2008, the minimum annual interest rate to be paid by financial institutions for customers' deposits from saving accounts and cash asset accounts will be 15%, and minimum 17% for customers' deposits from term deposits and interests. Likewise, the interest rate for absorption transactions of the central bank of Venezuela will be 13% at 28 days and 14% at 56 days.

The interest rate payable to the BCV for injection transactions will be 23% for 14-day transactions and 24% for 28-day transactions, with the inclusion of a 22% interest rate for a 7-day term. On the other hand, a 33.5% of interest rate was established to be charged by the BCV in its credit assistance transactions through the concepts of discount, rediscount, advanced payment and repo.

Therefore, the money supply-in terms of monetary aggregate M2-is Bs.F. 194,432 million, which entails a 26.89% increased over the balance recorded in 2007. This caused the reduction of the supply rate of growth for the second consecutive year, after having increased by 27.80% in 2007 and 69.35% in 2006.

<sup>1</sup>Under Resolution 06-09-02 issued by the BCV (July 2007), the legal reserve increased from 15% to 16% of the total amount of the Reserve Base Net Obligations and by 17% in October. In July, the reserve for ceded investments was 13.75%, and gradually increased by .25 points up to 17%. The marginal reserve remained at 30% for those institutions with Net Obligations plus Ceded Investments of over Bs. 90 billion.





# BANKING SYSTEM

The monetary base recorded a 30.55% increase at 2008 close for a total balance of Bs.F. 83,787 million. This increase was related to partial monetization of resources derived from the increase of the national oil basket price.

## Banking System

As per the December 2008 Report of the Superintendency of Banks, the banking system closed the year with a total of 60 institutions, of which 50 are private and 10 are public, and 24 are universal banks, which represents 40% of the system, and 25% consisted of commercial banks. The remaining percentage corresponded to the specialized bank and institutes managed under special rules.

Although the banking system experienced a significant growth during 2008, it was inferior to the growth in previous periods, recording a total of Bs.F. 278,272 million, after a 13.0% increase during the second half of 2008, and 28.2% with regard to December 2007 close. On the other hand, customers' deposits increased by 14.0% and 27.1%, respectively, for a total of Bs.F. 217,281 million.

As to credit portfolio, we observed a 14.2% increase during the last six months, with a year-on-year variance of 25.9% (lower than the rate evidenced by total assets), that is, Bs.F. 132,278 million, equal to 47.5% of the banking system's assets (lower than the 48.4% recorded in 2007).

During the closed period, credits were mainly diverted to trade credits, which represented 47.7% of the system's gross portfolio, after a 4.4-point reduction of their interest over December 2007 close. Consumer credits keep the up-trend experienced during the last years, but with a lower proportion in the set up of the gross portfolio (23.1%), thus decreasing the weight of both credit cards and auto loans in comparison with the first half of 2008.

During the second half of the year, the banking system obtained a net income of Bs.F. 3,114 million, which resulted in an annual average return on assets of 2.5%, and a return on liabilities of 29.4%, both indicators lower than those recorded in the two previous six-month periods.

Bank management indicators maintained similar levels to previous periods but with signs of weakening, like the quality of assets, measured by the margin of passive portfolio over gross portfolio, which increased by 1.9% in comparison with the 1.2% recorded in December 2007.

Also noticeable is the progressive reduction of the margin of earning assets over interest-bearing liabilities, which closed the period in 119.7%, almost two points lower than the one recorded in the second half of 2007.



# COMMERCIAL AND UNIVERSAL BANKING

## Commercial and Universal Banking

The performance of the main items of the consolidated balance sheet of the commercial and universal banking maintained its up-trend during 2008, but at a lower rate than in previous years. We observed the following:

- A total 27.8% increase of assets, which is lower than the one recorded during 2007, where assets increased by 41.9%, and in 2006, within a monetary expansion environment, the assets of the commercial and universal banking increased by 74.6%.
- The credit portfolio closed the period with Bs.F. 128,429 million, which represents a 25.8% increase in 2008 over a 68.7% increase in 2007. This could be due to less availability of funds, increase of legal reserve, and higher level of active interest rates.
- Credit portfolio as diverted is very similar to the two previous six-month periods. However, the interest on trade credits decreased by 4.4 points in comparison with 2007, which currently represents 47.4% of the gross portfolio. Consumer credits also recorded in the closed period a lower materiality over the first half of 2008. On the other hand, mortgage loans increased by almost 2 points, which currently represents almost 11% of said portfolio.
- The default of the commercial and universal banking credit portfolio maintained a low level (1.9%), although it has progressively increased (almost one point) over the second half of 2007 (1.2%).
- The balance of customers' deposits and ceded investments increased by 19.9%, lower than the 26.9% recorded for money supply in 2008.
- As to the fund mixture, the commercial and universal banking, in view of the increase of saving rates and in order to reach a lower cost, focused its efforts on having customers' demand deposits, thus reaching a total balance of Bs.F. 105,871 million, which represented 50.4% of

# COMMERCIAL AND UNIVERSAL BANKING

customers' deposits in 2008, despite the boost of nearly 20 billion experienced during the year, where compared to the balance recorded in 2007 close.

- The increase of the interest rate in 2008 caused the increase of the financial institutions' implied credit rates, which in December 2008 close were in average close to 19.5%, higher than the 14% recorded in 2007. The cost of funds increased from 4.1% to 7.5%, despite the slight improvement in the fund mixture.
- The statement of operations of the commercial and universal banking recorded in the second half of 2008 a net income of Bs.F. 3,107 million, equal to 16.9% of the financial revenues of the period, while it represented 22.8% for the same period in 2007. This clearly indicates the lost of importance of financial revenues in the set up of the bank income, which amounted to Bs.F. 5,951 million during 2008. In fact, in percentage terms, the highest year-on-year increase is first recorded in annual extraordinary income (158.4%), then in annual financial expenses (133.4%), while the 2008 financial income increased by 72.4% only over the same period in 2007.
- Transformation expenses amounted to Bs.F. 12,666 million in 2008, thus showing a 39.7% increase, higher than the accumulated inflation, which combined with the slight deterioration experienced by the margin of earning asset over interest-bearing liability (119.5%), and at the lowest portfolio quality, adversely affected both the annual return on assets (2.5%) and liabilities, which in December 2008 were 31.0% in average for the commercial and universal bank, that is, 1.6 points lower than the one recorded in the second half of 2007, and similar to the accumulated inflation.



# BANESCO BANCO UNIVERSAL

The results obtained by Banesco Banco Universal at the close of the second half of 2008 reaffirm the consolidation of a successful career within the Venezuelan bank market, thus showing a significant growth during such period, closing the year as the main institution of the country, leading the market in:

- Assets (Bs.F. 37,115 million) with a market share of 13.8%.
- Credit portfolio (Bs.F. 18,581 million) with a market share of 14.4%.
- Customers' deposits + Ceded investments (Bs.F. 33,671 million) with a market share of 15.3%.
- Customers' deposits (Bs.F. 32,690 million) with a market share of 15.5%.
- Managed resources (Bs.F. 36,121 million) with a market share of 15.8%.
- Deposits in checking accounts (Bs.F. 16,369 million) with a market share of 15.3%.

In absolute terms, Banesco recorded the highest growth in assets (Bs.F. 9,414 million), equal to a 34% growth during the last 12 months.

In addition to the successful placing of preferred shares during the first half of 2008, whereby the Bank signed up 40,000 new partners and democratized the capital, Banesco's managed resources experienced a significant growth of over Bs.F. 36 billion, that is, Bs.F. 7,479 million (26%) above the balance recorded during the same period in 2007, thus holding almost 16% of resources managed by the commercial and universal bank.

It also maintained its position as the No. 1 bank within the country in the granting of loans by increasing said item in Bs.F. 2,374 million over December 2007 close, that is, a 15% increase, with a high quality credit portfolio and a default of 1.7%, which is lower than the average percentage of the bank.

The support to the financing of the different productive sectors of the country generated a 56.8% intermediation ratio. The most significant was the positive performance of the microloan

portfolio of Bs.F. 882 million (first place within the commercial and universal banking), then an increase of Bs.F. 116 million during the last 12 months, thus holding in said item 21.0% of the market. Banesco maintained its leadership in credits to agriculture, with an accumulated portfolio of Bs.F. 2,701 million (15.0% market share) as of December 2008 close, equal to a growth of Bs.F. 1,119 million (70.8%) in the second half of 2007, the highest boost in absolute terms of the commercial and universal banking.

During 2008, Banesco also maintained its position as the institution preferred by customers to apply for trade credits, thus having as of December 2008 a 12.2% market share, with a portfolio of over Bs.F. 7,600 million.

Banesco is an undisputed leader in credit cards. It is the No. 1 within the market, with a portfolio of Bs.F. 5,027 million as of the close of the second half of 2008, which represents an equity interest of 28.0%.

It is relevant to mention the important role of the Bank in the financing of tourism activities (Bs.F. 203 million), thus closing the period with a 10.7% market share.

The operation of the Bank also strengthened due to a significant equity increase of Bs.F. 780 million (36.3%) over the one recorded in December 2007, which currently represents Bs.F. 2,930 million.

As to liabilities, Banesco showed a 34.5% increase (Bs.F. 8,393 million) during the last 12 months in customers' deposits, thus holding the first place within the bank ranking, with an equity interest of 15.5% (Bs.F. 32,690 million), thus exceeding the one recorded in previous periods. In addition, there was the highest boost ever of demand deposits during the last 12 months, which evidences an increase of Bs.F. 3,512 million (27.3%), thus increasing its market share to 15.3% last December.

The maintenance of a quality portfolio, a mixture of more favorable deposits, and an appropriate level of earning assets enabled a financial intermediation ratio of Bs.F. 1,483 million at the close of the second half of 2008, higher than the Bs.F. 287 million obtained in December 2007.

The transactions of the period resulted in a net income of Bs.F. 429 million, which in addition to the one recorded in the first half of 2008, equals an annual net income of Bs.F. 767 million.

Management indicators show, among others, a return on liabilities of 30.4% and an adequate net worth of 8.2%, which exceeds the minimum requirement.



# CORPORATE SUPPORTIVE MANAGEMENT



# HUMAN CAPITAL

## Implementation of the SAP HCM (Human Capital Management) System for Human Capital

In view of the implementation of the SAP System since February 2008, the following objectives were covered:

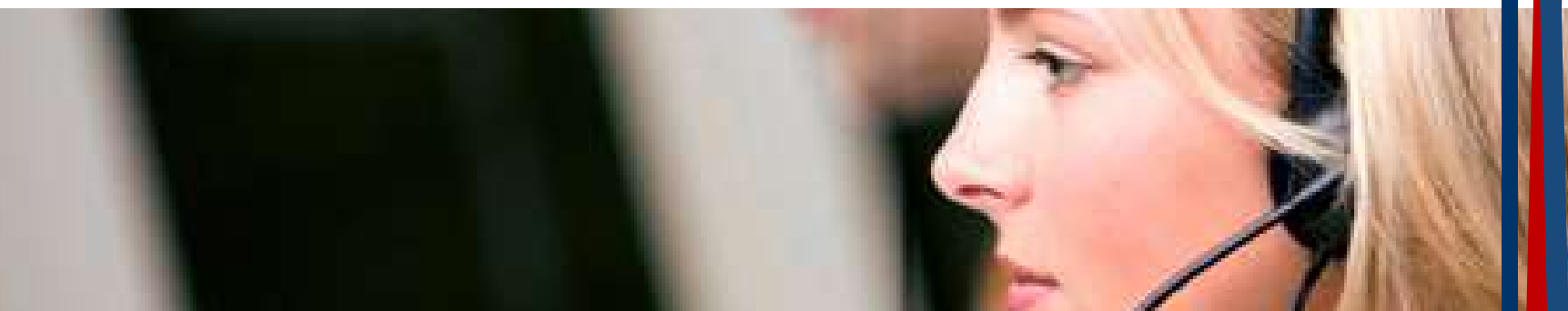
- In July started the configuration process and system trials in quality and development environments in order to guarantee the performance of the Human Capital processes. Therefore, the flow charts of the processes were set up based on each scope, the detailed design of improvements, the interfaces, the reports, and the conversions of data from the Cezanne System, to assure compatibility with the new system's language.
- We conducted upload and massive extraction tests to guarantee the integrity of the data to be uploaded in SAP.
- In September, we issued a training material for the final user, and begin to train final users. In addition, we defined the safety roles and profiles to be used for each of them.
- On November 12, the production and presentation of the system began; it was also the beginning of the upload and user connection monitoring phase, the analysis of the system response time, and the startup of maintenance activities.
- All the phases defined in the comprehensive program of the system implementation project were carried out with no deviations from the original planning.
- The implementation thereof guarantees the incorporation of international, administrative and Banescó personnel development processes by strengthening a Human Capital systemic vision,

supported by a single technological platform adapted as per the best practices within the market.

