

## Semester Report • First Half 2010

# Honorable Banesco Clients, Stockholders, Employees, Social Partners, Suppliers, and Affiliates

During the first six-month period of 2010, the main indicators of which are presented in this document, Banesco ratified its support to the economic development of the country. As a financial entity, we complied with our intermediation role and granted 56,761 loans of any type during the period January-June 2010.

In June this year, our institution was first in loans in the banking system for an amount of Bs. 24,589 million. Our commitment with the Venezuelan productive sector is ratified when detailing the main portfolios; thus keeping our leadership in mortgage, agriculture, and microcredit loans, just to mention three target areas. These numbers have been possible because we understand the importance that implies to families to have their own homes and for entrepreneurs to develop private initiative, at small and large scale.

We might especially mention the results of Banca Comunitaria Banesco (Banesco Community Banking): our initiative to address the universe of non-banking individuals and small entrepreneurs encompassing 110,175 customers since it was implemented in 2006. In the first six-month period, we granted 10,478 working loans for Bs. 107 million and 19,538 customers contracted Ahorros Paso a Paso (Step-by-Step Savings) program. A study conducted by Advantis reflects the social-economic and management effect of the Community Banking on its customers: 7 out of 10 customers experienced an increase of 34% in sales after receiving our loans; two out of three customers reported an actual increase in sales and earnings; 61% keeps records of sales; 79% keeps their invoices and receipts; 95% offers products with larger margins; and 28% receives a salary for their work.

The effective management of Banesco in the financing of different economic activities of the country was translated into the achievement of an intermediation percentage of 66.1%, exceeding in 10.8 points the average percentage of the banking system. In addition, it only has a level of long-term investments of only 1.5%, which is lower than the percentage of the sector (3.4%).

Other numbers where Banesco obtained the first places, and which you will know in detail throughout these pages, correspond to third parties managed funds (Bs. 41,055 million) and the balance of deposits from customers (Bs. 37,175 million).

There are no doubts that the results we obtained in the period were the consequence of the sustained effort of our human capital, over 13,000 people, which represent our main asset and are one of the reasons for which we retain the public's preference.

We are aware of the value that competence represents, both for the development of the own capacities and the constant improvement in benefit of customers and users, we congratulate the growth of the public banking, the institutions of which have become an important player in the national financial system. The foregoing represents a challenge to improve and enhance the services rendered.

In addition to the financial results, in Banesco we pay special attention to our commitment with the community.

Thanks to our Corporate Social Responsibility program, we have strengthened our long-term relationship with outstanding institutions in the education, health, and culture areas. During the first six-month period of 2010, the social action of Banesco implied an investment of Bs. 15,455,180, which has been possible thanks to the confidence that Venezuelans have entrusted in our organization.

This six-month report shall present the achievements and learning obtained as institution.



**JUAN CARLOS ESCOTET RODRÍGUEZ**

CHAIRMAN OF THE BOARD OF DIRECTORS

# FINANCIAL HIGHLIGHTS

(Stated in Million VEF)	First Half 2009	Second Half 2009	First Half 2010	Growth			
				I Half 2010 – I Half 2009		I Half 2010 – II Half 2009	
				Absolute	%	Absolute	%
<b>TOTAL ASSETS</b>	<b>37,980</b>	<b>43,066</b>	<b>42,684</b>	<b>4,704</b>	<b>12.4%</b>	<b>-382</b>	<b>-0.9%</b>
Cash and Due from Banks	9,475	11,611	11,284	1,809	19.1%	-327	-2.8%
Security Investments	6,635	5,983	5,011	-1,624	-24.5%	-972	-16.3%
Credit Portfolio	19,958	22,739	24,589	4,631	23.2%	1,850	8.1%
<b>DEPOSITS FROM CLIENTS</b>	<b>33,326</b>	<b>37,763</b>	<b>37,175</b>	<b>3,849</b>	<b>11.6%</b>	<b>-588</b>	<b>-1.6%</b>
Deposits in Current Accounts	17,534	19,913	21,947	4,414	25.2%	2,035	10.2%
Savings Deposits	5,636	6,800	6,557	921	16.3%	-243	-3.6%
Time Deposits	3,500	21	3	-3,497	-99.9%	-18	-86.5%
Other Deposits	6,656	11,029	8,668	2,012	30.2%	-2,361	-21.4%
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>3,113</b>	<b>3,598</b>	<b>3,809</b>	<b>696</b>	<b>22.4%</b>	<b>211</b>	<b>5.9%</b>
<b>TRUST ASSETS</b>	<b>6,155</b>	<b>6,020</b>	<b>6,656</b>	<b>501</b>	<b>8.1%</b>	<b>636</b>	<b>10.6%</b>
<b>DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (FMH)</b>	<b>2,890</b>	<b>3,376</b>	<b>3,879</b>	<b>989</b>	<b>34.2%</b>	<b>503</b>	<b>14.9%</b>
Financial Revenues	2,561	2,588	2,689	128	5.0%	101	3.9%
Financial Expenses	1,268	1,174	901	-367	-28.9%	-273	-23.3%
Gross Financial Margin	1,293	1,414	1,788	495	38.3%	375	26.5%
Margen de Intermediación Financiera	1,559	1,772	2,215	656	42.1%	443	25.0%
Financial Intermediation Margin	1,176	1,312	1,603	428	36.4%	292	22.2%
Transformation Expenses	5	10	2	-3	-65.7%	-9	-83.3%
<b>NET INCOME</b>	<b>290</b>	<b>322</b>	<b>403</b>	<b>114</b>	<b>39.2%</b>	<b>81</b>	<b>25.3%</b>
<b>ACCUMULATE AGRICULTURE PORTFOLIO</b>	<b>3,373</b>	<b>3,816</b>	<b>4,525</b>	<b>1,152</b>	<b>34.1%</b>	<b>709</b>	<b>18.6%</b>
<b>OFFICIAL INSTITUTIONS DEPOSITS</b>	<b>2,805</b>	<b>2,820</b>	<b>3,159</b>	<b>354</b>	<b>12.6%</b>	<b>340</b>	<b>12.0%</b>
<b>MICRO LOANS</b>	<b>798</b>	<b>1,004</b>	<b>1,112</b>	<b>314</b>	<b>39.3%</b>	<b>108</b>	<b>10.7%</b>
<b>COMMERCIAL LOANS</b>	<b>5,601</b>	<b>6,431</b>	<b>6,165</b>	<b>564</b>	<b>10.1%</b>	<b>-265</b>	<b>-4.1%</b>
<b>CREDITS TO CONSUMER</b>	<b>6,908</b>	<b>6,950</b>	<b>8,242</b>	<b>1,333</b>	<b>19.3%</b>	<b>1,292</b>	<b>18.6%</b>
Vehicles	590	666	822	232	39.3%	156	23.3%
Credit Cards	6,318	6,283	7,420	1,102	17.4%	1,137	18.1%
<b>MORTGAGE LOANS</b>	<b>2,606</b>	<b>3,271</b>	<b>3,720</b>	<b>1,114</b>	<b>42.8%</b>	<b>448</b>	<b>13.7%</b>
<b>RATIOS</b>							
Loan Portfolio Provisions/Non Accrual Loans	106.3%	112.6%	188.9%				
Non Accrual Loans/ Gross Loan Portfolio	1.9%	1.9%	1.5%				
Net Results / Average Assets	1.6%	1.6%	1.9%				
Net Results / Average Equity	19.0%	19.2%	22.0%				
Liquidity	42.2%	41.1%	37.7%				



# CALL

## BANESCO BANCO UNIVERSAL, C.A.

Stock Capital Bs.F. 1,204,000,000.00

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, September 20, 2010, 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 June 30, 2010.

**SECOND:** Dividend decree in cash to common and preferred stockholders with charge to income at 2010 first six-month period

**THIRD:** Appointment of a new member of the Board of Directors for the 2010-2011 period.

On behalf of the Board of Directors

**JUAN CARLOS ESCOTET RODRÍGUEZ**

Chairman of the Board of Directors

**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, September 1, 2010

RIF J-07013380-5





## Economy During 2010

# Economy During 2010

## | Gross Domestic Product (GDP) |

According to preliminary estimates from the Central Bank of Venezuela (BCV), the Gross Domestic Product showed during the second six-month period of 2010 a decrease of 1.9% with respect to the similar period in 2009, which in addition to the 5.2% contraction observed in the first quarter of current year determined a drop of 3.5% for the first six-month period. These results combine the deceleration of the contraction of certain economic activities and the increase in the contribution of certain sectors with a favorable performance during said term, being the latter the lowest decrease since the second quarter of 2009.

From the institutional point of view, we observed a decrease in the public sector of 2.7%, while the private activity recorded a decrease of 5.8% if compared to the same period of 2009.

- The economy development during the first six months of the year was marked by the contraction recorded in the oil activity (-3.4%) and in the nonoil activity (-3.1%), being the first affected by a decrease in crude production; however, it was partly offset by the increase in the manufacturing of refined products directed to local market in order to cover the demand of thermoelectric plants.
- In connection with nonoil activities, favorable results were observed in communications (8.1%), government services (1.5%) and community, social and personal services (1.1%), which did not manage to offset the contractions experienced by the manufacturing industry (-6.4%), commerce (-8.9%), construction (-6.5%), transportation services (-8.1%), financial intermediaries (-8.7%), mining (-15.2%), real estate services (-2.7%) and electricity and water (-5.6%), which were affected, among other factors, by the difficulty to have access to imported supplies, the energy saving plan and fall in the internal aggregate demand.
- The construction sector showed a variation of 2.1% in the aggregate corresponding to the public sector during the second quarter of the year, given the increase in the execution of works related to the national electric sector during said term. However, this positive result was affected by the decrease in work contracting from General Government of 3.8%. The private construction showed a significant decrease (-25.0%), both in the execution of residential and non-residential works, mainly due to the shortage of basic supplies, also related to electric power generation.



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## | Balance of Payments |

The balance of payments closed the second quarter of 2010 with a deficit balance of USD 1,006 million, which in addition to the deficit of the first quarter lead to a deficit for the six-month period of USD 7,127 million, resulting from lower balances in other investments and direct investment accounts.

The checking accounts showed a favorable behavior (USD 2,621 million) in the second quarter, higher than the balance shown in the same period of 2009 (USD 1,311 million), to close the six-month period with a surplus of USD 9,137 million, due to the expansion of 33.2% shown by the value of export due to the sustained increase in the average price of Venezuelan oil and the drop in imports in 18.1%, to reach USD 17,368 million in June 2010, in accordance with the rationalization policy of imports promoted by the National Government.



The service commercial balance presented a deficit of USD 4,027 million, increasing expenditures in 3.3%, mainly related to the engagement of sea transportation services, communications, insurance, and contracted professional and technical services by public and private companies, mostly related to electric projects.

Additionally, the capital and financial account closed 2010 with a deficit balance of USD 13,437 million, attributed to the impairment in other investments and direct investments, recording the former a deficit of USD 11,814 million (decrease in inflow of foreign currency from the public sector and increase in assets and decrease of liabilities from the private sector), while the latter showed a deficit balance of USD 1,816 million, lower than the amount observed in the same period of 2009 (debt amortization with oil from government oil company with one of its foreign subsidiaries and payment of private commercial debt with related suppliers, among other).

## | Global Supply and Demand |

A contraction in the aggregate supply of 3.2% was observed during the six-month period, mainly related to the drop in imports of goods and services (-6.4%) and decrease in the GDP, which lead to a shortfall in the supply of 9.0%.

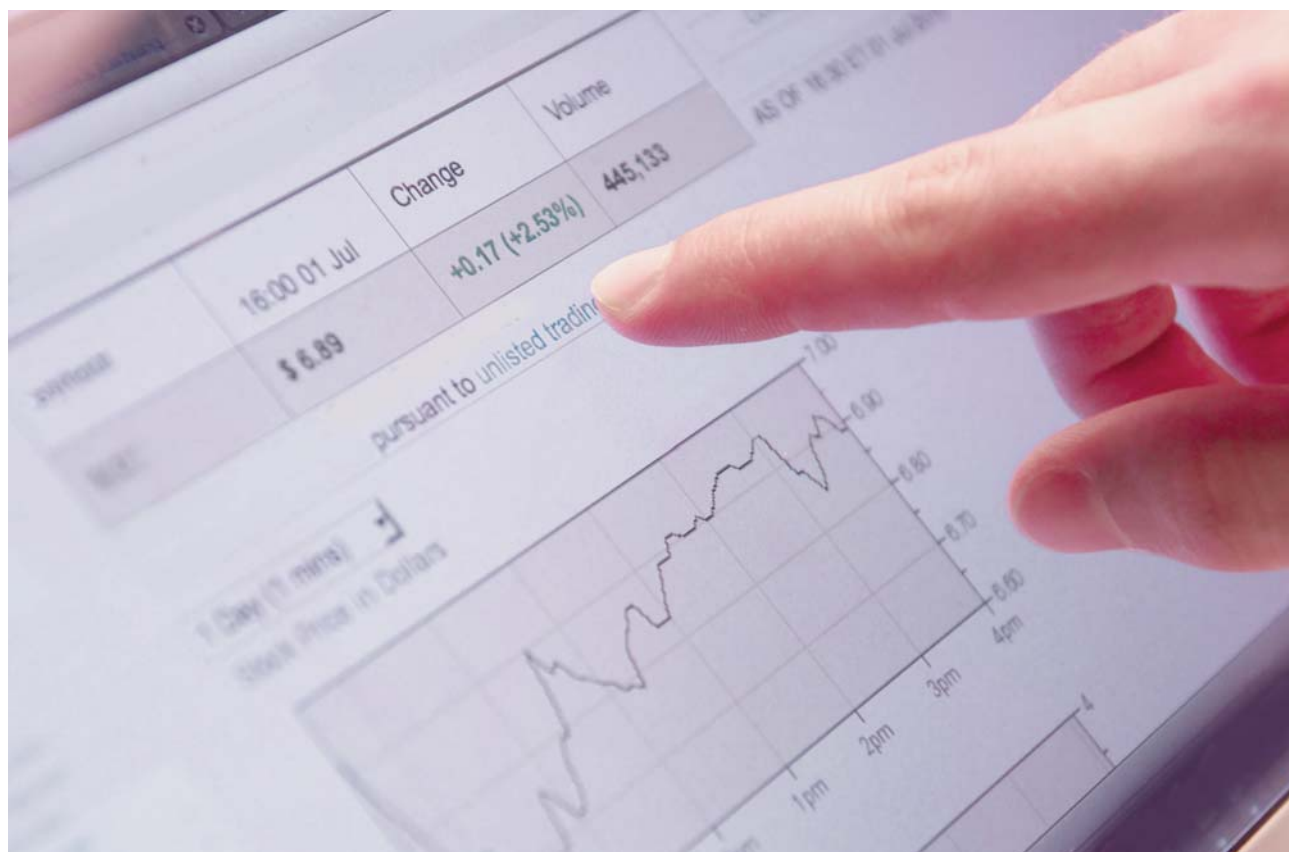
The contraction in the global demand during the second quarter of the year is related to the decrease in internal aggregate demand (-0.9%) and exports (-19.4%), being affected, the internal aggregate demand due to the fall of the private final consumption expense (-2.4%) and the gross fixed capital formation (-0.8%), which was partly offset by the increase in the final consumption expense of the General Government (3.1%).

## | International Reserves |

According to preliminary figures from the Central Bank of Venezuela, in June 2010 international reserves amounted to USD 28,520 million, which represents a decrease of USD 6,480 million during the first six-month period of 2010 and USD 1,401 million if compared to the value in June 2009 (USD 29,921 million). Total reserves, included the FEM, and closed the period in USD 29,351 million.

## | Inflation |

The National Consumer Price Index (INPC) recorded an accumulated variation of 16.3% during the first six-month period of the year, higher than the variation observed in the same period of 2009 (10.8%).



Additionally, the accumulated variation during the last twelve months reaches 31.3%, which is lower than the variation shown in June 2009 (26.0%).

Form the analysis per category we might observe the increase in the pipeline inflation in 5 groups out of the 13 comprising the Index: Food and Non-alcoholic beverages (from 4.5% to 23.7%), Alcoholic Beverages and Tobacco (from 17.6% to 21.7%), Dwelling services except for telephone service (from 1.8% to 6.3%), Recreation and culture (from 14.0% to 15.5%) and Restaurants and hotels (from 14.9% to 15.3%).

Additionally, eight of them recorded variations lower than the variation of the previous six-month period: Dress and shoes (from 7.3% to 6.3%), Rentals (from 6.9% to 5.5%), Home furnishing (from 18.2% to 13.7%), Health (from 17.1% to 13.7%), Transportation (from 20.5% to 16.8%), Communications (from 5.4% to 4.0%), Education services (from 8.3% to 6.9%) and sundry Goods and Services (from 21.3% to 14.9%).

When classifying goods and services, the accumulated variation in the first item reached 18.6%, while for services it reached 12.9%.

When reviewing the geographical environment, it is observed the acceleration of the National Consumer Price Index (INPC) growth rate during the last twelve months in each city where the study is conducted: Caracas (from 12.4% to 16.7%), Maracay (from 11.2% to 16.2%), Ciudad Guayana (from 11.3% to 14.8%), Barcelona- Puerto La Cruz (from 11.1% to 16.2%), Valencia (from 11.0% to 17.5%), Barquisimeto (from 10.2% to 16.3%), Maracaibo (from 10.7% to 16.9%), Mérida (from 13.1% to 15.6%), Maturín (from 11.5% to 16.3%), San Cristóbal (from 12.1% to 15.2%) and rest of the territory (from 9.7% to 16.1%).

The six-month period variation in the inflation was 14.4%, lower than the variation observed in the global INPC, due to the pace in growth of prices of the categories comprising the indicator, except for Prepared Food, which increased from 16.4% to 19.0%.

Finally, the Wholesale Price Index (WPI) recorded in June a variation of 2.4%, resulting in an accumulated rate during the first six-month period of 2010 of 17.5%.

## | Employment |

The average unemployment rate corresponding to the first six months 2010 was 8.7%, ending June in 8.4%, exceeding in 0.56 percentage points the rate observed in June 2009.

According to a sample survey from the National Bureau of Statistics (INE), the informal economy rate in June reached 44.0%, with an average of 43.9% in the first-six month period of 2010.



The Labor Force concluded the period with a total of 13,115,035 individuals, being 1,103,396 unemployed, in the midst of the electric sector crisis, which lead to limited labor hours to customers service by a significant number of government entities, decrease in the production of the industrial sector, as well as restrictions in the commercial activity, which also generated a decrease in the employment generation capacity for public and private sector.

## | Monetary Policy |

The Central Bank of Venezuela maintained an astringent monetary policy within an environment characterized by a decrease in the demand of actual balances resulting from the economic contraction and drop in the public expenditure in actual terms.

Additionally, in joint coordination with National Government, the Bank issued financial instruments payable in bolivars and denominated in US dollars, which has a contracting effect on the monetary base balance. As a result from the foregoing, the monetary liquidity, measured in terms of the M2 monetary aggregate reached Bs. 247,466.7 million, which implies an expansion of 4.8% with respect to the balance recorded at



2009 closing. This result decreased the liquidity growth rate with respect to the first six-month period of 2009, when it increased 8.1%.

According to preliminary figures of the BCV, the monetary base increased 4.8% during the first six-month period of the year, closing with a balance of Bs. 103,576.9 million. This behavior was determined by the increase in June of its main components (deposits from commercial and universal Banks and outstanding notes and coins), and the decrease in special deposits from customers and the rest of the banking system.