This implementation enables meeting the requirement of the regulatory agency as to the differentiation of the organizational and payroll structures; guarantees a constant improvement of processes and structures with no technical restrictions; decreases the manual processing and calculation of personnel data and information; allows to have quality information reports to support the decision making; and decreases the risks and costs related to 45 interfaces coexisting with the current Human Capital system.

## Model of Competences

- In July, our Model of Competences was officially recognized, baptized, and submitted. This manually presented model studies the behavior required to the employees of the Organization for the success of all the units thereof, and it is clearly related to the human component required to reach the goals set by the business.
- 2,250 ability profiles were validated, which enable the beginning of the measurement process of management and supervision personnel, for a total of 1,195 occupants with self-diagnosis of abilities, which will be under the validation process by their immediate supervisors since 2009.
- Measurement activities for professional roles were carried out, particularly in the Executive VP of Loss Prevention and Data Security and the VP of Corporate Banking. Individual profiles were generated for the personnel of the Business Continuity Committee and project Clusters, as well as Risk Representatives.



# SOCIAL AND CORPORATE RESPONSIBILITY

- Five training workshops were carried out to observe the abilities with our model with the participation of a group of managers of different units of the Organization.
- As a result of the participation of self-diagnosis and the review by the Vice Presidents of different areas, the “Formando líderes competentes” (Training skilled leaders) pilot program was implemented, which is aimed at reinforcing and improving people managing skills and team work management, which was the first step taken in the execution of corporate training programs fully related to the skills model and the strategic objectives of the Corporate Balance Score Card.

## Social and Corporate Responsibility

### Fundana

- In July, we held the “Día del Niño” (Children's Day) with the participation of 54 workers of the Organization.
- In September, we held the “Regreso a Clases” (Return to School) party and granted a donation of school supplies valued in Bs.F. 12,910.19.
- In October, we held the “Fiesta de los Valores” (Party of Values) with the participation of 42 volunteers who collected Bs.F. 14,306.
- In November, 33 volunteers helped with the Christmas decoration of Villas de Fundana.
- In December, 33 volunteers attended the Christmas dinner celebration.

### Fe y Alegría (Faith and Happiness)

- In October, began the second half of 2008 of the complementary training workshops aimed at students of Instituto Universitario Jesús Obrero in Catia. During the first stage, 3 workshops were given: Prevención contra la Legitimación de Capitales (Money Laundering Prevention), Rol del Docente y Control de las Emociones (Professor's Role and Emotion Control), Ética y Moral en el Trabajo (Ethics and Morals at Work). This program was implemented throughout November and December.
- As part of the project “Desarrollo de Competencias Administrativas y Gerenciales” (Development of Administrative and Management Skills) aimed at the personnel of Instituto Radiofónico Fe y Alegría - IRFA (Broadcast Institute), three workshops were given of 24 academic hours each, with the following topics: Office, basic accounting and tax matters, thus benefiting 35 people.



# VOCATION AND CONVICTION

## Red Cross

- In November, a delegation of 7 Banesco corporate volunteers, offered support to the team of the Venezuelan Red Cross during the contingency plan activated for the effect of the rain. This work was complemented with the collection of items given by employees of the organization (household equipment and non-perishable food).

## Employees Housing Program “Tu Casa con Banesco”

- Maintaining the program “Tu Casa con Banesco” (Your Home with Banesco), in July, began the registration of Desarrollo Salamanca housing, a program promoted and financed by Banesco for those of its workers with a household income under Bs.F. 2,530. From July to October, 248 employees signed their mortgage loan documents.
- In October began the Megaferia Habitacional (Housing Mega-fair) in Ciudad Banesco to offer support and advisory on the benefit of unsecured loans. This fair ended in November. To that date, 615 workers materialized the reserve of their houses through said unsecured loans.
- During the second half of 2008, Banesco Organización Financiera granted a total of 871 unsecured loans amounting to Bs.F. 7,309,972.50.

## Corporate Social Responsibility: Vocation and Conviction

Within the framework of our Corporate Social Responsibility policy, together with our partners and social allies, we develop a series of projects and initiatives that promote education and health of more and more Venezuelans.

At 2008 close, Banesco's social investment amounted to Bs.F. 29.42 million, of which Bs.F.

19.34 million were allocated to the external area for several community-beneficial projects.

The remainder, Bs.F. 10.08 million, was reserved for different initiatives which translate into a better quality of life for our workers.

## Fesnojiv

In the external area of our CSR program, more than half of the investment was allocated to Fundación del Estado para el Sistema Nacional de Orquestas Juveniles e Infantiles de Venezuela, Fesnojiv (National System of Youth and Children's Orchestras of Venezuela). In 2008, we renewed the agreement we entered into with this Government Fund in 2004 for Bs.F. 3 million.

This time, we agreed to give another Bs.F. 2.75 million which were paid throughout 2008.

This contribution is aimed at the development of the Proyecto Social Pedagógico y Artístico de Fesnojiv (Pedagogical and Artistic Social Project) which helps thousands of children and adolescents nationwide. This project consists of the execution of education and training programs of the human resources required by the country in the musical sector, such as building, remodeling, and refurbishment of their educational establishments; equipment required to offer the corresponding educational service in said establishments; and development of any program or activity related with the System of Orchestras.

## Fe y Alegría (Faith and Happiness)

As to the institutions of higher education, most of the resources (Bs.F. 4.97 million) were given to Fe y Alegría for the building of a new classroom module of Instituto Universitario San Francisco de Maracaibo, in compliance with the agreement renewed in 2007 for Bs.F. 12.5 million, amount to be given in five years.

Fe y Alegría is among the main Banesco's Social Partners, and in 2002, both institutions started a relationship by signing a trust for Bs.F. 10 million for the building and equipment of three of their university institutes located in Barquisimeto, Catia and Maracaibo.



# VOCATION AND CONVICTION

## AVEC

As part of the agreement entered into in 2007 with the Venezuelan Association for Catholic Education (AVEC), which provides the handing over of Bs.F. 3 million in the period 2007-2009, in 2008, we gave the second part of the resources agreed (Bs.F. 1 million). The funds were aimed at 23 schools attached to the Association. Likewise, in order to refurbish and improve the physical plant of Unidad Educativa Trina de Medina, which is also member of AVEC, Banesco donated Bs.F. 200,000.

## More Education

Jointly with Universidad Católica Andrés Bello, we materialized two projects. On one hand, we aimed Bs.F. 53,000 at the creation of the lecture “Cátedra Fundacional de Memoria del Periodismo Venezolano Sofía Ímber” (digitalization of Sofía Ímber's journalistic memories); and, on the other, we invested Bs.F. 100,000 in the refurbishment, remodeling, and betterment of Luis María Olaso school.

The resources given for the Job Training Program of the A.C. Damas Salesianas (a non-profit association of “Salesian Ladies”), one of Banesco's social partners, amounted to Bs.F. 295,525.

Other initiatives which counted on the support of Banesco throughout the year include:

- The Artesanogroup Foundation was benefited with Bs.F. 72,750 for the Programa de Desarrollo Social Hacedores de País (“Country Makers” Social Development Program) carried out in La Pedregosa Alta, Mérida State.
- The Fundación Venezolana Contra la Parálisis Infantil (Venezuelan Foundation against Child Paralysis), received Bs.F. 200,000 allocated to the Project of Remodeling and Technology Update of the Ophthalmology Service.
- We sponsored the Colección Papiros 2008 (Papyrus Collection) of Editorial Equinoccio of Universidad Simón Bolívar (Bs.F. 206,000) and the Proyecto de Investigación y Edición de las Obras de José Ignacio Cabrujas (José Ignacio Cabrujas' Work Research and Editing Project) (Bs.F. 90,500).



# BANESCO MAKES YOUR DREAMS COME TRUE

- We supported the Badan Foundation with Bs.F. 119,940 for the purchase of antineoplastic drugs for children with cancer.
- We invested Bs.F. 230,794 for the building of CEPIA School of Fundación Autismo en Voz Alta (autism foundation).
- Fundación Marista para el Desarrollo Educativo, Social y de la Salud Integral (Marian Brothers Foundation for the Educational, Social, and Integrated Health Development) received Bs.F. 180,000 to carry out their educational activities.

## Dialogue with the Community

Within the framework of our Corporate Social responsibility activities, one of the most important groups of interest (stakeholders) of Banesco is made up by the community of Colinas de Bello Monte, place of business of our headquarters. At the end of the second half of 2008, we begin a systematic dialogue with representatives of this community in order to develop a relationship that enables the execution of social programs beneficial to the inhabitants thereof.

During 2008, Banesco allocated Bs.F. 300,000 to materialize those projects, and call the social actors of the area (the Residents' Association, the Local Communal; the Mayorality of Baruta Municipality; the Technical Room of the Locals Councils of Public Planning; the Universidad Central de Venezuela; the Universidad Bolivariana de Venezuela; the City Council of Children and Adolescents' Rights; the Parish Council and Justices of the Peace) to present initiatives and projects for the community itself to choose the most important, as well as the order of execution thereof.

Through the participation of these social actors, two projects were chosen to be immediately executed: "2009 Infrastructure Maintenance and Improvement of the facilities of Santo Domingo Foundation, aimed at attending senior citizens" and "Training Courses in health areas for Young People out of The Formal Educational System" aimed at people without schooling or unemployed between 15-24 years of age. This project was also proposed by the Santo Domingo Foundation. We also gave resources for the Bello Monte Public Areas Recovery Plan (sidewalk recovery).

## GRI-Certified: Leading the Way in Venezuela

Banesco Banco Universal became the first Venezuelan company awarded for its Corporate Social responsibility the Global Reporting Initiative (GRI) certification, which is the economic, environment, and social sustainability report system most used worldwide. Banesco's 2007 report received the B+ classification.

The GRI B+ classification indicates that the banking institution carried out its RSE annual report corresponding to 2007 in compliance with rigorous international parameters for the preparation of sustainability reports.

## Improving for Our Clients' Satisfaction

During the second half of 2008, Banesco Banco Universal implemented an aggressive marketing strategy aimed at customers' deposits in checking accounts. Therefore, we designed products and innovative promotions aligned with the market needs and expectations.

### Promotions

#### Checking Account, your best choice: All Free!

Since July 1 to September 30, 2008, we launched the campaign Cuenta Corriente con Intereses Banesco (Banesco Interest-Bearing Checking Account), the best choice for your money, offering profitability and mobility, plus a unique quality within the market, since when you pay with your Banesco debit card in Banesco points of sale, your purchase could be free of charge!... In addition, 20 of your ATM transactions and 2 check books per year are exonerated.

#### Travel with Two Friends with the Real Madrid!

It is like an offer aimed at the Banesco Business Plan and Corporate plan by increasing the balance of the affiliated checking account and/or using the BanescOnline and Electronic Payment from September 30 to December 31, our clients were entitled to be registered in the drawing Travel with Two Friends with the Real Madrid CF to enjoy a soccer game from a VIP box.

#### Pay on Time and Travel Around Prize

In order to encourage clients having any type of credit in the institution to make prompt payments, we launched the promotion Pay on Time prize of Banesco Credit products: Credit Cards, 48-Hour Multi-credits, Micro-credits, Payroll Credit. This promotion, in the clients' opinion, was of greater impact than the permanent program existing to that date.

With the new program, we made a monthly drawing of four packages to "Travel Around the World" for 2 people for the clients who paid their Banesco credits on time.

#### Banesco Makes Your Dreams Come True

From October 5 to December 31, the Sueños (Dreams) promotion was launched. It allowed clients to accumulate Estrellas Banesco (Banesco Stars) to win up to Bs.F. 150,000 to make their dreams come true. For every transaction made through the Interest-Bearing Checking Account related to Banesco Plans: Increase of average account balance, Money Withdrawal in Banesco's ATMs, Affiliation to BanescOnline, Credit Card Payment through BanescOnline, Deposits and Credit card Payments through Auto-Service, the participating clients accumulated stars and made their dreams come true.



# BANESCO ANY TIME, ANYWHERE

## Friends Promotion for Premium Bank

In order to address the needs of this increasingly important segment, and motivate the growth of fresh money through the account opening with checks from other banks, from October 5 to December 31, 2008, we launched the Friends promotion. The client referring more friends with possibilities to open a checking account affiliated to the Premium Plan, participated to win Bs.F. 20,000, whereby he or she could pay the balance of his/her Banesco Credit Card or receive a Prepaid Card with a Bs.F. 20,000 credit balance.

## Fórmula 1

From October 15 to December 31, 2008, the Formula 1 Promotion began for Private Banking clients affiliated to the Plan Primera Clase (First-Class Plan), whereby they could accumulate miles for the Increase of Average Account Balance, Money Withdrawal in Banesco's ATMs, Affiliation to BanescOnline, and Banesco Credit Card and CANTV (telephone service bill) Payment through Auto-Service, participated and won: air tickets, which included ground transportation Airport-Hotel-Airport, ground transportation to the circuit + tickets, 4-night accommodation in a 5-star hotel, lodging tax, breakfasts, travel insurance to:

- Monaco Tour Grand Prix (1st place)
- Barcelona Tour Grand Prix (2nd place)
- Turkey Tour Grand Prix (3rd place)

## Everybody Preferred Banesco Points of Sale

In order to increase billing through Banesco Points of Sale, from July 16 to November 16, the Ticket Premiado Otros Bancos (Winning Ticket Other Banks) Promotion was launched, whereby the shopping of cardholders from other banks could be free just by using a Banesco point of sale.

## 10,000 Free Shopping in Christmas!

"Gratis que Banesco paga por Usted" (Free, as Banesco pays for you) was the phrase read by the clients who paid from November 1 to December 31 with their Banesco Credit Cards through a Banesco Point of Sale and received the winning purchase receipt upon making their blissful purchase. Winning Receipt rewarded in Christmas the preference of 10,000 clients.

## Banesco - Cinex Alliance

You can go to the movies for half price thanks to the alliance existing between Banesco and Cinex for over 5 years, whereby clients receive a 50% discount from Tuesdays to Fridays upon paying their tickets with their Banesco Credit or Debit Cards. This year, we offered additional benefits, by adding value to the offer to our clients.

## Banesco-Cinex

The Premier Promotion High School Musical 3, whereby from October 27 to November 16, 2008, every person paying their movie ticket at a Cinex movie theater with their Banesco Credit or Debit Cards, participated in the drawing for tickets to attend with 3 friends to the private premier of Disney's High School

Musical 3, which was projected on November 22 in the Cinex movie theater located in San Ignacio Shopping Mall.

## More Alliances!

We offered special discounts to our clients through alliances with Hespería Playa El Agua and Hespería Isla de Margarita hotels, Regal and Banservice.

## More Time to Live, Less Time at the Bank...

### Banesco Any Time, Anywhere

During the second half of the year 2008, Banesco follows the global trend by positioning its offer of the best customer service quality through Banesco e-banking, anywhere, 24 hours a day, 365 days a year.

The Banesco "Lo Llevas Contigo" (Any Time, Anywhere) campaign was mounted in all major media aimed to incentive and promote the use of remote banking (Internet, SMS, ATMs, phone banking, e-payment, and direct billing) among clients to comfortably and rapidly make financial transactions with the support of state-of-the-art and safe technology designed to help them have more time for them while saving time in their financial transactions.

## The Only Bank in Venezuela with McAfee Certification

Banesco has the safest banking system which not only monitors our clients' transactions 24 hours a day 7 days a week, confirms all transactions made through short message service and offers secure points of sale and ATMs but also regularly evaluates and implements the ultimate and more sophisticated security system, which is why Banesco was awarded the McAfee international certificate.

## Baneskin: The Savings Buddy

Banesco has created, bearing in mind an educational and guidance service for the Bank's clients to obtain greater benefits as to time and money, Baneskin, a character we want to have an emotional connection with our clients and the general public, for our ongoing offer to be closed to us and have a quality of life Banesco helps them to achieve.

The Bank introduced Baneskin: The Savings Buddy in TV, radio, newspapers, movie theaters, magazines, and Internet campaigns. Baneskin will be known as a fresh character.



### Energy Direct Billing

Trying to motivate and incentive Banesco staff to pay their energy bill (Electricidad de Caracas) by direct billing to their bank account or credit card, during the second half of the year 2008, the Bank implemented a direct billing campaign at Ciudad Banesco which lasted three days. The object of this direct billing campaign was to reduce the number of clients at the Bank's agencies and promote the use of e-banking.

### Getting Closer to the Brand

Our brand, products, and services are always present at the most important events for our clients and the general public. That is why we took part in the main local events throughout the second half of the year.

#### Local Events

Banesco participated in Feria Internacional del Arte y Antigüedades (International Art and Antiques Fair) of Maracaibo and Expo-Mueble (Furniture Exhibit) Aragua, where we offered a wide range of products like rapid credit in addition to our main services.

#### Health Related Events

The nationwide Mes de la Salud Locatel (Healthy Month at Locatel) where we promoted our products and services by a sound presence of our brand.

#### Automotive Related Events

In order to promote our appealing products, CrediCarro (auto loans) via Internet and CrediVehículos (auto loans), throughout the second half of the year 2008, we participated in ExpoCírculo Automotriz (auto show) at Centro de Exposiciones del Centro Comercial Concesra, CECON, Automarket 2008 at CCCT, and AutoShow at Centro de Exposiciones de la Universidad Metropolitana, CIEC.

#### Energy Related Events

We were present at the XVIII Exposición Latinoamericana del Petróleo (18th Latin America Oil Fair), the biggest oil fair which took place in Maracaibo, Zulia State, where we promoted the Energy Banking for this secondary sector of the economy.

### Measuring... Listening to the Client ...

During the second half of the year 2008, we continued measuring and tracking which allowed us following up and monitoring the different channels and service points the Organization offers, thus ensuring required information to manage and consolidate service quality, as well as supporting the valuation and improvement of the products offer and name recognition such as:

- Measurement of Offers: Launching of "Cuenta Corriente" (checking account), "Promociones de Navidad Estrellas, Ticket Premiado TDD" (Christmas Stars Promotions, Debit Card Winning Receipt) and "Promo Ticket Premiado TDC Otros Bancos" (Winning Receipt of Credit Cards from Other Financial Institutions), as well as the "Real Madrid" promotion for entities.
- Evaluation of financial needs and potential offer to SMEs.
- Banca Comunitaria (Community Banking): Strengthening of the relationship with Banesco Community Banking Commercial Alliance Partners, improvement of Barras de Atención (Service Counters) and PosWeb services, as well as the respective annual client's satisfaction survey.
- Advertising Follow Up: Quarter tracking Banesco Communications vs. Peer Group.
- Brand Equity per Segment: Individuals, SMEs and stores, design of value curves, and brand preference model.
- Mystery Client: Credit products, service and offer compliance by the Sales Network staff.
- "Medición satisfacción con atención y cierre de requerimientos" (Service Satisfaction Measurement and Requirement) Project.
- Second implementation of Audits of Service and Clients' Satisfaction programs at Agencies and Business Sector.
- Presentation of Banesco Seguros and Private Banking Audit and Satisfaction Pilot Programs Results.
- Banesco Phone Banking and Banesco Seguros Call Center Audit.

The creation of quality indicators together with the indicators created by other areas of the Organization allowed the building of a board for service management purposes, showing availability and efficiency of service channels and public grading regarding the use thereof. In addition, the supplies generated by the different regular programs and ad hoc studies issued during the second half of the year complemented the decision making of the different organizational units.

## Electronic Channels

At 2008 closing, operations through Banesco electronic channels showed a relative 78.6% growth rate over 2007 average, by going from 38.9 million to 69.6 million monthly average transactions.

Transactions through electronic channels were 87.46%, which represented an improvement of 7.16 percentage points over 2007.

### BanescOnline

December 2008 closes with 1.6 million enrolled clients, that is, 425,454 new clients enrolled within the period, a 35.24% increase over December 2007.

The monthly average operations made through this channel was 41.7 million, increasing 122.6% over 2007. In regards to 2008 figures, the monthly average amount was Bs.F. 4.5 million, a 77.3% increase over 2007.

During the second half of the year, new features to the short message service (SMS) of this channel were added, such as: credit card balance and credit available consultation, credit card minimum amount due and payment due date consultation, credit card payments received and payment date consultation, and CADIVI allowance consultation.

### Call Center

In 2008, the call center received a monthly average of 4.2 million calls, 1 million of which were received by the call center representatives. In regards to transactions, this service handled a monthly average of 1.9 million transactions with 91% help of the robot (IVR).

During the second half of the year, new features to the call center were added, like credit card PIN request and credit card activation, which are made through the robot.

### Points of Sale, ATMs, Auto Service, and Check Book Dispensers

At 2008 closing, Banesco had:

- 50,554 points of sale through which 8.5

million average monthly transactions were made, showing a 38.2% relative growth over 2007.

- 1,711 ATMs through which 8.6 million average monthly (Issuer) and 8.2 million average (Acquirer) transactions were made in 2008, that is, 22.8% and 22.41%, respectively, more transactions over 2007. We also remain transaction leaders as acquirers in Suiche 7B and Conexus networks.
- 392 Auto-Service equipments recorded 581,659 monthly average transactions, which is equivalent to 42.40% increase over 2007.
- 278 check book dispensers where 165,790 monthly average transactions were made, which is a 2.42% growth over 2007.

## Payment Means and Services

### Cash Management Services

At 2008 closing, we increased transactions in 18.4%, amounting to 74.8% over 2007 regarding Payroll Payment, Supplier Payment, and Direct Billing services through the Data Exchange Platform (EDI).

The client portfolio closed with 6,856 clients, 5,393 of which were from Payroll service, 643 were from Direct Billing, and 550 were from Supplier Payment. This was the result of the hard work of our executives in managing the portfolio, the timely and efficiently service of our support unit, and the enrollment of 1,231 clients throughout the year.

### Collection Services

Collected amounts showed an increase of 39.9% over 2007. Likewise, transactions increased 18.4% in the same period.

Transaction figures showed a slight 0.4% increase over 2007, by going from Bs.F. 2,343 per transaction to Bs.F. 2,352 per transaction in 2008.

We signed up a total 20 Business Associates to the service.

# DEBIT AND CREDIT CARD ISSUING BUSINESS

## Debit Card Issuing Business

- Banesco has consolidated its leadership in Debit Card POS Sales with a market share of 22.10% at 2008 closing, overtaking his closest competitor by 4.75 points. This leadership is the result of both the issuance and quality service of Banesco debit cards which promote their use, like optimum approval levels of points of sale transactions.
- During the second half of the year, we implemented service strategies which helped migrate transactions toward electronic channels. Daily Banesco ATM withdrawal approvals with debit cards were increased during high consumption seasons in order to meet clients' needs and improve the quality of the service offered.
- Likewise, we developed strategies to promote the use of debit cards by offering benefits of interest to all our Banesco debit card clients through the "Ticket Premiado" (Winning Receipt), rewarding over 10,000 clients with a free purchase for using their debit card in Banesco points of sale. We also re-launched Promoción Cinex (Cinex Movie Theater Promotion) with a new image for clients to enjoy their "Momentos de Película" (As in the Movies) with a 50% discount ticket where buying them with Banesco cards, as well as different promotions in effect throughout the year with strategic alliances with well-known trademarks.
- Another benefit we should highlight is the exclusive premier of "High School Musical 3: Senior Year" for Banesco card holders, with the attendance of 220 winning clients with their guest -a total 880 people watched the movie.

by Q4 closing, increasing the gap with Banesco closest competitor 13.7 points by maintaining the business strategies.