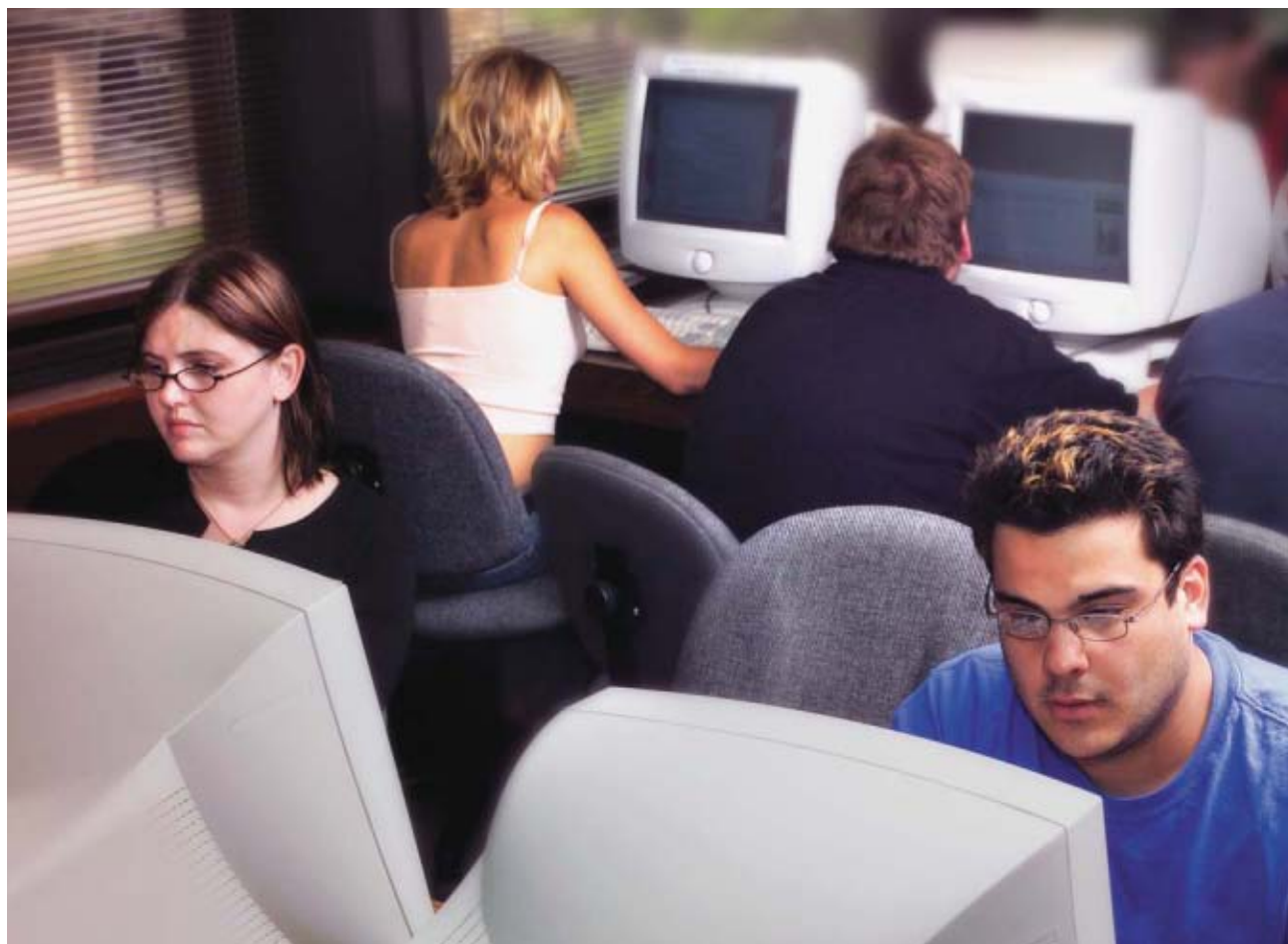
## | Interest Rates |

The evolution of the average lending rate of the six main commercial and universal Banks of the country shows a drop of almost 3 points if compared to the same period of 2009 (20.41%), in 17.65% in June 2010, with an average for the six-month of the period of 18.23%. The borrowing rate closed the period in 14.55%, lower than the rate observed in June 2009 (14.71%), with an average of 14.62% for the course of 2010.

## | Banking System |

The results of the banking system management during the first-six month period of 2010 are closely related to the changes in its morphology, observing a significant decrease in the number of institutions comprising such system by virtue of the intervention processes conducted by competent authorities in conformity with the effective regulations, between the end of 2009 and the first half of 2010, which translated into a total as of June 2010 of 47 institutions, 12 less than in June 2009, 63.8% out of which, i.e. 30, correspond to the segment of universal and commercial banks.

In addition to the decrease in the number of entities, we should mention the restructure of the system, depending on the origin of its public or private origin. Currently, 36 entities are private and 11 belong to the public sector, which generated that 30.1% of assets of the commercial and universal banks are currently concentrated in 5 government entities while 68.2% is in private entities. The rest is diluted between specialized entities and under special laws.



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The change in the effective foreign exchange regime at the beginning of 2010 was especially significant for Venezuelan economy, in addition to the subsequent creation of the System of Transactions with Foreign Currency Investment Securities (SITME), which converted financial institutions into key actors in the intermediation process of public securities denominated in foreign currency.

As per Bulletin of the Superintendence of Banks corresponding to June 2010, total assets of the banking system amounted to Bs. 359,853 million, which represents an increase of 12.3% with respect to the first six-month period of 2009. From such amount, 43.2% was comprised by the loan portfolio (Bs. 155,399 million), which had an increase of Bs. 2,826 million (1.9%) during the first six-month period of 2010 and Bs. 20,195 million (15.0%) if compared to the same period of 2009.

The system closed the period with 9,259,344 loans, 55.4% out of which was oriented towards long-term loans (over 360 days), followed by loans until 30 days (34.7% of the portfolio).

Loan performance shows a slight decrease in quality, reaching default rates of 3.4%, in compared to 2.6% observed in June 2009. However, the system increased its coverage to 150.7%, 10 points more than the percentage shown in the first six-month period of 2009, maintaining the loan intermediation ratio at a similar level (55.3%).

In connection with loan composition, loans directed to the commercial and consumption sector represented at the closing of June 2010, 56.4% of total portfolio, while the remaining 43.6% was oriented towards the country's productive activity. The latter amounted to Bs. 71,468 million, after a growth of 39.6% with respect to the first six-month period of 2009.

In connection with liability, an increase of 15.1% was observed in customers' deposits, closing June 2010 with a level of Bs. 281,186 million, comprised of 56.0% corresponding to checking accounts deposits, 19.5% savings deposits, 6.9% for term deposits and the rest (17.7%) for other deposits.

We observe in the consolidated statement of income a net profit of Bs. 3,202 million, which means an increase of 2.6% if compared to the same period of 2009, which in relation to the stockholders' equity lead to a yielding of 20.4%, which is 4 percentage points lower than the yielding obtained in the first six-month period of 2009.

It is worth mentioning the equity strengthening of the financial system, closing the period with a level exceeding 35 thousand million bolivars, after an increase of 22.5% during 2010 and 21.0% during the last twelve months, which represented the obtainment of a sufficiency index of almost 11%.



# Banesco Banco Universal

The Bank reaffirmed its leadership in granting loans, with an amount in the portfolio by the closing of June 2010 of Bs. 24,589 million, after a growth of Bs. 1,850 million during the last six months and Bs. 4,631 million with respect to June 2009, thus increasing its market participation in 15.8%, exceeding the participation of the last two six-month periods.

The effective management of Banesco in the financing of different economic activities in the country was translated into the achievement of a loan intermediation ratio of 66.1%, exceeding the average of the banking system in almost 11 points.

Actually, the excellent-quality portfolio currently represents 57.6% of the Bank's assets, with a long-term investment level of only 1.5%, which is under the system media, recording the Bank a provision for default loans and loans in litigation of 188.9%.

These results were possible thanks to the significant effort of the different portfolios, especially the agriculture portfolio amounting as of June 2010 to Bs. 4,525 million, which represents an increase of 34.1% (Bs. 1,152 million) if compared to the first six-month period of previous year, consolidating its leadership in this caption, with a market share of 15.5%.

*Customers' deposits amounted to Bs. 272,372 million, retaining Banesco the first place preferred by depositors*

The support of Banesco to small-business owners is observed with the maintenance of the first place (19.7% of market), concluding the period with Bs. 1,112 million, increasing 39.3% (Bs. 314 million) during the last 12 months.

It also should be mentioned the favorable behavior of manufacturing loans, with a figure at June 2010 closing amounting to Bs. 1,889 million, exceeding by Bs. 621 million (48.9%) the level reflected in the first six-month period of 2009.

As usual, the tourism sector found in Banesco an unconditional ally for its projects, increasing such portfolio in Bs. 99 million (28.8%) if compared to the same period of last year, closing the six-month period in Bs. 442 million, equivalent to 12.8% of loans granted to this segment. Likewise, we remained leaders in granting loans for the commercial activity, with a portfolio at June closing of Bs. 6,165 million, obtaining a market share of 10.8%.

At the closing of the six-month period, the assets of Banesco Banco Universal amounted to Bs. 42,684 million, recording an interannual variation of Bs. 4,704 million, which places the Bank second in this item with a participation of 11.9%.

Customers' deposits amounted to Bs. 272,372 million, retaining Banesco the first place preferred by depositors (13.6% of the market), with a balance at June 2010 of Bs. 37,175 million, after an increase with respect to the same month of 2009 of Bs. 3,849 million (11.6%).



Such funds are mainly comprised of 59.9% of deposits in checking accounts (14.1% of the market) and 17.6% of savings accounts (12.3% of market), corresponding the rest to other modalities. During the last twelve months, an increase in sight deposits for Bs. 4,414 million was observed (25.2%), which contributed in great part to the maintenance of favorable mix of deposits.

As observed in the Bulletin of the Superintendency of Banks corresponding to June 2010, the banking system registered 24,143,957 depositors under the traditional modalities (sight, savings and term deposits), concentrating Banesco Banco Universal 22.9%, i.e., 5,522,229 depositors, which represents the first place in the market.

In addition to these results, there is Banesco's initiative aimed at developing the microfinancial sector in Venezuela, our Community Banking, which in the first six-month period of 2010 benefited more than 110 people, granting 10,478 Working Loans for a total amount settled of Bs. 471,329 million, with a default rate of 3.06%.

We also encourage savings at smaller scale, by affiliating 19,538 customers to *Ahorro Paso a Paso* (Step-by Step Savings) program during such term.

Funds managed through the Housing and Urban Environment Benefit System had an increase of Bs. 503 million during the last six-month period and Bs. 990 million with respect to the closing of June 2009, ending with an amount of Bs. 3,879 million, equivalent to 21.4% of the banking system and ranked second; which in addition to customers' deposits generated a balance in managed funds of Bs. 41,055 million at June 2010 closing (14.1% of market and ranked first), after an increase of Bs. 4,615 million if compared to the same term of 2009.

*The Bank's balance shows an excellent equity level (Bs. 3,809 million), increasing it by Bs. 212 million during the six-month period ended*

The Bank's balance shows an excellent equity level (Bs. 3,809 million), increasing it by Bs. 212 million during the six-month period ended and in Bs. 696 million with respect to June 2009, ending the period with an equity sufficiency index of 9.7%.

It is also highlighted the maintenance of a high level of productive assets over total assets, averaging at the closing of the period 68.0%, mainly comprised by the loan portfolio (Bs. 24,589 million) and investment in securities (Bs. 5,011 million), captions that represented at June 2010, 57.6% and 11.7%, respectively, of the assets of the institution, while in the system such proportion is 43.2% and 24.1%.