- Banesco, always looking to improve the service quality and offering timely and secure transactions to our clients, automated the Banesco credit card PIN generation, with which our clients can comfortably obtain cash advances at ATMs, through phone banking, and at bank tellers. Likewise, Banesco implemented programs aimed to service channels representatives (agencies network) to reinforce credit card knowledge, consolidate the benefits of each product, and better meet the needs of each client segment. Banesco awarded its top staff.
- Banesco launched the "Esta Navidad la disfrutas en Diciembre y la celebras en Carnaval" (Enjoy Christmas in December and Celebrate It in Carnival) promotion for all Banesco card holders whereby our clients paid their December purchases in February and enjoyed two percentage points discount. In addition, Banesco continued with its "Pague Puntual y déle la Vuelta al Mundo con Banesco" (Pay on Time and Travel Around the World with Banesco) promotion encouraging our clients to pay on time and maintain their credit record.
- Banesco, innovating with our legal products, implemented the distribution pilot program with Digitel company, program which aims at optimizing collection and improving cash flow of the company and offering distributors a wide range of benefits like financing plans, tailored made lines of credit, as well as fast and smooth purchases.

## Credit Card Issuing Business

- Banesco, in this second half of the year, continued being the leader in credit card sale within the Venezuelan market, recording a 20.81% growth in sales over year-ago sales, with a 28.39% sales share

## Specialty Segments

### Banesco Community Banking

After two and a half years, Banca Comunitaria, Banesco micro-financial initiative, continues broadening its presence throughout the country



## SPECIALTY SEGMENTS

offering financial products and services tailored to the needs of low-income people. This initiative consolidates as a profitable business with social responsibility, reaching out to the communities.

By December 31, 2008, we had 57,440 clients, granted 28,118 Préstamos para Trabajar (Working Loans), 5,416 Préstamos Personales (Personal Loans), 26,209 clients have enrolled in the Ahorro Paso a Paso (Step-by-Step Savings), and 233 have purchased a Póliza de Vida Integral (Comprehensive Life Policy).

The most popular product of Banca Comunitaria is the Préstamo para Trabajar (Working Loan). The 28,118 micro credits granted reached a total cleared amount of Bs.F. 168 million, with a late interest rate of barely 1.87%.

Satisfaction surveys to our clients made by the Vice Presidency of Tactical Marketing have shown Banesco Banca Comunitaria (BCB) clients highly value Ahorro Paso a Paso, a mechanism which allows clients save in a safety and efficient manner while receiving incentives, and Cuenta Comunitaria is also valued for promoting the access to banking services with simple formalities and without minimum opening requirements. The second half of the year, Banesco reached 14,575 accounts for a total 57,440 accounts with a total balance of Bs.F. 12.1 million. Likewise, 13,457 clients enrolled in Ahorro Paso a Paso, with an accumulated account balance of Bs.F. 1.5 million.

The Banca Comunitaria is much more than selling Banesco products. By facilitating the access to financial services to low-income population, we have changed paradigms evidenced by the assessment of the access to banking services benefits. In regards to the access of banking services, 46% of Préstamos para Trabajar (Working Loans) were first time micro credits, and 23% of those clients opened a bank account for the first time.

As for the expansion of the customer service network, the number of areas serviced increased with the opening of a new agency in Cúa, as well as the extension of La Vega agency and a community trailer parked at Parque Juan Cuchara. We then reached a total of 12 Agencias Comunitarias (Community Agencies) including the ones located at La Vega, Antímamo, San Martín, Guarenas, Petare, La Isabelica (Valencia), Puerto Cabello, Higuerote, Los Roques, Catia, and El Cementerio. Therefore, we are currently servicing 530 new sectors for a total 1,605 low-income neighborhoods in those areas and their surrounding suburbs.

Furthermore, in keeping with personally processing credit applications from micro-entrepreneurs and allowing our clients to conduct credit, deposit, and consultation transactions within their own communities, in the second half of the year we increased to 27 the number of service channels with new commercial allies partners. Currently, we have a total of 207 customer service centers in low-income communities with Banesco presence, distributed over 46 Barras de Atención (Service Counters) operated by Banca Comunitaria staff, and 161 PosWebs at the commercial allies.







To complement our product offer and contribute to the growth of our micro-entrepreneurs and to improve their quality of life, Banca Comunitaria together with the Vice Presidency of External Communications and Social Affairs implemented a Programa Piloto de Formación de Microempresarios (Micro-entrepreneurs Training Pilot Program) in October, which gave administrative, managerial, and technological tools to Banca Comunitaria Banesco clients to optimize their business performance. This Training Program was free of charge to all participants.

For the Program design and execution, we allied with renowned social development organizations that were responsible for different stages of the project. The program was divided into three modules: Personal growth and human development, by Invecapi (Venezuelan Church Institute for Professional Training); financial and marketing training, by UCAB (Universidad Católica Andrés Bello) given by community service students of the Schools of Economy and Administration and Accounting; and introduction to technology by Microsoft Corporate Voluntary Service.

Fifty-six micro-entrepreneurs (food, supplies, and clothing entrepreneurs, a typographer, taxi drivers, seamstresses, hair dressers, bakers, and a photographer) from San Martín benefited from this pilot program. After successfully completing each module, participants were given a talk about new financial opportunities offered by BCB and the regular financial institutions.

Thereafter, in order to determine whether the micro-entrepreneurs acquired and applied the knowledge and training received and whether the training improved the productions of their businesses, the Consultora Foco Sustentable (consultant agency) performed an ex ante and ex post evaluation of prior and later knowledge of participants.

Some of the most significant changes evident in the businesses management were:

- By the time the training started, only 79% of participants had a business plan. After completion of the training process 87.5% of the micro-entrepreneurs had a business plan.
- By the time the training started only 43% of the micro-entrepreneurs had a marketing

plan. After completion of the training process 71.7% had prepared one, and all these micro-entrepreneurs put it into practice after completing the training.

- By the time the training started only 37.8% of the micro-entrepreneurs controlled every functional area of their business. After completion of the training, this figure increased to 71.4%.
- As to the entering revenues and expenditures in books, there was an increase in the number of micro-entrepreneurs recording these items, going from 75% before the training to 91.7% after completion.

Finally, when asking the micro-entrepreneur whether they had earnings or not with their business, they affirmed to have significantly increased their earnings from 82.6% to 97.9%.

On the other hand, On October 23, 2008, we awarded the Citibank Award to micro-entrepreneurs. This award aims at raising awareness of the major role of micro-entrepreneurs in local economies and the importance of micro-finances as a tool to fight poverty. Andrés Ibarra and María Inés Pomareda were acknowledged for their efforts, achieving first and third place in the trading category. In addition, a total of seven micro-entrepreneurs serviced by BCB received a special diploma. Andrés Ibarra is a fisherman of Los Roques, and is serviced by the Agencia Comunitaria located in the archipelago. He was granted Bs.F. 8,000 plus Bs.F. 4,000 for POP materials. María Inés Pomareda owns a small restaurant in Las Adjuntas, and is a client of the Agencia Comunitaria Antimano. She received a total of Bs.F. 5,000 including the award.

Both micro-entrepreneurs were invited to participate in a Savings and Investment course given by ACCIÓN Internacional.

During the award ceremony, Citibank Venezuela awarded Banca Comunitaria Banesco a special acknowledgement for promoting the development of small entrepreneurs, allowing Venezuela to have more successful stories to share with the world.

Furthermore, during the second half of the year, we continued establishing strategic alliances with which we have reached out to more people. In

# ENERGY BANKING

# PRIVATE BANKING

November, we implemented a pilot plan together with the distributing company of products for mass consumption Ponce & Benzo. During the implementation of this pilot plan, we won and attracted new clients and promoted the development of shopkeeper and wholesalers at such communities. In addition, we conducted banking services campaigns in companies like El Bloque De Armas, where we offered our products to their staff and families, being Ahorro Paso a Paso the most popular product. Likewise, we conducted banking services campaigns in La Guaira for transportation and taxi lines where we offered our products and opened over 500 community accounts. PDVSA, located at Guarenas Plant, was another company that benefited from this. PDVSA staff was receptive with the different products, and showed their appreciation for bringing the bank to their working place. Finally, the campaigns at Carabobo State were very successful in Universidad de Carabobo (Faculty of Economics and Social Studies), in Mariara Municipality, Pueblo Nuevo area, and Tocuyito wholesalers market.

Our main objective is to continue broadening the service offer for a massive access to banking services and, therefore, promote the strengthening of Banca Comunitaria as a comprehensive proposal to meet the financial needs of low-income population.

## Energy Banking

We continued leading the third basic sector of our business, and are one of the leading segments of the Bank, top in takings and credits from energy and iron and steel sectors and preferential support for contractors and service companies from the oil industry, thus contributing to boost the economy and develop the country.

In other businesses, insurance participation of PDVSA's Venezuelan public-private joint venture companies and a significant result in Trusts takings of Bs.F. 35 million in the second half of the year, stand out.

## Private Banking

In the second half of the year, we consolidated the Bank as a Business Banking by mixing credit products with traditional liability products of this segment. We currently service the most

important domestic entrepreneurs, making the most of synergy with Banca de Empresas (Business Banking) and the other Bancas de Personas Jurídicas (Entities Banking) in the Institution.

We received a 9 point score at the Service Quality survey conducted among our clients in July, which is one of the highest scores, way over the sector standards. This survey was conducted nationwide to a total of 500 clients. The personal service received the highest score.

The new Regional Capital Market Management team was set up between July and September due to the reorganization of the area, in order to provide consultancy and service to clients with investments in the capital market. The new team, which seat is located in Caracas, will provide phone and personal service to all clients within the National Territory.

The Segundo Programa de Certificación de Asesores Financieros (Second Financial Consultant Certification Program) for Private Banking Business Managers ended in December. This certification program was given by the well-known Softline Consultores consultancy firm, and aimed at consolidating financial knowledge of Business Managers in order to create a service and consultancy standard for the clients of this segment.

At December closing, the liabilities of the Private Banking were 5% of the total Bank liabilities, recording a 2% increase over the first six-month period of 2008. We achieved our Increase in Liabilities, Financial Margin, Liabilities Bundling, Insurance, Trust, Credit Card, Products Bundling, Service Quality Index, Clients Taking, and Budgetary Management goals, which consolidated Banking as a profitable and growing Business Unit.

The quality of our credit portfolio was certified by a 0.09% delinquency rate at December 2008 closing.

During the six-month period, we gained 670 new clients throughout the country. In addition, a total of 1,085 clients from other areas of the Bank enjoyed the benefits and service of the Private Banking.



## Public Sector Banking

Major achievements by the Vice Presidency of Public Sector Banking were:

- The creation of a regional service structure for government agencies and public service in the interior of the country aimed at providing a better, closer, and specialized service to local governments and mayoralties and the agencies attached thereto, universities, and water companies.
- The increase of electronic channels use for payment purposes in public agencies serviced.

## Premium Segment

The Vice Presidency of Premium Segment achieved a 13.6% participation in the agency network regarding liabilities, showing a steady growth over a year-ago 11% participation. This is the result of the commitment to promote proper selection of our clients and their fidelity.

Always being in the vanguard and improving the quality of the service provided to more and more individuals, 229 Representatives nationwide currently service 57,600 clients, which represents a 21.62% growth in serviced individuals, in view of the 10,239 new clients in this segment.

During the second half of the year, this segment achieved its goals by growing 49% over June 2008 closing. The structure of liabilities acquisition in bolivars significantly improved by going from 67% to 70% at sight, improving organizational profitability levels.

As to the Credit Portfolio, there was a 34% automotive caption and a 27% mortgage loans (Own Resources) growth. This Vice Presidency maintained the delinquency rate at 0.13%.

The leadership in training Business Consultants continued, maintaining excellent results, and

showing once again that the team is qualified to discharge new and more important duties, thus reducing the training efforts of new staff.

## Corporate Banking

In 2008, Banca Corporativa Banesco (Banesco Corporate Banking) grew stronger as a business segment, being the leader in several economic sectors and becoming a leading bank to many multinational clients. The relationship was strengthened by timely meeting the financial needs of clients, with a tailored made and comprehensive business model, which resulted in record business volume with participation over 27% of the entities segment total.

In order to continue with our business development plan and focusing on large national and multinational corporations, together with the trust, solidarity, and reciprocity our clients have placed in the Institution, as well as the human resources responsible for the management, we experienced a base clients growth of over 6%, in addition to the strengthening of the business relationships with a wider coverage of the Central Region of the country.

Our contribution (52%) to special financial programs to help different investment stands out, like Railroad and Hydroelectric Projects (17%), Manufacturing (24%), Agribusiness (8%), and Tourism (3%).

The key of this success was the support of International Business operations, with great efforts in intermediation management, foreign exchange acquiring processing, and credit granting, as well as major technological development which supported the creation of alternate and more effective transactional channels, particularly regarding collection, supplier payment, and direct billing. These actions, in addition to the intermediation core business, allowed a greater contribution to the global Organization's results.



### Agribusiness Banking

The Agriculture Portfolio as of 2008 closing was of Bs.F. 2,701 million, making Banesco the main actor of the agribusiness financial services offer throughout the country during most of the year. The mandatory 21% portfolio requirement of the 2006 and 2007 average gross portfolio was exceeded in Bs.F. 45 million, for a total 21.3%.

The Bank achieved this with a clear strategy aimed at servicing the main commodities locally produced: corn, rice, cattle (meat), cattle (milk), livestock (chicken, egg, pig), among many other activities, and the support of investment projects through long term financing of activities which require longer maturity periods.

Therefore, cereal crops (corn, rice, sorghum) reached 57% of the financing, while 38% of these funds was concentrated in animal protein (meat, milk, egg, pig) production. Furthermore, the Organization's distinctive innovation was also present at the Agriculture Portfolio by establishing alliances with agricultural equipment suppliers and producers, which resulted in unprecedented financing proposals for this market.

The agribusiness financing is offered in all agencies network. Nevertheless, agribusiness financing emulates domestic agricultural production in geographic terms, with a nearly 42% presence in west-central Venezuela - Portuguesa, Lara, Barinas, and Yaracuy- followed by central Venezuela Los Llanos -Aragua, Carabobo, Guárico, and Apure- with nearly 35%.

Likewise and since the Bank has an agribusiness unit, most of the credits were granted by the Agribusiness Banking. Nonetheless, Specialty Banking and the Agencies Network played a major role in servicing and referring many of the producers and agribusiness which currently comprise our credit portfolio.





# TRUST FUNDS LOANS

## Trust Funds

At December 2008 closing, the Trust Fund portfolio amounted to Bs.F. 5,744 million, showing an asset decrease of Bs.F. 90.5 million during the second half of the year, which represents a -1.55% variation.

The Trust Funds portfolio was broken down as follows: Bs.F. 2,133 million in private sector assets (37% of the portfolio) and Bs.F. 3,611 million in public sector resources (63% of the portfolio), centralized and de-centralized entities.

Likewise, 45% of the funds came from Collective Trusts of Bs.F. 2,588 million, with a Bs.F. 286 million growth over prior six-month period, 23% Administration Trusts (Bs.F. 1,336 million), 19% Guarantee Trusts (Bs.F. 1,077 million), and 9% Investment Trusts (Bs.F. 504 million). Combined Trusts make up 4% of the portfolio (Bs.F. 238 million).

During the second half of the year 2008, 238 new Trusts were created, a 68% increase over prior six-month period. Existing Trust businesses reached 7,119 plans, 4,869 of which are Administration Trust, 1,205 are Collective Trusts, 999 are Investment Trusts, and 45 are Guarantee Trusts.

For total financial assets, trust fund assets amounted to Bs.F. 71,330 million at second six-month period closing, after a Bs.F. 29.094 million (29.0%) decrease in said period. Banesco, as Trustee, was second in the private bank listing, with a share of 8.1% at the closing of 2008.

## Loans

All loan transactions in 2008 were, in view of the global economy, a great challenge for financial institutions, which resulted in the adoption of measures to timely and efficiently meet the needs of all our clients. By implementing the policies set out by the Board of Directors earlier this year and the preference of our clients, who considered our institution to be their best choice for project financing, we achieved a credit gross portfolio of Bs.F. 18,945 million, the larger of the Venezuelan financial system, equivalent to 14.9% of the total managed by the banks, after a 14.3% growth over year-ago closing, keeping







on top as to loans, which evidences the trust our stockholders have in the development of the different aspects of our domestic economy resulting in employment generation and financial prosperity for the Venezuelan people.

It is worth mentioning the boost we gave throughout 2008 to specialty portfolios: Agribusiness, Micro Credits, Construction, Manufacture, and Tourism. The Agribusiness Portfolio increased 66.7% over year-ago, and amounted to Bs.F. 2,701 million, 0.35% above the percentage points required by law, equivalent to 21% of the average gross portfolio of years 2006-2007.

In regards to Micro Credits, Banesco maintains its leading role in financing the small businesses and entrepreneurs, managing a Bs.F. 882 million portfolio, which represents 4.7% of the loan portfolio as of 12/31/2008, thus exceeding the legally required 3%. We are particularly proud of our success with the Banca Comunitaria (Community Banking) for helping us consolidate in low-income strata with our credits, thus contributing to having banking services available to this sector. Therefore, we financially supported a greater number of Venezuelans achieve their financial and personal goals in order to have a better society and, therefore, a better country.

In addition, we continued supporting tourism throughout the year, strengthening the relationships established with tourism and recreational service supplier nationwide and particularly with Núcleos de Desarrollo Endógeno Turísticos (Touristic Endogenous Development Nucleus) and areas of interest in terms of tourism.

In 2008, we financed major touristic projects, mainly in lodging and transportation for tourism purposes, core areas which boost this sector, with a Bs.F. 203 million portfolio at December 2008 closing.

At period closing, our manufacturing portfolio amounted to Bs.F. 1,297 million. This sector of the economy, a major role player in Venezuelan economy, had the timely support of our Organization servicing the transaction which favorably affect domestic employment generation

and production of essential commodities under favorable conditions as to term and response times. Auto loans through Credicarro via Internet recorded a significant growth mainly boosted by our swift response and the versatility of the technological tool used, which permitted the applicant design the loan to his or her capacity to bear debt from the comfort of his or her home or office and receive a response in real time. In 2008, a total of 7,314 loans for Bs.F. 331 million were settled. The total auto portfolio at 2008 closing amounted to Bs.F. 605 million, experiencing a 35% increase over year-ago.

In 2008, we granted 11,707 new mortgage loans for Bs.F. 712,541 million made up with Mandatory Housing Savings Fund (FAOV) resources, thus having a loan portfolio of Bs.F. 2,403 million with these resources, a record for the domestic financial system, breaking our own record. Following this line of thought, in 2008 we granted 2,299 new mortgage loans for residential homestead for Bs.F. 362,199 million with own resources, addressing the housing needs of approximately 11,500 individuals. In total, we have approved 77,027 mortgage loan applications nationwide over the years, benefiting nearly 386,000 individuals who have acquired a home of their own through Banesco.

In addition, we financed the building of important real estate developments which meet current domestic housing needs.

At 2008 closing, our loan portfolio was comprised as follows: Consumption: 29.72%, Business: 40.22%, Agriculture: 13.92%, Housing: 10.42%, Micro-entrepreneurs: 4.66%, and Tourism: 1.07%. We have broaden our coverage in all areas throughout the national territory.

We will continue strengthening our presence in 2009 by contacting clients and the general public through "Charlas Banesco" (Banesco Talks), which will significantly and positively affect the strengthening of Banesco name as the most important name of the market in terms of loans, and by making available to the attendants consultancy services to make the loan, in whatever area they need it to, the best tool to undergo projects which help them reach their goals and improve their quality of life.

# STRATEGIC MANAGEMENT

## International

- We profiled and updated the users with different profiles of the technological platform which affect clients' servicing in order to homologate the positions as per their duties in each application. Therefore, contributing to improve customer service and the services offered by the Organization.
- We continued giving workshops nationwide on Import Letters of Credit. In addition to the other workshops for the sales area, we offered a workshop for the attorneys of the Vice Presidency of Credit Documentation and a reinforcing workshop VP International staff that work with this instrument.

## Strategic Management

### Transformation of the Business Corporate Model

During the second half of the year 2008, Banesco commenced to renew and readjust its then current operations model (or Business Corporate Model) as a key element to achieve its new long term vision focused on maintaining its businesses in an efficient manner and leadership on client's preference as a result of the quality of Banesco's products and services.

These transformation efforts constituted a deep reflection on how we conduct our operations at all levels of the Organization, as well as how we brought our value proposal for the client to fruition in order to identify improvement opportunities which result in an ongoing increase of efficiency and effectiveness levels within a business environment more and more demanding.

In order to achieve this goal, we strived to do what we do in a simpler more efficient manner with the highest quality standards that our clients' value, which allowed us remaining as the top Bank in Venezuela in regards to client preference, transactions, and technology.

This strategic initiative, in its final profiling, evaluation, and design of early actions stage will

certainly have a great impact on the configuration of our business and, therefore, all the areas of the Bank having been asked to participate in order to reinvent the Venezuelan banking once again.

### Corporate Projects Center (Cluster Program)

In 2008, Banesco commenced to implement its Corporate Projects Center or Cluster Program, as this initial stage has been known, as a management model of the initiatives and projects portfolio which aims to increase product implementation effectiveness and process improvement, taking full advantage of lessons learned from the major project of monetary redenomination successfully ended in 2007.

One of the major achievements of the Program implementation is the processing of 161 projects of the 2008-2009 portfolio. The significant improvement of planning and follow up processes of portfolio projects has been a key aspect, which has resulted in a noticeable decrease of the number of re-planning (33% less than in 2007), deviation percentages during execution stage (25% less deviated projects in 2007), and the volume and allocation of resources to portfolio management and performance, as well as the evident effects on efficiency, effectively, and profitability levels of the Bank.

## Comprehensive Risk Management

### Strengthening of Comprehensive Risk Culture

In order to continue strengthening Banesco Comprehensive Risk Management Culture, we provided specialized training to over three thousand employees within the second half of the year 2008, as well as our regular consultancy service to the business areas designed to a preventive risk management.

### Risk Training

We improved the technical knowledge of our Executive Vice Presidency of Comprehensive Risk Management staff with the "ALARYS International Risk Manager (AIRM)"

# OPERATIONAL RISK

international certificate in Risk Management to 14 individuals, awarded by the Asociación Latinoamericana de Administradores de Riesgos y Seguros (ALARYS) (Latin American Risk and Insurance Managers Association) which certifies our professional level in the risk management field.

## Operational Risk

We enhanced the monitoring of the Operational Risk Management through the implementation of a new follow-up scheme and the incorporation of technological tools allowing for a more dynamic control on management at corporate level. We undertook all these activities without leaving behind our ongoing participation in the Organization's projects, as well as in the business critical processes, which ratifies us as leaders in Risk Management within the financial sector.

## Credit Risk

In connection with credit risk, more efforts were directed towards ongoing monitoring and follow-up on the loan portfolio, through the evaluation of quantitative and qualitative aspects related to customers' payment behavior, the review of records documentation and expected payment of operations in order to assess current risks and keep them under the levels established by the bank's strategy.

This process was also enhanced with joint control and follow-up on credit operations of the Credit Risk area and business units in order to early detect impairment or failure factors in the loan portfolio.

Also, the periodical review and evaluation of tools for granting loans continues to form part of regular actions for the dynamic management of credit risk, maintaining in a systematic form the institutional information report and flow lines towards the Risk Committee and organization units in charge of executing the actions to be followed based on the decisions made within the framework of the risk management ongoing process.



# OPERATIONS

## Operations

### Back Office

#### Swift

We successfully developed the Swift Net Phase III project in line with the schedule of Swift Corporation worldwide, the main objectives of which are:

- Enhance the Security Mechanisms of the Certificates Management Service via PKI (elimination of smart cards for network connections).
- Replace the bilateral exchange of keys (BKE: Bilateral Key Exchange) by Digital Authorizations for Relationship Management with Correspondents (RMA -Relationship Management Application).
- Installation of SIDE Tool to generate management indicators for main users of the Swift System (National and International Treasury, Bank Correspondents and Operations V.P., among other).
- 10 workshops, of two hours each, on Swift matters were weekly delivered to 21 employees of the Back Office Division Management.

### Testing and Compensation

- Orientation sessions were delivered to the Service Desk staff regarding the operational processes of Main Compensation and Testing in order to minimize phone calls received by the Sales Network. To date, phone calls were 90% reduced.
- Updating of the Operational Risk Model of the Main Compensation and Testing area based on the new processes established.
- Incorporation to the control and reconciliation process of the activity processed by the Back Office after the second fortnight of April.
- We participated in the Check Committee of the Banking Association of Venezuela.