As a result from the operations of the six-month period and in agreement with a top quality portfolio, the growth of which during the period increased income from loan operations at a level higher than 2,400 million bolivars, a financial intermediation margin of Bs. 2,215 million is recorded, which is sufficiently ample to cover the costs of operations and obtain after the corresponding income tax deduction, a net result of Bs. 403.4 million, which in relation to the equity lead to a return of 21.9%.



## Corporate Support

## Human Capital

Banesco, as socially responsible organization, is on an ongoing quest to improve the quality of life of our collaborators. This is part of our strategy, and helps us maintain our leading position for offering the best working conditions. The foregoing is evidenced by the results of the organizational environment study regarding “Commitment” with 25% over the results of Latin America general market “Satisfaction” with 16% and “Environment” (which within the conceptual framework encompasses the following perspectives: People, Working Processes, Management Structure, Information and Knowledge, Decision Power and Rewards), obtained 15%. The foregoing position us a leader entity with outstanding results in human capital management.

### | *Tu Casa con Banesco (Have Your Own Home with Banesco) Program* |

In Banesco, we make efforts to optimize the social-economic benefits of our employees and improve their labor conditions. A main part of the Bank's success is supported by the quality and skills of our human capital. Therefore, among our Social Responsibility initiatives we are constantly looking for improving the life quality of our employees, through the design of benefit programs providing a support to our employees and their family beyond economic incentives.

In this regard, we continue supporting our program *Tu Casa con Banesco*, which from 2006 to the closing of the first six-month period of 2010, has invested the amount of Bs. 332,633,043 in loans settled with Banesco's own funds and the amount of Bs. 466,909,402 with funds from the Mandatory Housing Savings Fund (FAOV).

Additionally, we continue promoting the granting of loans for the acquisition of houses and reservation down payments, paid with the

*In Banesco, we are committed to the growth and professional development of our human talent. Therefore, we provide training fostering the achievement of the required competencies*



years of service. Only during the first six-month period, 204 loans were granted for the amount of Bs. 3,024,400.

### | *Permanent Development* |

In Banesco, we are committed to the growth and professional development of our human talent. Therefore, we provide training fostering the achievement of the required competencies.

For Officers, we provided a module aimed at developing the competence *Compromiso con la Rentabilidad* (Engaged with Profitability), the main object of which was to enhance the skills and capabilities to manage the entity's businesses, based on economic value creation bases.

Likewise, more than 8,000 employees received training in Effective Communication, Management of Personnel and Work Teams and Talent Self-development, Integrity and Trust, Customers' Orientation, Planning and Organization, Personal Responsibility, Technical-Regulatory Training and Decision-making, complying with a schedule of more than 186,000 men/hours during the first six-month period in order to enhance the capabilities of our human talent.

### | *Corporate Volunteer Work* |

Corporate Social Responsibility is part of our organizational strategy. During the first six-month period of 2010, we worked with our social partners in the following initiatives:



### Fundana

Two events were held as part of the initiative *Amigos de la Naturaleza* (Friends of Nature), benefiting children from Villa Los Chiquiticos de Fundana, to nurture environment responsibility.

### Casa Hogar Don Bosco Sarria

During June, our volunteers visited Casa Hogar Don Bosco Sarria to share a Sports day with the kids fostered by this social partner. One of the matches of the World Cup was broadcasted and different friendly matches were placed. In addition, a donation of Sports implements was granted.



### Provea

As part of the agreements with Organización Provea, the first Human Rights Workshop was conducted, which counted on the participation of workers from our Corporate Volunteer Program, completing 248 hours of training.

### Facilitators Training Program

Follow-up sessions to Facilitators Training Program were conducted, in Maracaibo, Caracas and Barquisimeto, to evaluate the activity and improvement of participant voluntaries, obtaining their certification as facilitators under the ADA methodology (Accelerate Dynamic Learning).

### IUJO Program

Continuing with our relationship with *Instituto Universitario Jesús Obrero*, social partner where our Professional Volunteers serve through Complementary Training sessions to its students, we started the Professional Volunteer program at the IUJO in Barquisimeto.

During the period, 5 Supplementary Training Workshops were conducted for 60 students from Barquisimeto and Caracas. Workshops included: Accounts Classification, Lopcymat, Credit and Debit Theory.

## Corporate and Social Responsibility

During the first six-month period of 2010, Banesco's social action in the community implied an investment plus contracted commitments of Bs. 15,455,180, highlighting the following projects and activities:

### National System of Youth and Children's Orchestras of Venezuela

We granted Bs. 1,863,000 to the National System of Youth and Children's Orchestras of Venezuela for the acquisition of lots of land to enhance the headquarters of the Fesnojiv, maintenance of classrooms and acquisition of instruments for the young musicians. Since 2004, Banesco has allocated Bs. 9.59 million for the institution headed by Master Abreu.

### UCV

Universidad Central de Venezuela received a contribution of Bs. 150,000 for the Project named "Development of an updating model for academic institutions of the Science, Technology and Innovation National System through the Knowledge Management", which will allow to identify knowledge in different areas in the most important university of the country and share them with social actors for the benefit of the country.

Contemplated knowledge areas encompass: Energy, Health and Life Quality and Environment; where the Central University has quality research and development lines.

### A.C. Damas Salesianas

We allocated Bs. 250,000 to sponsor the Working Training Program of the Asociación de Damas Salesianas, where more than 200 adolescents participated. Funds shall be specifically allocated to equipment supply, enhancement of the infrastructure of facilities and support in the payment of facilitators from Centro Don Bosco 88, administered by Damas Salesianas. Young individuals participated in the Accounting Analyst and Administrative Assistant Program.

### Solidarity

The public in general and Banesco Banco Universal raised Bs. 1,405,569 in favor of the hundreds of affected individuals by the earthquake in the Republic of Haiti. The financial entity made an initial contribution of Bs. 50,000 and, as promised, doubled each Bolivar deposited by individuals in the referred to aid account for amounts lower than Bs. 3,000. The contributions of individuals (under Bs. 3,000) amounted to Bs. 556,875, which was doubled by Banesco, and which in addition to the contributions made by the rest of the public amounted to Bs. 241,819. In total, our brothers and sisters of Haiti received Bs. 1,355,569.



*We supported Papiros 2010 Collection with a contribution of Bs. 350,000. This is an initiative of Equinoccio Editorial from Universidad Simón Bolívar*

Funds raised were delivered by Banesco to the United Nations, entity that leads the rescue labors and attention to the individuals affected by the earthquake. Contributed funds shall be invested by the UN in enhancing the humanitarian aid and the progressive recovery of Haiti.

### **Hospital Ortopédico Infantil (Children's Orthopedic Hospital)**

We granted Bs. 800,000 for the remodeling project of the waiting room of Hospital Ortopédico Infantil.

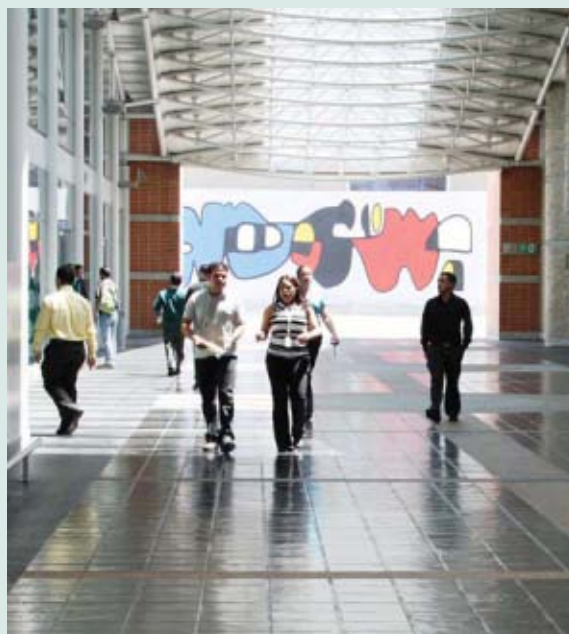
### **Bello Monte Community**

From the 5 works approved this year thanks to the preparation process of the Participative Budget between Banesco and Colinas de Bello Monte community, 3 of them already received the required budget. We refer to *Fundación Paso a Paso "Respetando las diferencias"* (Step-by Step Foundation "Respecting Differences", amounting to Bs. 28,778 and the Sports Scholarship Plan of Biohabitat Civil Association for Bs. 90,248 and the program of young people excluded from the formal education system of Fundación Santo Domingo for Bs. 129,413. The three projects amounted to Bs. 248,439.

### **Universidad Simón Bolívar • USB**

We supported Papiros 2010 Collection (Series, Poetry, Narrative and Essays) with a contribution of Bs. 350,000. This is an initiative of Equinoccio Editorial from Universidad Simón Bolívar.

In the **narrative series** the titles are: *Todas las ciudades son Isabel*, by José Tomás Angola; *El bosque de los abedules*, by Enza García



### **Our Employees**

As part of the internal dimension of our Corporate Social Responsibility Program we spent Bs. 7,361.254 in contractual benefits for our employees.

From such amount, Bs. 6,787,808 was used to subsidize the cafeteria; Bs. 292,981 for the Health service; Bs. 180,000 to subsidize the employees' parking lot and Bs. 100,465 to subsidize extreme diseases.

*Arreaza* and *Los zapatos de mi hermano y otros oficios*, by Heberto Gomero.

The **series of Essays** include *Memorias desplazadas. Legados de la lengua y la cultura en la literatura latinoamericana contemporánea*, by Gina Saraceni.

The **poetry series** includes *Desasosiego*, by Jesús Alberto León; *Fanes*, by José Delpino and *Campanas de Nogueira*, by Joaquín Marta Sosa.

The **rounds series** which presents the following titles: *Prosa reunida*, by José Ignacio Cabrujas and *Antología de la poesía hispano-americana*, by Guillermo Sucre / Arturo Gutiérrez / Luis Miguel Isava / Gina Saraceni.

### **Fe y Alegría**

Within the framework of the agreement entered into with Fe y Alegría, during the first six-month period of 2010 we granted Bs. 740,820 for the construction of the building for Industry Careers and the installation of air conditioning in IUJO in San Francisco, Zulia State. Funds shall be also used for the construction of Building Number III of Barquisimeto IUJO.

# Responsible and Customers' Oriented Marketing

## | Baneskín Energy Saving |

For purposes of supporting the Energy Savings Plan in the country, through the utilization of Banesco Electronic Banking, the campaign named *Baneskín Ahorro de Energía* (Baneskin energy savings) was launched. Thanks to this friendly character and supported by mass and direct means we achieved a high recall and good will towards the label.

This campaign was oriented to customers' education through recommendations as to the best utilization of electronic channels in order to contribute to the minimization of the electric consumption.

### "Relax" and forget about payments!

Under the slogan "Relax", and supported by Baneskín, we introduced this interesting offer aimed at facilitating our customers' life ...

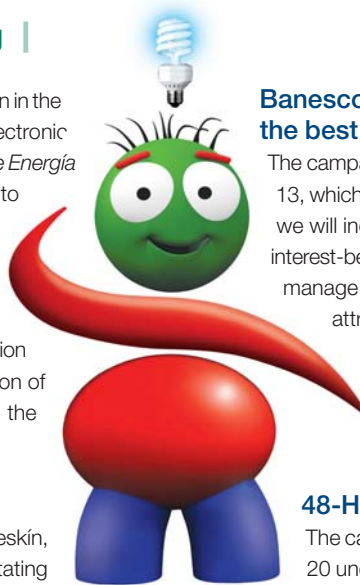
The purpose of this campaign was to encourage monthly direct debiting for services such as fixed and mobile telephone, TV cable, electricity automatically debited from Banesco account or credit card. For purposes of motivating the public object of this promotion, we granted prizes to 100 customers, such as the reimbursement of the domiciled service payment during August, September, and October for up to an amount of Bs. 250.

### BanescoMóvil: with the unique exclusive application for Blackberry in Venezuela

Since May and through a social network campaign we offered our customers the BanescoMóvil service: a financial solution to make consultations, transfers and payments of the same holder through his/her cell phone.

BanescoMóvil is also the first application especially designed for BlackBerry which shall be subsequent extended to other operating systems such as those used by Iphone, Nokia, LG, among other.

Banesco ratifies one of its main attributes as the financial innovation. The fact of having achieved more than 100 thousand downloads of the BanescoMóvil application only weeks after the introduction of the campaign in the social Networks, made the company RIM Internacional, through its representatives in Venezuela Sinergy Global Bussines, to appoint us as an example of Success Case in Venezuela.



### Banesco Checking Account: the best in terms of liquidity

The campaign *Cuentas Líquidas Banesco* was launched on May 13, which invited to relax only provided by nature and with which we will incentive the preference of our customers for Banesco interest-bearing checking account. ¿Reasons? The best option to manage your money in a comfortable form, enhancing the attribute of having access to your account the 24 hours, without going to the Bank, through remote banking services, highlighting the free issuance of Banesco Maestro card and 15 ATMs transactions free of charge.

### 48-Hour Multiloans

The campaign 48-hour Multi-loans was relaunched on June 20 under the slogan Grow your Business ¡In 48 Hours!

**BanescoMóvil**

UN NUEVO  
UNIVERSO DE  
POSIBILIDADES

BanescoMóvil te permite entrar a Banesco con tu celular y realizar fácilmente:

- Consulta de saldo y movimientos de Cuentas Banesco y de Tarjetas de Crédito Banesco.
- Transferencias y pagos de Tarjetas de Crédito Banesco mismo titular.
- Transferencias y pagos de Tarjetas de Crédito a terceros en Banesco.
- Transferencias mismo titular y a terceros en otros Bancos.
- Pagos de Tarjetas de Crédito mismo titular y a terceros en otros Bancos.
- Y pronto, muchas más operaciones.

Descarga BanescoMóvil para BlackBerry siguiendo las instrucciones en: <http://m.banesco.net/bb/> o escanea el código de barras. Usa BanescoMóvil para celulares con navegador; ingresando en la página: <https://m.banesco.net>

**Banesco**  
LO LLEVAS CONTIGO

www.banesco.com | @banesco | Banesco Banco Universal | Banesco en imágenes



*We refreshed our campaign “Say goodbye to Lenders”, in order to offer Working Loans from Banesco Community Banking*

This campaign was directed to small and mid-sized companies for the purpose of increasing the loan portfolio through granting loans between Bs. 3,500 and Bs. 500,000; approved and credited in 48 hours, with 12-18 month terms. Such loans can be requested through the 445 service points in the national territory.

### Exclusive Alliances for our Private Banking Customers

From January 1° to March 31, through an Alliance with Hotel Tamanaco Intercontinental, Banesco Premium customers had the opportunity of enjoying special rates of 25% discount from Monday to Thursday and 45% discount from Friday to Sunday, when reserving and paying with their Banesco Credit Cards and Debit Cards. Also, they were freely registered in the Loyalty Program of Intercontinental Hotels.

### New Image of Locatel Banesco Credit Card

The image of Tarjeta Salud Locatel Banesco was renewed in April, in conformity with the new graphic image adopted by this Commercial Alley, with which we identify by virtue of the evolution and affinity with our label.

### Forget about your password! New Scheme for Special Operations Password

The new scheme of Special Operations Password was launched on June 15 with the utilization of dynamic passwords. Thus, customers do not have to memorize their Special Operations Password, since, the password is sent to their cell phones or e-mail addresses.

This new function that pursues to enhance customers' transactions was communicated through a campaign that was mainly focused on a social



**Más de 117.000 clientes atendidos en la Banca Comunitaria Banesco**

- 64.550 Microcréditos otorgados
- 103.325 Ahorros afiliados
- 16 Agencias Comunitarias para atenderlos
- 170 Aliados Comerciales para sus transacciones
- Sólo hacía falta, ¡que un banco creyera en ellos!**

Banca Comunitaria Banesco, líder pionero y amigo de los microempresarios.

Presentes en Aragua, Carabobo, Distrito Capital, Miranda y Vargas  
...y próximamente en Lara y Zulia.

**Banca Comunitaria Banesco**  
Banco Comunitario  
**Ahora el Banco viene a ti.**

www.BancaComunitariaBanesco.com

network context marketing strategy, Banesco.com, E-mailing, in line with the new communication trends.

### Close to your needs: Banesco Community Banking

Looking forward to get close to this segment, we started our Cine Móvil cycle, program that allow to convert the spaces frequently visited by popular sectors in free spaces for the projection of movies allowing for the recreation of the community. Within the framework of this program, we provided information as to the products and services of Banesco Community Banking to the attendants.

Additionally, we refreshed our campaign “Say goodbye to Lenders”, in order to offer Working Loans from Banesco Community Banking, an ideal offer to start in the banking relationship and jointly pursue a path of growth and progress.

### Banesco-Adidas Alliance

It is generated by an initiative of the meeting of both labels in the celebration of the 2010 World Cup in malls. Such Alliance was materialized in an event held at Ciudad Banesco, where the kids from Fe y Alegría and A.C. Red de Casas Don Bosco, received Adidas Jabulani-model soccer balls, and where hundreds of kids experienced the excitement of soccer.

Banesco continues with its alliances to teamwork with initiatives contributing to the country's sports and social development.



## Electronic Channels

During the first six-month period of 2010, transactions through the electronic channels experienced a growth of 4.7% with respect to last year, passing from 66 to 69 million of monthly average transactions. The participation of transactions conducted through the electronic channels was 88.84%, which represents an improvement of 1.15 percentage points with respect to 2009.

Currently, Banesco is broadly disseminating the EMV technology in its points of sales.

### BanescOnline

June 2010 closed with 2.13 million affiliated clients, that is, 168,114 clients joined the channel during the period. This represents 9% increase in comparison with December 2009. The base of affiliated customers presented a monthly average of 16 transactions.

On average, 33.05 million transactions were made through this channel per month. The average monthly amount managed in the first six-month period of 2010 was Bs. 7.54 million, which showed a 65.84% increase over 2009.

New features were included into this channel, including, but not limited to: Implementation of the new Special Operations Password scheme, Requirement Management/ Follow up (Recording and Consultation of requirements) Credit Consultation and Mobile Payment.



### Call Center (CAT)

For the first six-month period of 2010, the service handled a monthly average of 2.9 million calls, 783,080 monthly calls out of which were answered through the Call Center. In connection with transactions, the monthly average managed by the channel was 1.7 million, with an average robot participation (IVR) of 80%.

During the six-month period, new functions were incorporated through this channel, such as: Special operations Password (OTP), PIN Reallocation in compromised debit cards, Banesco Móvil and Credit Consultation.

### Points of Sale, ATMs, Self-Service Banking and Checkbook Dispensers

At June 2010 closing, Banesco had:

- 51,384 Points of Sale whereby 11.3 million average monthly transactions were made, showing a relative growth of 8% over 2009.

## Quality and Research: Measuring Service Quality

The follow-up of customers' expectations and service quality delivery is guarantee of satisfaction and creation of long-lasting relations. Therefore, during this period, the follow-up and service quality to our clients and users are maintained through monitoring programs guaranteeing the compliance with the supply.

Manage service and quality translates into the obtainment of results, constant priority in Banesco positioning and business strategies evidenced in the goals of the responsibility areas and centers, which is consolidated in the Service Quality Committee.

In this cycle -January/June 2010- the corresponding periodical programs and market researches were applied. To monitor the service and requirements of our customers focusing on the main channels and attention points, namely: Agency Service Audits (80 agencies assessed) and Call Center Monitoring (1st. and 2nd. quarter), Segments View: Agency Users Satisfaction Poll (4,050 people consulted), Premium Banking Satisfaction (450 people consulted), Private Banking Satisfaction (400 people consulted), Telephone Banking Satisfaction (1st. and 2nd. quarter, 894 and 870 people consulted, respectively).

- 1,913 ATMs, through which 11.7 million (Issuer) and 11.3 million (Acquirer) average monthly transactions were made in the first six-month period of 2010, that is, an increase of 12% and 14%, respectively, over last year.
- Likewise, we maintain as Leaders in transactions as acquirers of Suiche 7B and Conexus networks.
- 362 Self-Service equipments that recorded 526,000 monthly average transactions, which is equivalent to a decrease of 26% over 2009 due to the disposal of 46 obsolete devices.
- 244 Checkbook Dispensers, where 146,000 monthly average transactions were made.

## | Payment Methods and Services |

### Cash Management Services

2010 first six months were a period of sustained growth for the services of Payroll Payment, Suppliers Payment, and Direct Billing through the Electronic Data Interchange (EDI) platform, recording an increase of 3.9% in transactions and 54.8% in managed amounts in comparison with previous year.