### Custody

#### Caracas and Maracaibo Main Vault

During the second six-month period of 2008, the efforts were mainly oriented towards depositing at the Central Bank of Venezuela (BCV), the old set of currencies. In this regard, more than Bs.F. 56,000,000.00 were deposited in different currencies. Regarding the distribution of the new set of currencies, withdrawals for more than Bs.F. 63,000,000.00 were made. During 2008, Banesco was leader in this distribution process of the new currency and withdrawal of circulation of the old set of currencies.

### Government Operations

#### Mass Operations

The activity observed this year was addressed through operational adequacies allowing for providing the expected early response. However, in November and December 2008, there was an increase in volumes that forced to enhance the area's processes, obtaining the recording of 100% of the most demanded items by the closing of the period.

We are conducting procedures for the Project related to Technological Improvement of Exchange Operations, with the participation of all the internal entities related to foreign currency management. Preliminary activities are focused on introducing the methodology for projects' management by the first fortnight of January 2009, identifying the needs, tools and expectations from the point of view of each user, indicating their contributions and comprehensive participation to obtain a sound and clear service model covering the current needs of the Organization regarding foreign exchange operations.

We are also working with the immediate initiatives to be shortly achieved in order to improve service schemes and avoid major impacts on our customers.

#### Taxes

We actively participate in service processes required by the Venezuelan Tax Administration (SENIAT), being all its requirements addressed within the terms required.

Additionally, we have developed the technological adequacies related to service payments (CANTV,



CALEC, AVON), detecting and timely reporting through the reconciliation process all the inconsistencies observed.

## Prevention of Losses and Business Continuity is our Commitment...

We are oriented towards optimizing the Prevention of Losses and Business Continuity Organization Management and we continue with our commitment to continue with the actions and projects implemented to enhance the security of all the channels, payment means and critical processes of the Organization, and guarantee the business continuity through a preventive approach with a vision focused on customers' service quality.

During the second six-month period of 2008, certain optimizations were implemented in the preventive management and monitoring processes, which have enhanced the efficiency of applied controls, and improved the phone service time and resolution of customers' requirements. As complementary factor, we achieved the development and implementation of the Customers' Notification of Operations via SMS, as early prevention mean that allows for the optimization of the prevention management in all electronic channels and payment means.

Regarding regulatory matters, we continued with actions and projects to adequate our processes and systems to the regulations of Sudeban, Franchises (MasterCard/Visa), National Banking Board and the Suiche 7B interbank network. We also developed an awareness campaign both, internally, through the execution of the V Conferences on Prevention and Continuity and the Awareness Program on Business Continuity Discipline, and externally, through the development and production of different campaigns through communication means in order to raise awareness on issues related to the Loss Prevention, specifically the safe utilization of different electronic channels and payment means in our Organization.

In connection with Business Continuity, we improved the strategies and design of the

operation models guaranteeing the availability of business critical processes in case of any event and the development of the Comprehensive Test cycle on such processes in order to validate and verify recovery procedures before established scenarios.

## Financial Systems and Information Management

### Technology Demand Management

Design and implementation of the Technology Demand Management, which will allow to address business requirements based on gaining benefits, saving capacities and resources by establishing synergies when building designed solutions. It provides a proactive control on the utilization of resources from the Technology and Processes Management optimizing costs in our processes.

### Project Management

The Cluster Project Factory was implemented, whereby the best practices for the execution of projects are incorporated. This new form of work will allow to execute more effective processes improving response delivery in terms of time, cost and quality, as well as increasing the efficiency in the development and implementation of products.

### Products and Services

We offer our customers a wide range of products and services. In this six-month period we incorporated technological solutions for automatic bank deduction for 15 companies while we incorporated the self-transfer service, which allows for the automatic search and verification of funds available for operations related to payment of checks, checks to be deposited, issuance of cashiers' checks and tax payments.

### Fraud Prevention Control and Management

- We implemented the automated monitoring and early alerts for operations related to: Payments and transfers, Customers, Issuance and Cancellation of Participations,



# INFORMATION MANAGEMENT

Activations of Check Books, Customer Segmentation to detect suspicious operations.

- We incorporated new security elements for checks.

## Regulations

We timely complied with the requirements of official entities:

- Review of Tax on Financial Transactions regarding drawbacks requested by Banesco to Seniat.
- Semiannual audit from Independent Auditors.
- Sudeban's requests.
- Compliance with regulations from Banco Nacional de Vivienda y Hábitat (National Bank of Housing and Habitat) regarding the submittal of information related to historical balances and daily activity of savers from the Housing Mandatory Savings Fund (FAOV).
- Execution of initiatives for the compliance with the Information Technology Regulations, Uncertified Financial Services, and Sudeban's Virtual and on line Electronic Bank.

## Information Management

- Implementation of information self-management solution to control and follow-up on the Ticket Premiado promotion, Big Bank de Ideas Banesco program, analysis for narrowing TDD holding and placement gaps.
- Provision of timely information for decision-making and definition of strategies, supplies for the preparation of reports and presentations for Follow-up and Strategic Planning to business units of specialized bank and agency network.
- Delivery of statistics data for the analysis of business information (transactional behavior of channels, management

indicators) to improve the response time in decision-making through the monitoring of business critical variables.

- We implemented the Human Capital Management Statistics and Indicators Module, which allows to maximize the time of analysts in the use of management reports to support decision-making in the following modules: Personal Development Events, Personnel Management, Organization's Compensation, Payroll, Vacations, Absence Leaves, Recruiting, Selection and Reports regarding Human Capital Management.
- Labor Plan allowing users of Innovation, Statistics of Agencies and Payment Means to measure the transactional behavior of packed products within the Labor Plan (Trust Funds, Payroll EDI) and opening of mass accounts.
- Cluster Projects and other Protection Measures. Availability of statistics for new transactions: Generation of PIN TDC through channels, automatic bank and online deduction for different companies, account balance inquiry through IVR, SIR Web requirement statistics generated through BanescOnline, Compliance with planning and agreed specifications.

## TDC Automation and Collection Management

**48-month financing process for past-due portfolio:** We developed programs to apply a 48-month financing for credit cards past-due over 150 days, allowing customers to settle their obligations, improve the distribution of the portfolio and the delinquency rate.

**Improvements for CADIVI activation process:** We optimized the process for CADIVI activations, as well as blocking, avoiding overdrafts and timely activating the certificates, improving the reconciliation process with CADIVI.

**Mass Upgrade Process:** We successfully generated a TDC Mass Upgrade with its new reports, complying with goals and increasing the customers' portfolio.

**Installation of New ICS Release ICS Version 5.1:** Improvement of delivery time of night process and availability of the collection management service. Incorporation of the reporting module via Web, increasing service availability in 2 hours.

**Winning Tickets in Establishments and other Banks TH:** We promoted the increase in establishments' invoicing through POS, obtaining reciprocity in liability placements.

**AMEX 08.2, VISA 08.2 and MasterCard Releases:** Adequacy of the exchange system according to the mandatory norms of AMEX, VISA and MasterCard franchises, avoiding rejections and financial losses for non-compliance.

**Modification of Policies related to Automated Delinquency Charges:** In conformity with the parameters indicated by the TDC Collection area for the purpose of improving delinquency payment collection, having an effect on the timely recovery of the portfolio.

**Enabling FACT options in the Night Environment for Issuance and Distribution:** We parameterized the night environment in order to work with 040 and 041 options, which allows for incorporating a new work shift in the issuance and distribution area, thus contributing with the area's operations and the delivery of credit cards to cardholders.

**Implantation of Defensive action for PIN TDC Project:** Decrease in costs for the issuance of the Sob reflex, timely delivery to customers.

**New Products TodoTicket Intercambio:** It fitted to the exchange system TodoTicket to handle new products.

**Implantation of TDC requests through Banesco Online:** It allows to request Banesco Banco Universal Credit Cards, from any franchise, via Internet, 24 hours a day, 365 days a year, from any part of the country, avoiding long lines in the agency to file the Credit Card Request, decreasing printing costs for Credit Card Request Forms and response time from the Bank to its customers (less than 72 hours). The release is scheduled for 2009.

**Improvement to SISCODI - CADIVI System:** We upgraded the application software, reducing the execution time of the process to deliver files to CADIVI's server, allowing the timely collection of foreign currency.

# SPECIAL PROJECTS AND PROCESSES

## Special Projects and Processes

- **Definition and creation of the new DTIP operation, service and organization model:** This project was achieved with the joint efforts of other DTIP vice-presidencies and it is the result of the transformation process started with the firm Expertia in 2008.
- **Implantation of the DTIP management control process:** It comprised the consolidation, measurement, publication and follow-up of the key performance indicators of the DTIP.
- **Definition of the basis for Banesco's future Internet technological and business strategy:** This point consisted of presenting a comprehensive strategy for the development of Internet business, which will become this year in the Organization's Internet business plan.

Development Factory with our technological allies, Accenture and IBM. Through this alliance we developed 23 projects that formed part of our Strategic Planning. Currently, the maintenance of 75 applications has been transferred to IBM and Accenture, which has translated into the timely attention to 142 new business requirements.

## E-Bank

The achievements of the Electronic Banking Vice-presidency are considered within the scope of the achievements of the business areas addressed as part of the Technology area. The most relevant goals achieved are:

- Technological support for electronic channels such as more profitable channels, fitting new self-service equipment with deposit and withdrawal multifunctions to our platform.
- Support to the effective enhancement of the automatic teller machine and point of sales platform guaranteeing a stable platform with the capacity to support the growth projected by the business.
- Technological support and development for Information Security and Fraud Prevention processes.

## Outsourcing Management

### Software Factory Achievement

During 2008, we successfully executed the implementation of Banesco Software





# BALANCE SHEETS

as of December 31, 2008 and June 30, 2008

# BALANCE SHEETS

Banesco Banco Universal, C.A.  
As of December 31, 2008 and June 30, 2008  
(Stated in million VEF)

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Dec-08	Dec-08	Jun-08	Jun-08
<b>ASSETS</b>				
• CASH AND DUE FROM BANKS	9,285	9,327	7,188	7,243
• Cash	963	964	567	567
Central Bank of Venezuela	7,771	7,771	5,649	5,649
Local Banks and Other Financial Institutions	54	54	64	64
Foreign Banks	102	144	78	133
Notes Receivable	395	395	830	830
Provision for Bank Accounts	0	0	0	0
• SECURITY INVESTMENTS	6,432	6,584	4,699	4,849
• Investments in Central Bank	3,538	3,538	1,143	1,143
Security investments for negotiation	0	0	0	0
Available for sale security investments	718	766	494	557
Security investments held until maturity	1,952	2,056	2,908	2,996
Limited Availability Investments	159	159	153	153
Other Security Investments	65	65	1	1
Provision for Security Investments	0	0	0	0
• CREDIT PORTFOLIO	18,581	18,581	17,213	17,238
• Outstanding Credits	18,596	18,596	17,255	17,281
Restructured Credits	18	18	25	25
Past Due Credits	317	317	196	196
Credits in Litigation	14	14	6	6
Provision for Credit Portfolio	-364	-364	-269	-270
• INTEREST AND COMMISSIONS RECEIVABLE	396	402	376	382
• Interest receivable from cash and equivalents	0	0	0	0
Interest receivable from security investments	69	75	77	82
Interest receivable from credit portfolio	299	299	256	256
Commissions Receivable	82	82	55	55
Provision for Interest Receivable and Other	-54	-54	-11	-11
• INVESTMENTS IN SUBSIDIARY COMPANIES, AFFILIATES AND BRANCHES	155	6	166	5
• Investments in subsidiary companies and affiliates	6	6	5	5
Investments in branches	149	0	161	0
Provision for investments in subsidiary companies, affiliates and branches	0	0	0	0
• PROPERTY RECEIVED IN LIEU OF PAYMENT	1	1	1	1
• PROPERTY IN USE	865	865	764	764
• OTHER ASSETS	1,401	1,401	466	466
<b>TOTAL ASSETS</b>	<b>37,115</b>	<b>37,167</b>	<b>30,873</b>	<b>30,949</b>



# BALANCE SHEETS

Banesco Banco Universal, C.A.