The joint operation of the Specialized Banking and our executives facilitated the gaining of 366 new clients to the portfolio, closing the first six-month period with more than 6,600 customers.

Regarding Collection services, the volume recorded an increase of 22.2% with respect to the same period of 2009, while transactional records showed a positive activity of 12.3%, passing from 4.7 million to 5.3 million in the first six-month period of 2010.

### New Developments

During this six-month period, new functions were incorporated to *Pago Electrónico* (Electronic Payment) as follows:

- New Users' Administration with the possibility of determining Administrator Users for accounts.
- Configuration of the information to be viewed by users in options regarding to consultation and approvals.
- Approval model administration per account.
- New version of the DataEntry applicative type.



*51,384 Points of Sale whereby 11.3 million average monthly transactions were made, showing a relative growth of 8% over 2009*

In connection with Mobile Solutions, Banesco Móvil was implemented, a novelty service that allows customers to make transactions through their mobile phones, such as consultation of balances and account movements, consultation of balance and credit card movements, Transfer between the same holder and Credit Card payments. This service is available in two versions: Web Mobil (via navigation and BlackBerry Application, which can be downloaded and installed in your mobile phone.

Regarding Collection Services via cashier and/or internet, the projects to incorporate SENIAT's income tax collection, improvements to IVSS collection requested by Decree 7401, were successfully implemented, as well as the inclusion of new companies to the collection system.



## | Credit and Debit Cards |

### Debit Card Issuing Business

Banesco had consolidated its leadership in Debit Card POS Sales with a market share of 25.10%, as a result of the ground-breaking strategies based on the needs of our clients, providing them a better service and promoting the use of and preference for Banesco Maestro Debit Cards through remarkable benefits, like the following: strengthen of the use of electronic channels for more comfort and velocity, where the first 15 transactions in ATMs of Banesco are free of charge. Also, our customers count on a comfortable and simple process to change their secret password in case of being forgotten, without having to go to the agency.

### Credit Card Issuing Business

We reaffirmed our credit card leadership Venezuelan market, reporting a market share of 28.18% in sales at 1st six-month period closing, developing integral customers and creating strategies to provide the best service and benefits through our credit cards.

As retention strategy, during the period, more than 90,000 thousand customers received cards with higher categories, allowing customers to enjoy more and better benefits.

Likewise, we continue recognizing and rewarding the royalty and credit good record of our customers through different processes to increase the credit line.

We continue enhancing the commercial alliances and promotions with known labels in the Venezuelan market, thus obtaining the fidelity and royalty with our label. The permanent programs incentivizing use are:

- **Pague Puntual y Gane (Pay On Time and Win):** promotion in order to encourage our clients to pay on time and maintain their credit record. During the first six-month period of the year, 400 customers resulted to be benefited.
- **Winning Ticket:** In the first six-month period, 2,700 customers were automatically winners of free purchases for paying with their Banesco Credit Cards and Debit Cards at Banesco Point of Sales.
- **Cinex:** Allowing our customers to enjoy 50% discount when purchasing their movie tickets at any Salas Cinex of the country from Tuesday to Friday.

Likewise, leveraged by Visa franchise, the promotion *Visa Sudáfrica 2010* was launched, whereby our Visa customers participated in the drawing of a trip to the FIFA World Cup, being the only Venezuelan issuing bank with a prize to attend to the final match of the world cup. Also, our winners of the promotion *Banesco y Visa te llevan a los*



*In order to promote the growth within legal entities segment, we strengthened the process for the issuance of business credit cards*

*Juegos Olímpicos de Invierno Vancouver 2010*, enjoyed such event in February.

In order to promote the growth within legal entities segment, we strengthened the process for the issuance of business credit cards, directed to customers with an excellent history with Banesco who did not have the product. With this strategy applied since mid 2008, we consolidated as the number one in the juridical businesses in the second quarter of 2010, with a participation of 33.86%.



## Specialty Segments

### | Banca Comunitaria Banesco |

After almost four years of service, Banca Comunitaria Banesco (BCB) has been consolidated as Banesco's initiative in micro-finance to meet the financial needs of low-income people. This is still a successful business model that combines the financial internal rate of return and a strong social impact.

At 2010 first six-month period closing, Banca Comunitaria Banesco has benefited over 110,175 people, granted 10,478 *Préstamos para Trabajar* (Working Loans) for a cumulative amount of 60,260 loans granted since 2006, 19,538 clients have enrolled in the *Ahorro Paso a Paso* (Step-by-Step Savings) program completing 96,218 affiliations. The Working Loans are in the amount of Bs. 471,329 million, with a late interest rate of barely 3.06%. Clients have opened 19,538 *Cuentas Comunitarias* (Community Accounts) totaling 104,498 with an account balance of Bs. 31.8 million.

The service network has 15 *Agencias Comunitarias* (Community Agencies) located in: Catia, San Martín, Antimano, La Vega, Maiquetía, Los Roques, El Cementerio, Guarenas, Petare, Cúa, Santa Teresa, Higuerote, La Isabelica (Valencia), Valencia (Center), and Puerto Cabello.

We increased the number of attention channels through the establishment of new community alleys. At the closing of the six-month period we have 163 points of attention, distributed in 56 *Barras de Atención* (Service Counters) and 107 PosWebs, electronic gadgets that allow our customers to make consultations, withdrawals and deposits in commercial alleys. Currently, we serve a Group of 1,750 poor communities in Gran Caracas and in Vargas, Miranda and Carabobo States.

During the six-month period ended, different activities, conferences and strategic alliances were conducted in order to promote and position Banesco Community Banking in their service areas.

In June, Banesco Community Banking was awarded with the third place by the Journalists National Association as the "Best RSE Integrated Program". With this award, such institution recognizes the work of social communicators in Venezuela, as well as the labor of social responsible companies.



### | Premium Segment |

During the first six-month period of 2010, the development of the Premium Banking maintained its increasing trend to increase, contributing to the achievement of the results obtained by the Organization, through a better positioning within the network, by increasing its liability quota, which corresponded to 16.2% of the Bank's total by June.

The segment has been positioned through the improvement in the personalized attention provided by the system in the market. Our efforts have resulted in an increase of more than 13% with respect to the previous period, to total 67,759 customers in June 2010.

Proceedings aimed at obtaining an increase in the use of Electronic Banking have been implemented. At the closing of the period, 80.2% of customers was affiliated to our Debit Card and 54.3% used BanescoOnline.

Loan granting enhancement supported by profitability and risk models has allowed increasing the commercial portfolio if compared to the second six-month period of 2009 in 18.9%, maintaining a default index of 0.11%.

### | Mass Segments |

The new Corporate Business Model was 100% applied and adapted, unifying all mass segment and PYME activities. Likewise, a Mass Segment and PYME Management area was created to support all planning and management activities oriented towards the profitability, follow-up and encouraging processes, which shows better service quality and segment better management.

We continue growing and achieving our goals. In customers-deposits, we showed an increase of 11.8% as of June 2010. In connection with the lending portfolio, the Vice-presidency of Mass Segments increased 16%, being the portfolios directed to microcredit and for vehicles purchase, the portfolios that represent the highest increase. Also, in the same six-month period the tourism portfolio was fostered, thus contributing to regulations compliance.

We implemented the Systematic Model of Commercial Management and Action, which will allow approaching market in a different form, based on the commercial Management of the segmentation and on individual goals, aimed at increasing customers- fidelity and placing products.

### | Public Banking |

We provide quality services by developing and integrating financial products facilitating the efficient and safe administration of the budget financial resources of the Entities and Institutions, rate and tax collections and public employees' labor benefits.

We oriented our support towards the utilization of the most advanced technologies to facilitate the access to information, the speed of operations and the decrease of proceedings and costs, under high security standards.

During the first six-month period of 2010 we worked on the activation of services and electronic payment means to suppliers and income tax collection and we put to the disposition of governors' and mayor' offices, financial administration products flexibilizing the management of their accounts.

### | Corporate Banking |

During the first six-month period of 2010, the Corporate Banking focused its efforts on approaching its customers, establishing as priority those economy sectors requiring more financial support, from the credit and transactional point of view. The foregoing was conducted through visitation plans allowing to closely know the requirements of our customers, by segmenting the customers portfolio based on selected sectors. This strategy was translated into the render of a service more in line with customers' requirements, looking for more connection and fidelity, which had an effect on the increase in the transactional business and the increase in the import volumes managed through the Bank.

*The Agricultural Banking settled 899 credit operations, closing the period with a loan over 4,500 million bolivars*



### | Agricultural Banking |

During the first half of the year, the Agricultural Banking settled 899 credit operations, closing the period with a loan over 4,500 million bolivars, which foster the country's agricultural development, and allows us to continue being the first bank in the financial system in this caption. Part of the strategy was based on addressing customers from the primary and agroindustrial sector in order to develop a credit business, boost the banking transactional business and increase import volumes managed through the Bank.

### | Energy Banking |

The sustained growth trend of our customers' portfolio is maintained and 30 new customers were incorporated at national level, thus achieving 767 customers, developing 14 value chains associated to our main customers.



## | Trust Fund |

At June closing, the Trust Fund portfolio amounted to Bs. 6,656 million, showing an asset increase of Bs. 636 million during the first half of year (10.6%).

Likewise, 41.8% of the funds correspond to Collective Trusts (Bs. 2,780.5 million), 19% to Administration Trusts (Bs. 1,034.5 million), 19% to Guarantee Trusts (Bs. 1,264.0 million), and 19.7% to Investment Trusts (Bs. 1,314.3 million), while Combined Trusts make up 4% of the total portfolio with Bs. 263 million.

During the first six-month period, 124 new trust funds were created, for a total of 6,564 plans in the trust fund portfolio (4,025 of which are Administrative Trust Funds, 1,554 Collective Trust Funds, 954 Investment Trust Funds, and 41 Guarantee Trust Funds).

The trust assets of the financial system reached in June 2010 the amount of Bs. 88,911 million, being Banesco in the fourth place (7.5% of total market), while in the segment of private banks, it was placed on second, with a participation of 19.9%.

## | Directed Portfolio |

In this first six-month period of the year we have made efforts to increase the amount of the gross portfolio, and as a result we obtained the liquidation of more credits directed to productive sectors presenting more financing needs in the country. Therefore, today we are proud of participating in the development of national economy, and in compliance with the percentage of loans placements legally established, we present figures representing the goals achieved thanks to the persistency, teamwork and the social responsibility sense that is our signature within the Venezuelan financial system.

In connection with the Tourism Sector, we continue offering our support through construction, supply and furnishings financing to tourism service providers under their different modalities, recording by the closing of June 2010 a portfolio of Bs. 384 million, which represents an increase of 37.0% with respect to the same period of 2009. It is important to mention that during such term we exceeded the mandatory requirements of this economic activity, reaching 1.82% of the gross loan portfolio (requirement: 1.50%), being considered as one of the banks that more funds has allocated to promote tourism in the country.

Currently, we are managing a significant number of financial and technical resources to capture tourism operators requiring financing for the development and adequacy of their facilities; therefore, we have visited the main touristic states of the country, directly offering the interested parties financial solutions supporting their individual requirements; this activity has been developed jointly with Tourism

*The Mortgage Portfolio (Bs. 3,719 million) closed the period with 77.97% of total percentage (10%) required for 2010, thus financing more than 1,400 families*



Technical Boards organized by MINTUR, where technical and financial advisory is offered to customers with tourism projects.

Additionally, our Agricultural Portfolio ended this first six-month period with 2,889 current loans, which corresponds to more than Bs. 4,525 million placed in the country's productive process. In percentage points, the compliance for the period is 21%, exceeding Banesco the requirements by 102.15%, placing us as a must reference in the sector.

The Mortgage Portfolio (Bs. 3,719 million) closed the period with 77.97% of total percentage (10%) required for 2010, thus financing more than 1,400 families, which is a sample of the great sense of social responsibility of our Organization, thus helping to satisfy to the important demand and necessity of own dwelling of the country.

Additionally, the manufacturing portfolio closes this first period with a placement of Bs. 1,800 million in the sector of the transformation of

raw material into elaborated and semi-elaborated products, represented in 1,089 loans supporting the development of craft activities and fostering the manufacturing of goods made with the effort of our customers.

By June 2010 closing, Banesco Microcredit Portfolio amounted to Bs. 1,112 million, which represents an increase of 10.8% if compared to the figures of December 2009 (Bs. 1,004 million). The amount reached represents 4.78% of the Bank's gross portfolio, thus evidencing that Bank widely exceeds the legally required 3%.

In 2010 we made significant advances in the positioning of the Banesco label as one of the main promoters of microcredit at national level, being the bank that leader in this type of financing by attending 21.76% of the funds administered by the private financial system at national level. For the rest of the year, we will continue enhancing our position in the microfinance sector, with the firm conviction that they represent the promoter factor of the economy.

Supported by break-through technologic platform in credit processes, we have significantly decreased response times and offer competitive interest rates, executing a growth program to cover market requirements and contribute with an important segment of the country's production sector.

## Operations

For the purpose of rendering a better service to our customers and support the regulatory entities in the different projects undertook, the following activities were developed:

- Activation of 4 pilot agencies (Ciudad Banesco, Bello Monte, El Recreo and C.C.C.T) with the digitalization of transactions related to Banesco checks and checks from other banks (Regulatory Project for the Image and Data Exchange with BCV).
- Ongoing adequacy of technological tools supporting the operations and coordination with areas involved in the liquidation process "Sale of Bonds denominated in Foreign Currency", held in custody by the Bank, which allowed to decrease settlement times from 5 to 3 days.
- Support in SITME implementation (Foreign Currency Transactions System) To guarantee the placement of purchase orders for foreign currency securities, for purposes of obtaining a better service from sales networks and specialty banking, guaranteeing the effective execution of US dollar securities in custody systems and accounts, which allow customers to count on the availability of securities for their foreign exchange transactions upon placing the selling order.
- The processes to address the funds subrogation requests of Intervened Banks Canarias, Banpro, Real and Baninvest



*Processes were adequate and controls were enhanced to satisfactorily execute the private debt issuance payment agent service*

corresponding to companies and individuals were expedited, in order to meet the guidelines established by Fogade. 16,108 requests were processed for a total of Bs. 60,302,523. From this amount, 98% of funds (Bs. 58,982,736) were allocated to Banesco accounts.

- Processes were adequate and controls were enhanced to satisfactorily execute the private debt issuance payment agent service (Unsecured Obligations and Commercial Papers), timely paying the amount of Bs. 26,666,759 to these papers' holders.
- We adapted the internal processes of management for the mass reception of securities (Local Currency-Foreign Currency) of Banesco customers maintaining the custody of its securities in the depositing account of the Venezuelan Stock Exchanges, as per instructions of the National Securities and Exchange Commission.

## | Loss Prevention and Business Continuity |

Regarding Loss Prevention Management, a strategy was developed, which in addition to the corporate strategy looks for adding value to our stockholders and contributes to the Bank's Social Responsibility based on three main aspects:

### EFFICIENCY → SERVICE QUALITY → COORDINATION

**Efficiency**, it pursues the optimization and simplification of processes and system, being aware of the optimization and rationalization of operating expenditures, focused on the increase of the internal production and based on the prevention as loss mitigation and control mechanism. We are oriented towards **customers' service quality** and put emphasis on the **coordination between the business areas** and support areas to achieve the goals set.

In this regard, in **the Prevention area** the systems parameters were optimize, which improved the efficiency of the detection of fraud events or transactions.

Likewise, the initiative allowing for the blocking and resignation of passwords for compromised cards was promoted, thus generating operative savings for the reissuance of plastic and helping to clear the agencies. Also, recovery schemes were promoted to optimize their efficiency, having an increase of more than 70% in recoveries.

Likewise, jointly with business areas, the Chip Technology Project is being promoted to meet new regulatory standards. Also, within the framework of the regulatory framework and under the same coordination with the business areas, ATMs security systems continue to be adequate in compliance with the requirements of the new Law. Additionally, a proposal was developed to establish the physical security standards in the agencies, considering loans per type in order to guarantee the efficiency of loan allocation.

A strategy was developed to continue strengthening the internal and external security schemes in line with the new menaces of the environment.

Likewise, in order to increase the levels of our internal and external customers' satisfaction, we are continually improving the quality of the services we provide, assuring a timely and effective response to the institution's requirements and operations, related to the Loss Prevention and Business Continuity Management process, thus offering service levels of over 98%, in accordance with international standards.

We have also continued implementing campaigns to train and raise businesses and clients' awareness about the best practices to use

and accept Payment Systems and Channels. The campaigns were implemented in 255 businesses, and 707 people were trained in total. Also, we continue promoting our constant sensitiveness process to employees and new employees. We also started activities for the joint development with Human Capital of a distance-training plan through E-Learning, which will allow to reach in a more efficient form to the personnel.

Regarding the **Protection Area** the Agencies Security Certification process was accomplished, required by regulating entities, provided for the period. Additionally, a pilot program was implemented for ATM's inspections as a security prevention measure. The compliance with agency security regulations and controls are followed-up.

*In regards to control of losses,  
we have continued strengthening both  
internal and external detection and  
investigation processes*

In connection with **Industrial Security**, partial simulations were performed at Ciudad Banesco, as part of the development of the general evacuation simulation plan. Work Health and Safety Programs were updated and customized to be furnished to the Work Health and Safety Committees for their review and registration with the regulating entity. Also, the Industrial Health and Safety inspection plan was met at national level.

In order to improve the answer time of the Health Service and for the purpose of increasing the productivity levels of our employees, we implemented a decentralized service scheme. This initiative along with the review of the processes, intends to optimize employees' attention. Likewise, specific Health journeys were conducted as a preventive activity.

**In regards to control of losses**, we have continued strengthening both internal and external detection and investigation processes, as well as developing and implementing the mechanisms associated to the Sistema Integral de Ética y Conducta (Ethics and Conduct Comprehensive System), guaranteeing an effective case resolution.

In regards to **Business Continuity Matters**, the technological continuity projects were implemented as planned for the six-month period. The tests and simulations planned for this period were met, the results of which allow for the ongoing optimization guaranteeing the Business Operating Continuity.



## | Technology Innovation and Special Projects |

### Banesco.net

During the first six-month period of 2010, the Web platform was implemented as well as the integration services associated to banesco.net.

Based on this system, the product BanescoMóvil was developed, the first mobile banking application of the Venezuelan market offering smart access to services via a mobile portal. The system is designed to recognize the type of terminal of the customer and adapt the user's experience according to the capacities and restrictions of the Navigator. Regarding the most popular smart terminals in the market, the RIM/Blackberry phones, a specific application was designed, which enhances the functions of the mobile portal, increasing the speed and offering all the functions inherent to the phone programs.

As of June 30, 2010 the following operations were available:

- Balance and activity consultation for accounts and credit cards.
- Transfers between accounts of the same holder.
- Payment of credit cards of the same holder.

The platform use statistics show that in less than 6 weeks, approximately 10% of the Internet Banking platform users had registered and downloaded the Blackberry application. The foregoing represents record acceptance levels and use for similar products within national and region market.

## | Enabling, Support and IT Operations |

### Banesco enhances its technological capabilities

By the end of the first six-month period of 2010, we have updated our processing capacity in the main Computers through the optimization of processes and programs, increasing in more than 40% the transactional performance, being able to support the growth in the volume of operations and provide better response times to our customers. In addition to the modernization of the telecommunications platform, Banesco is leader in technological operations, allowing the sustained growth of the agency network, point of sales and ATMs.

### Banesco was selected as Worldwide Reference Client by Oracle and Cisco

Oracle and Cisco companies selected Banesco as a reference customer to document worldwide business cases. Oracle prepared a document that describes the experience developed by Banesco in the



successful implementation of the preventive management using tools developed by Oracle.

### Banesco, the best in service availability

We have updated our IT Service Monitoring Centre with modern monitoring tools, increasing our coverage in more than 1,700 health monitors, allowing to constantly review the performance and response time of our technological platforms, allowing to address any event as soon as possible, by timely executing correction measures before affecting any service to our customers.

### Banesco enhanced their processes and guarantees the service quality to customers (successful changes)

Through the continuous improvement initiative in technology processes, Banesco has increased its percentage of successful changes in the technological platforms beyond the established goal of 97%, which has an effect on a significant decrease in the incident rates generated by the changes and shows the quality level of the staff of the Technology Direction.

### Optimization of our technological platform...

In Banesco we have been recognized by having the lowest response times in our technology platform, due to the enhancement and constant innovation of the applications supporting the transactional flow generated by our customers. These timely responses contribute to customers' satisfaction enjoying of the range of products offered by Banesco.