As of December 31, 2008 and June 30, 2008

(Stated in million VEF)

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Dec-08	Dec-08	Jun-08	Jun-08
<b>LIABILITIES</b>				
• DEPOSITS FROM CLIENTS	32,690	32,748	26,155	26,241
• Deposits in Current Accounts	16,369	16,369	11,163	11,163
• Non-Remunerated Checking Accounts	7,761	7,761	5,654	5,654
• Remunerated Checking Accounts	8,608	8,608	5,509	5,509
• Other Demand Liabilities	628	628	578	578
• Savings Deposits	6,258	6,270	4,226	4,255
• Time Deposits	1,596	1,642	2,675	2,732
• 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	7,838	7,838	7,513	7,513
• OBLIGATIONS WITH BCV	0	0	0	0
• DEPOSITS FROM CLIENTS AND OBLIGATIONS WITH BANAP	1	1	2	2
• OTHER FINANCING OBTAINED	628	621	1,314	1,303
• Liabilities with local financial institutions up to one year	387	380	1,113	1,111
• Liabilities with foreign financial institutions over one year	240	240	200	192
• Liabilities for other financing over than one year	1	1	1	1
• OTHER FINANCIAL OBLIGATIONS	77	77	82	82
• INTEREST AND COMMISSIONS PAYABLE	105	105	94	94
• Expenses payable due to deposits from clients	102	102	86	86
• Expenses payable due to deposits from clients and liabilities with BANAP	0	0	0	0
• Expenses payable due to other financing obtained	3	3	8	8
• Expenses payable due to other financial obligations	0	0	0	0
• ACCRUALS AND OTHER LIABILITIES	684	685	670	670
• <b>TOTAL LIABILITIES</b>	<b>34,185</b>	<b>34,237</b>	<b>28,317</b>	<b>28,393</b>
<b>STOCKHOLDERS' EQUITY</b>				
• CAPITAL STOCK	1,050	1,050	892	892
• Capital Paid-in	1,050	1,050	892	892
• Capital Reserves	553	553	467	467
• Accumulated Income	1,415	1,415	1,244	1,244
• Non-Realized Gain or (Loss) on Available for Sale Security Investments	-53	-53	-11	-11
• Treasury Stock	-35	-35	-35	-35
• <b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>2,930</b>	<b>2,930</b>	<b>2,556</b>	<b>2,556</b>
• <b>TOYAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>37,115</b>	<b>37,166</b>	<b>30,873</b>	<b>30,949</b>
• Contingent Debtor Accounts	691	732	849	920
• Trust Assets	5,744	5,744	5,835	5,835
• Other Trusts Assignments	114	114	107	107
• Debtor Accounts Due to Trust Assignments (FMH)	2,451	2,451	2,161	2,161
• Other Debtor Accounts from FMH	7	7	6	6
• Other Debtor Memorandum Accounts	65,376	65,380	51,896	51,900
• Other Debtor Book Accounts	40	40	51	51

# STATEMENTS OF EARNINGS

Banesco Banco Universal, C.A.  
As of December 31, 2008 and June 30, 2008  
(Stated in million VEF)

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Dec-08	Dec-08	Jun-08	Jun-08
FINANCIAL REVENUES	2,438	2,447	1,912	1,921
Revenues from Cash and Cash Equivalents	1	2	1	1
Revenues from Security Investments	268	277	124	132
Revenues from Credit Portfolio	2,138	2,139	1,759	1,759
Revenues from Other Accounts Receivable	30	30	28	28
Other Financial Revenues	0	0	0	0
FINANCIAL EXPENSES	1,291	1,292	788	790
Expenses Due to Deposits from Dlients	1,225	1,226	752	754
Expenses Due to Deposits from Clients and Obligations with BANAP	0	0	0	0
Expenses Due to Other Financing Obtained	55	55	30	29
Expenses Due to Other Financial Obligations	0	0	4	4
Other Financial Expenses	11	11	2	2
GROSS FINANCIAL MARGIN	1,147	1,155	1,124	1,132
Income from Recovered Financial Assets	16	17	22	22
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	196	196	120	120
NET FINANCIAL MARGIN	968	977	1,026	1,034
Other Operating Income	667	661	408	400
Other Operating Expenses	151	154	100	101
FINANCIAL INTERMEDIATION MARGIN	1,483	1,484	1,333	1,333
TRANSFORMATION EXPENSES	964	964	896	896
Personnel Expenses	451	451	401	401
Administrative and General Expenses	442	442	426	426
Contributions to Deposit Guarantee and Bank Protection Fund	54	54	52	52
Contributions to Superintendency of Banks and Other Financial Institutions	18	18	16	16
GROSS OPERATING MARGIN	519	519	438	437
Income from Adjudicated Goods	8	8	2	2
Income from Sundry Accounts	21	21	14	15
Expenses Due to Realizable Property	1	1	1	1
Expenses Due to Dundry Accounts	83	83	64	64
NET OPERATING MARGIN	464	464	389	389
Extraordinary Income	0	0	0	0
Extraordinary Expenses	6	6	9	9
GROSS INCOME BEFORE TAXES	458	458	381	381
Income Taxes	29	29	43	43
NET INCOME	429	429	338	338
APPLICATION OF NET INCOME				
Legal Reserve	86	86	68	68
Statutory Utilities	1	1	1	1
ACCUMULATED INCOME	338	338	266	266
LOSEP Contribution	4	4	3	3
OTHER ACCOUNTS				
Third-Party Investments		980		1,737
Monthly Agriculture Credit Portfolio		280		330
Accumulated Agriculture Credit Portfolio		2,701		2,342
Public Sector Deposits		2,138		3,090
Micro-Credits		882		788
Credits to the Segment of Tourism in accordance to law in force		249		263
Mortgages according to the Special Law for the Protection of the Housing Loan Debtor		1,551		1,150
Financial Soundness Ratio (%)		8.2		8.7

# PRINCIPAL FINANCIAL INDICATORS

BANESCO BANCO UNIVERSAL, C.A.

## Principal Financial Indicators

Dec-08

Equity + Operative Management / Total Assets	8.15%
Non-Productive Assets / Equity + Operative Management	377.12%
Loan Portfolio Provisions / Gross Loan Portfolio	1.92%
Non Accrual Loans / Gross Loan Portfolio	1.75%
Personnel Expenses + Operative Expenses / Average Productive Assets *	7.74%
Personnel Expenses + Operative Expenses / Financial Income *	39.52%
Net Results / Average Assets *	2.49%
Net Results / Average Equity *	30.35%
Availability / Customer Funds	28.40%
Availability + Investment in Securities / Customer Funds	41.42%

\* Annual Percentages

# CORPORATE GOVERNANCE



# CORPORATE GOVERNANCE

Banesco Banco Universal, C.A. is a financial institution incorporated in the Bolivarian Republic of Venezuela and authorized to conduct any kind of operations and businesses allowed to universal banks in conformity with the General Law of Banks and Other Financial Institutions. Consequently, it is subject to control and oversight by the Superintendency of Banks and Other Financial Institutions.

Additionally, it is subject to the Capital Market Law since its shares are registered with the National Registry of Securities. The Entity is domiciled in Caracas, and counts with agencies in all the national territory.

However, on March 31, 2008, a Regular Stockholders' Meeting was held whereby it was decreed a dividend in common shares for the amount of Bs.F. 158,500,673, to increase the capital stock to the amount of Bs.F. 800,000,000.00 divided by 8,000,000,000 common shares at a par value of Bs.F. 0.10 each.

Subsequently, on April 14 and May 15, 2008, Banesco Banco Universal, C.A. issued through public offering 2,500,000,000 preferred shares, as approved at the Special Stockholders' Meeting on August 6, 2007. This procedure was authorized by the Superintendency of Banks and Other Financial Institutions and the Securities and Exchange Commission. In connection therewith, as of December 31, 2008, Article 5 of the Bank's bylaws reads as follows:

*... "The capital stock of "BANESCO BANCO UNIVERSAL, C.A." amounts to one thousand and fifty million bolívars fuertes (Bs. 1,050,000,000.00) divided in eight thousand million (8,000,000,000) nominal non-bearable and same type shares at a par value of ten cents of bolívars fuertes (Bs.F.0.10) each and two thousand five hundred million (2,500,000,000) preferred non-bearable nominal shares at a par value of ten cents of Bolívars fuertes (Bs.F.0.10) each. Such capital stock has been fully registered and paid in the percentage evidenced in the Stockholders' Book. Preferred shares that prior compliance with legal formalities may be issued by the Bank for the maximum amount of Five hundred million of Bolívars fuertes (Bs.F. 500,000,000) shall only be placed through public offering and shall have the following rights and characteristics: a) receive a preferred and cumulative dividend with charge to income, the amount, payment time, characteristics and other*

*modalities of which shall be determined by the Stockholders' Meeting or Board of Directors, if appointed by the Meeting; b) they shall only have vote right at Bank's Stockholders' Meetings for the approval of the financial statements, statutory amendments modifying their rights and for appointing the Comptrollers and deputies and deciding on their remuneration, and c) in case of Bank's liquidation, they shall only have redemption right to the extent of their nominal value plus dividends accumulated to the date of the liquidation."*

Banesco Banco Universal, C.A. maintains a governance structure comprised of the Stockholders' Meeting, Board of Directors, the Chairman of the Board of Directors, Compliance Officer for Prevention of Money Laundering, Internal Comptroller, as well as Credit, Risk and Audit Committees. The Audit Committee was created as established by Recommendations of Corporate Governance issued by the Securities and Exchange Commission through resolution number 19-1-2005, dated February 2, 2005 published in Official Gazette of the Bolivarian Republic of Venezuela N° 38.129 dated February 17, 2005.

## Stockholders' Meeting

It represents the universality of the stockholders and has the company's supreme management. Its acts and resolutions bound the company and its stockholders. Among its functions, the Meeting is empowered to appoint the members of the Board of Directors, comptrollers and deputies, advisors with right to attend and speak in the Board of Director's meetings, discuss, approve or modify the financial statements presented based on the Comptroller's report, decide on dividends decree and their form of payment, in conformity with the law and bylaws, as well as decide on any other issue for which it was summoned.

## Board of Directors

The Board of Directors of Banesco Banco Universal, C.A. is comprised of qualified people with broad experience in different areas of the banking business, of acknowledged solvency and sound reputation as a guarantee of the good performance of their duties. The main role of

# CORPORATE GOVERNANCE

the Board is the management and general administration of the businesses and operations carried out by the Bank, including corporate social responsibility policies. The performance of the Board of Directors is vital to define and strategically manage the Institution, thus equally directing business policies. Furthermore, the Board controls the performance of operating and functional areas of the Bank, it evaluates and compares business projections, as well as the results from previous years to the results of each year. Based on the agreement reached at the Regular Stockholders' Meeting held on March 30, 2007, the Board of Directors has to be comprised of no less than nine members and no more than thirteen members and it is currently comprised of nine Directors.

Likewise, it is important to highlight that, in order to guarantee the proper performance of the corporate policies, the Bank counts on the following committees:

- **Audit Committee:** The performance of the committee consists on knowing the financial statements to be considered by the Board of Directors and approved by the Stockholders' Meeting in order to verify that they comprise all the information required and show, completely and accurately, with no reserves or omissions, the financial situation of the partnership.

Likewise, the Audit Committee assists the Board of Directors with the implementation of measures aimed at preserving the accuracy of the financial information of the partnership and collaborates with the supervision and follow-up of the bank's internal and external audit. Among other issues, it recommends the Board of Directors to appoint an adequate firm of External Auditors, it reviews and approves the scope of the annual audit and the fees to be paid to such firm, as well as its independence.

Together with the Board of Directors and the External Auditors, the Committee reviews all significant topics regarding litigations, contingencies, claims and valuations and it also points out the

recommendations deemed necessary in the Management Letter. The Committee has an Internal Regulation (Bylaws) for its operation. An Independent Director participates in such Committee.

- **Risk Committee:** This Committee is mainly engaged in fixing risk limits for each of the activities carried out by the bank. Therefore, it will guarantee the implementation of a proper system including objectives, policies, procedures and capacities for the identification, measurement, valuation and monitoring of risks supporting the Board of Directors in obtaining its strategic planning.
- **Credit Committees:** The Board of Directors, reserving the execution of this right, has decided to delegate the right to grant credits to certain committees, establishing the amounts and all the terms and conditions. Thus, in order to comply with the diverse autonomies and the delegation of rights, the Executive Credit Committee, the Metropolitan Credit Committees, the Regional Credit Committees and the individual autonomies were created. Within the boundaries of their rights, these autonomies are in charge of the consideration and approval of the various credit requests and it also informs the Board of Directors about the results of their transactions. Likewise, there must be a compliance with the different risk policies that have already been established.

## Chairman of the Board of Directors

The Chairman of the Board of Directors is subordinated to the Stockholders' Meeting and the Board of Directors and he presides over their deliberations. Furthermore, he represents the institution and, on its behalf, he grants contracts, agreements, settlements and, in general, all kinds of documents of any nature. To summarize, the Chairman of the Board of Directors performs all those transactions demanded by the Board. The Chairman of the Board of Directors heads the Stockholders'

# CORPORATE GOVERNANCE

Meetings and board of directors' sessions and jointly with the latter it exerts the supreme conduction of bank's activities.

## Secretary

The Secretary is in charge of managing the Board's secretary office, which must keep an organized record of the minutes of the sessions, as well as cooperate with the collection, preparation and record of the corporate information required by the Board, the stockholders and the regulating entities, among others. He is also in charge of keeping the agenda of the Board's sessions as well as gathering the requirements regarding issues to be solved in such meetings. Acting in his capacity of secretary, knowing the laws and counting on his financial experience, he is entitled to be present and to intervene during the Board's sessions, which strongly supports, from the legal point of view, the proposals being discussed in the meetings and the decisions made.

## Internal Controller

He is in charge of the internal coordination of the analysis of the diverse operations of the institution and, together with the Audit Committee, he informs the Board of Directors about the results of the various audits performed in order to improve the procedures and mitigate any possible deficiencies.

## Compliance Officer

Banesco counts on a Compliance Officer in charge of the supervision and control of the Bank's Prevention and Control of Money Laundering Unit. Such Officer is also the Chairman of the Bank's Prevention and Control of Money Laundering Committee and informs the Board of Directors about the results of its activities and the investment of the corresponding resources in the training and education of Banesco's personnel regarding this issue. He is entitled to participate in the Risk Committee and he immediately reports to the President of the Institution.

## Banesco Banco Universal C.A.

### Directors:

Juan Carlos Escotet  
Luis Xavier Luján  
Salvador Eduardo Cores  
María Josefina Fernández  
Nelson Orlando Becerra  
Fernando Crespo  
Gonzalo Clemente  
Carlos Acosta  
Miguel Ángel Marciano

### Statutory Auditors:

#### Main Auditors:

Gordy Palmero Luján  
Igor Williams de Castro

#### Substitute Auditors:

Berta Maita Rodríguez  
Mariela Alcalá

### Secretary:

Marco Tulio Ortega Vargas

### Judicial Representative:

Marco Tulio Ortega Vargas

We reiterate that, for Banesco Banco Universal, C.A., the compliance with the corporate governance principles represents the performance of our activities in accordance with the following standards:

1. Efficiency: Oriented towards generation of the maximum value at the lowest cost, in less time and achieving the goals established.
2. Equality: Strict respect to the equality right of treatment with shareholders, workers and providers, as well as any other person in relation with the partnership.
3. Respect towards the economic and political rights of the shareholders.

# CORPORATE GOVERNANCE

4. Transparency, communication and information: Generate reliance and credibility in the market through the accurate disclosure of all the information necessary for the complete knowledge of the company.

Therefore, in Banesco Banco Universal C.A., we follow the principle “one share, one vote”. Thus, we recognize the proportionality that must exist between the equity interest percentage and the corresponding equity right in the structuring of the institution's will, always through the properly informed exercise of the shareholders' political rights. In view of the foregoing, Banesco Banco Universal C.A. relies on a Stockholders' Unit in order to satisfy the needs of the investors. Such Unit is in charge of making the corporate information flow between the partnership's managers and the shareholders, in a timely, complete and accurate manner. It also constitutes a channel for the investor to express any possible inquiry on their investment, to gather corporate information of their interest and to receive the reports to be considered at the Stockholders' Meeting. The Stockholders' Unit is assigned to the Bank's Legal Consultancy.

Within the framework of the performance of the principles for the good corporate governance, the Board of Directors of Banesco Banco Universal C.A. has taken the necessary measures to maintain the proper transparency and reliance standards to contribute with the greater efficiency and reliance in the Venezuelan securities market. In this regard, there is also an Independent Director, qualified in accordance with the provisions established by the Venezuelan Securities and Exchange Commission. Thus, the Audit Committee counts on the presence of such Independent Director and holds periodic meetings, at least quarterly, in order to comply with the provisions of the Performance Regulation.

Likewise, for the purpose of adopting the best international practices on Corporate Governance matters, during the second six-month period of 2008, Banesco Banco Universal C.A. created the “Vice-presidency of Corporate Governance”, whereby the constitution of new governance mechanisms shall be evaluated and promoted, through Directive and Executive Topic Committees for the benefit and protection of the interests of its stockholders, customers and employees.

Directive Topic Committees shall be responsible for controlling and following-up the internal and external regulations, as well as administrating management incentive and discipline. The Executive Topic Committees shall be responsible for the compliance with the policies and objectives established by the administration and coordination of resources, the creation and distribution of the corporate value guaranteeing a better resolution of conflicts related to corporate issues, development of core capacities and compliance with internal and external regulations.

The implementation of these Committees will allow for higher efficiency levels regarding decision-making, gaining more strength and maturity in the Corporate Governance structure of Banesco Banco Universal C.A.



# To Give us All a Hand is The Best of The Balances

Social Balance 1998 - 2008



	2008	1998-2008
TOTAL SOCIAL INVESTMENTS	29,920,891	119,306,418
CONTRACTED ENGAGEMENTS	4,778,244	4,778,244
TOTAL SOCIAL INVESTMENTS PLUS CONTRACTED ENGAGEMENTS	34,699,135	124,084,662

Stated in VEF

## Directors

Juan Carlos Escotet R.	Gonzalo Clemente R.
Luis Xavier Luján P.	Fernando Crespo S.
Miguel Ángel Marciano C.	Salvador Corres G.
Maria Josefina Fernández M.	Carlos Acosta L.
Nelson Becerra M.	

# INTERNATIONAL AREA

## International Banking Products

International Checking Account Plan

Non-Active Commercial Account

Commercial Checking Account Plan

Active Account

Personal Checking Account Plan

International Savings Account Plan

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

Letters of Credit for Imports anywhere in the world.

Confirmation of Letters of Credit for Exports.

Money Orders anywhere in the world.

International Financing Operations.

Documentary Collections.

## International Treasury

Olga Mifsut • Vice President

Telf. (58212) 501.8414

e-mail: olga\_mifsut@banesco.com

Rafael Eduardo Padrón • Correspondent Banking, Division Manager

Telf. (58212) 501.9943

e-mail: rafael\_padron@banesco.com

Rosa Mariela Padrino • International Treasury Manager

Telf. (58212) 501.9108

e-mail: rosa\_padrino@banesco.com

## International Area

Edgar Piñero • Vice President

Telf. (58212) 501.9984

e-mail: edgar\_pinero@banesco.com

José Rafael León • International Business, Division Manager

Telf. (58212) 501.9839

e-mail: jose\_leon@banesco.com

## Affiliated Banks

Banesco S.A., Panamá (former Banesco International Bank Inc.)

Banesco International Bank Corp., Puerto Rico

## Branches

Banesco Banco Universal C.A., Sucursal Panamá

## Representative Offices

Banesco Banco Universal C.A., Oficina de Representación Bogotá

## International Mailing Address

Banesco Banco Universal C.A. 8424 NW, 56 Street,

Suite CCS00283, Miami, Florida 33166, U.S.A.

## Main Offices

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

Telephone Banking: **0500BANCO24 - 0500 226.26.24**

Master Phone: (58212) 501.71.11

**www.banesco.com**

# MAIN CORRESPONDENT BANKS

ARGENTINA • Banco de la Provincia de Buenos Aires, Banco de la Nación Argentina, Banco Supervielle, Banco Credicoop, Grupo Macro, Banco Patagonia, Deutsche Bank, HSBC Bank.	HONDURAS • Banco Atlántida, Grupo Financiero Ficohsa, Banpais, Banco Continental.
AUSTRALIA • ANZ Bank.	HONG KONG • Standard Chartered Bank, Deutsche Bank A.G., Citibank N.A., Unicredit HVB Ag., Commerzbank A.G.
AUSTRIA • Unicredit Bank Austria A.G., RZB A.G.	INDIA • Standard Chartered Bank, Deutsche Bank, HSBC Bank.
BELGIUM • Dexia Bank, CIB Fortis Bank.	IRELAND • Bank of Ireland.
BOLIVIA • Banco Económico, Banco Do Brasil, Banco de la Nación Argentina, Banco Nacional de Bolivia, Banco BISA	ISRAEL • Bank Leumi Le Israel, Bank Hapoalim B.M.
BRAZIL • Banco Bradesco, BICBANCO, Banco Do Brasil, Banco Itau S.A., Unibanco, HSBC Bank, Banco ABC Brasil, Banco Safra, Banco Santander, Deutsche Bank.	ITALY • Banca Nazionale del Lavoro, Unicredit Group, Intesa-San Paolo.
CANADA • Toronto Dominion Bank, Royal Bank of Canada.	JAPAN • The Bank of Tokyo and Mitsubishi Bank, Standard Chartered Bank, Citibank N.A., Unicredit HVB Ag., Commerzbank Ag., Deutsche Bank.
CHILE • Banco Estado, Banco Santander, Bci Banco de Crédito e Inversiones, Banco Do Brasil, Banco de Chile.	KOREA • Standard Chartered Bank, Citibank N.A., Deutsche Bank, Commerzbank A.G.
CHINA • Standard Chartered Bank, Commerzbank A.G., HSBC Bank, Deutsche Bank A.G., Citibank, N.A., Bank of China, The Industrial and Commercial Bank of China.	MALAYSIA • Bumiputra Commerce Bank Berhad, Standard Chartered Bank.
COLOMBIA • Banco de Bogotá, Bancolombia, Bancoldex, Banco de Occidente.	MALTA • FimBank
COSTA RICA • Banco Nacional de Costa Rica, Banco de Costa Rica, Banco Improsa, HSBC Bank.	MEXICO • Banamex, S.A., HSBC Bank, Banco Santander, Banco del Bajío, Banco Regional, Banorte.
CURAZAO • Maduro & Curriel's Bank.	NEW ZEALAND • ANZ Bank.
DENMARK • Danske Bank, Nordea Bank.	NICARAGUA • Banpro, Bancementro.
DOMINICAN REPUBLIC • Banco de Reservas, Banco BHD, Banco Popular.	NORWAY • Nordea Bank.
ECUADOR • Banco del Pichincha, Banco del Pacífico, Produbanco, Banco de Guayaquil.	PANAMA • BLADDEX, HSBC Bank, Multibank.
EL SALVADOR • Banco Cuscatlán, Banco Agrícola, Banco Salvadoreño.	PARAGUAY • Banco Do Brasil, Banco de la Nación Argentina, Banco Sudameris
ENGLAND • The Royal Bank of Scotland, HSBC Bank P.L.C.	PERU • Banco de Crédito del Perú, Banco Financiero, Interbank, Scotia Bank.
FINLAND • Nordea Bank.	PORTUGAL • Banco Espírito Santo S.A., Banco Banif, Millennium BCP.
FRANCE • Crédit Industriel et Commercial, BNP Paribas Group, Société Générale.	PUERTO RICO • Banco Popular de Puerto Rico.
GERMANY • Commerzbank A.G., Standard Chartered Bank Ghmb, Unicredit HVB A.G., Deutsche Bank, Dresdner Bank A.G.	SINGAPORE • Standard Chartered Bank, Unicredit HVB Ag., Deutsche Bank, Commerzbank A.G.
GUATEMALA • Banco Industrial, Banco GT Continental, Banco Agromercantil.	SPAIN • Grupo Banco Popular, La Caixa.
HOLLAND • Commerzbank A.G.	SWEDEN • Nordea Bank, Svenska Handelsbanken.
	SWITZERLAND • BNP Paribas, Banco Mercantil (Schweiz) A.G., Commerzbank, A.G.
	URUGUAY • Banco de la Nación Argentina, Banco Credit Uruguay.
	U.S.A. • Standard Chartered Bank, JP Morgan Chase Bank, Wachovia Bank, Citibank N.A., HSBC Bank, Deutsche Bank A.G., Commerzbank A.G.