## Engineering, Solutions Development and Technological Capacities

Always leaders in ethnology, Banesco Banco Universal has developed a set of projects oriented towards enhancing the functions of our applications and thus providing more comfort to our customers for their operations, namely:

- New loan consultation channel through BanescOnline, facilitating the access in a quick and friendly manner to our customers.
- Replacement of checks physical exchange from check image and data exchange (truncation), through the BCV Electronic Clearance House.
- Incorporation of new security elements to our customers' information accesses, guaranteeing the quality, confidentiality and continuity of the business.
- Direct service, from the agency network, to all our customers interested in purchasing/selling foreign currency securities. Improvement in Status Consultation of Foreign Currency and Foreign Exchange Operations through BanescOnline, offering more information and enhanced navigation capacity to final consumers. Additionally, IVR consultation Systems were implemented and the management of appointments for foreign exchange proceedings.
- Incorporation of the scheme of Dynamic Password for Special Operations, which consist in sending to natural customers, SMS texts via cell phone and email, with their password to authorize banking transactions. It enhances the security of the internet system of Banesco in case of fraud.
- New function in BanescOnline allowing customers to make their proceedings and requirements without going to the Bank, providing benefits to the customer and the Bank.
- Implementation of the Virtual Lock, which allows to activate /deactivate Debit Cards through IVR channels (robot) and counters, helping to mitigate fraud in transactions performed through electronic channels.

*We provided an additional channel for  
our customers, where they can pay  
their Banesco credit cards, promoting the use  
of electronic channels*

- We provided an additional channel (multifunctional cashier) for our customers, where they can pay their Banesco credit cards, promoting the use of electronic channels and contributing with power saving and clear of agencies. 2,413 transactions were migrated to this channel with a sustained growth for the payment of Credit Cards in Cash or check and Cash distributed in the 236 equipment comprising the platform.
- Incorporation of the Chip technology in Banesco Cards, which provides security to customers against fraud with debit and credit cards in the different channels (ATMs and point of sales). New technology that includes the use of cryptograms for the validation of cards, thus protecting the issuer and the customer. It has successfully implemented in Europe and Latin America.
- Adequacy of the technological platform to the Chip technology, which includes adapting the 50,000 physical devices (point of sales) and the communications adequacy and certification with Suiche 7B and Cirrus networks.

## Architecture and Planning of Demand and Services

### Integrated Demand Process

We have implemented an attention process of the Integrated Demand with Business Processes, which will allow us to manage the relation with the internal customer, simplifying their interaction with technology areas, in order to address their requirements and deliver technology solutions responding on value, profitability and time terms to the Bank's requirements.

It incorporates the proactive and technological advisory view, allowing for valuing and planning the required demands to early activate the technological capacities for their attention.

We rationalized our portfolio of requests in 11%, increasing our capacity for the attention of relevant demand decreasing our costs in the delivery of Solutions.

### Technological Architecture

We have defined an Applications Domain Model, with which the entire Bank's application are associated to a business context depending on their function. This mapping allows to analyze the current architecture of applications, identify their complexity and diversity range and guarantee a simple technological architecture smoothly responding to the business growth.

## Balance Sheet As of June 30, 2010 and December 31, 2009



# Banesco Banco Universal, C.A.

## Balance Sheet As of June 30, 2010 and December 31, 2009

Stated in Million VEF	June 10	December 09
<b>ASSETS</b>		
<b>CASH AND DUE FROM BANKS</b>	<b>11,284</b>	<b>11,611</b>
Cash	1,139	1,340
Central Bank of Venezuela	8,978	9,563
Local Banks and Other Financial Institutions	130	136
Foreign Banks	99	54
Head Office and Branches	0	0
Notes Receivable	938	518
Provision for Bank Accounts	0	0
<b>INVESTMENTS SECURITIES</b>	<b>5,011</b>	<b>5,983</b>
Investments in Central Bank	757	531
Investments in Trading Securities	0	0
Investments in Securities Available for Sale	1,977	3,380
Investments in Securities Held to-maturity	1,530	1,544
Limited Availability Investments	371	303
Other Security Investments	376	241
Provision for Security Investments	0	-16
<b>LOAN PORTFOLIO</b>	<b>24,589</b>	<b>22,739</b>
Outstanding Credits	24,889	22,773
Restructured Credits	34	22
Past Due Credits	339	436
Credits in Litigation	37	17
Provision for Credit Portfolio	-711	-509
<b>INTEREST AND COMMISSIONS RECEIVABLE</b>	<b>466</b>	<b>378</b>
Interest receivable from cash and due from banks	0	0
Interest receivable from security investments	49	34
Interest receivable from credit portfolio	420	394
Commissions Receivable	69	72
Interest Receivable on Other Accounts Receivable	0	0
Provision for Interest Receivable and Other	-72	-121
<b>INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES</b>	<b>8</b>	<b>7</b>
Investments in subsidiaries and affiliates	8	7
Investments in branches	0	0
Provision for investments in subsidiaries, affiliates and branches	0	0
<b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>	<b>2</b>	<b>5</b>
<b>PROPERTY IN USE</b>	<b>840</b>	<b>863</b>
<b>OTHER ASSETS</b>	<b>485</b>	<b>1,482</b>
<b>TOTAL ASSETS</b>	<b>42,684</b>	<b>43,066</b>

# Banesco Banco Universal, C.A.

Balance Sheet As of June 30, 2010 and December 31, 2009

Stated in Million VEF	June 10	December 09
<b>LIABILITIES</b>		
<b>DEPOSITS FROM CLIENTS</b>	<b>37,175</b>	<b>37,763</b>
Deposits in Current Accounts	21,947	19,913
Non-Remunerated Checking Accounts	9,473	8,611
Remunerated Checking Accounts	12,474	11,302
Other Demand Liabilities	5,521	4,572
Obligations for Money Desk Operations	0	0
Savings Deposits	6,557	6,800
Time Deposits	3	21
Securities Issued by the Institution	0	0
Restricted Deposits from Clients	0	0
Right of Ownership and Participation on Security Investments	3,147	6,457
<b>OBLIGATIONS WITH BCV</b>	<b>0</b>	<b>0</b>
<b>DEPOSITS AND OBLIGATIONS WITH BANAVIH</b>	<b>4</b>	<b>1</b>
<b>OTHER FINANCING OBTAINED</b>	<b>337</b>	<b>567</b>
Liabilities with local financial institutions up to one year	101	208
Liabilities with local financial institutions more than one year	0	0
Liabilities with foreign financial institutions up to one year	236	359
Liabilities with foreign financial institutions more than one year	0	0
Other Liabilities up to one year	0	0
Other Liabilities more than one year	0	0
<b>OTHER FINANCIAL OBLIGATIONS</b>	<b>20</b>	<b>28</b>
<b>INTEREST AND COMMISSIONS PAYABLE</b>	<b>49</b>	<b>130</b>
Expenses payable due to deposits from clients	49	129
Expenses payable due to obligations with BCV	0	0
Expenses payable due to deposits and liabilities with BANAVIH	0	0
Expenses payable due to other financing obtained	0	0
Expenses payable due to other financial obligations	0	0
Expenses payable due to obligations convertible to capital	0	0
Expenses payable due to subordinated debt	0	0
<b>ACCRUALS AND OTHER LIABILITIES</b>	<b>1,291</b>	<b>980</b>
<b>SUBORDINATED DEBT</b>	<b>0</b>	<b>0</b>
<b>OTHER LIABILITIES</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>38,875</b>	<b>39,469</b>
<b>STOCKHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b>		
<b>CAPITAL SOCIAL</b>	<b>1,204</b>	<b>1,125</b>
Capital Paid-in	1,204	1,125
<b>PAID-IN SURPLUS</b>	<b>0</b>	<b>0</b>
<b>CAPITAL RESERVES</b>	<b>654</b>	<b>614</b>
<b>EQUITY ADJUSTMENTS</b>	<b>174</b>	<b>0</b>
<b>ACCUMULATED INCOME</b>	<b>1,816</b>	<b>1,742</b>
<b>NON-REALIZED GAIN OR (LOSS) ON AVAILABLE FOR SALE SECURITY INVESTMENTS</b>	<b>-3</b>	<b>151</b>
<b>TREASURY STOCK</b>	<b>-35</b>	<b>-35</b>
<b>TOTAL LIABILITIES</b>	<b>3,809</b>	<b>3,598</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>42,684</b>	<b>43,066</b>
<b>CONTINGENT DEBTOR ACCOUNTS</b>	<b>1,012</b>	<b>1,168</b>
<b>TRUST ASSETS</b>	<b>6,656</b>	<b>6,020</b>
<b>OTHER TRUST ASSIGNMENTS</b>	<b>148</b>	<b>159</b>
<b>DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (HOUSING MUTUAL FUND)</b>	<b>3,879</b>	<b>3,376</b>
<b>OTHER DEBTOR ACCOUNTS (HOUSING MUTUAL FUND)</b>	<b>9</b>	<b>8</b>
<b>OTHER DEBTOR MEMORANDUM ACCOUNTS</b>	<b>137</b>	<b>106,725</b>
<b>OTHER DEBTOR BOOK ACCOUNTS</b>	<b>25</b>	<b>25</b>

# Statements of Earnings

As of June 30, 2010 and December 31, 2009

Stated in million VEF	June 10	December 09
<b>FINANCIAL REVENUES</b>	<b>2,689</b>	<b>2,588</b>
Revenues from Cash and Cash Equivalents	0	1
Revenues from Security Investments	179	247
Revenues from Credit Portfolio	2,475	2,281
Revenues from Other Accounts Receivable	32	34
Revenues from Investments in Subsidiaries, Affiliates and Branches	0	0
Revenues from Head Office and Branches	0	0
Other Financial Revenues	3	25
<b>FINANCIAL EXPENSES</b>	<b>901</b>	<b>1,174</b>
Expenses Due to Deposits from Clients	894	1,117
Expenses Due to Obligations with BCV	0	0
Expenses Due to Deposits and Obligations with BANAVIH	0	0
Expenses Due to Other Financing Obtained	2	10
Expenses Due to Other Financial Obligations	0	0
Expenses Due to Subordinated Debt	0	0
Expenses Due to Head Office and Branches	0	0
Other Financial Expenses	5	47
<b>GROSS FINANCIAL MARGIN</b>	<b>1,788</b>	<b>1,414</b>
Income from Recovered Financial Assets	34	29
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	612	483
Provision for Loan Portfolio and Other Accounts Receivable, Losses	612	483
Provision for Cash and Due from Banks	0	0
<b>NET FINANCIAL MARGIN</b>	<b>1,210</b>	<b>960</b>
Other Operating Income	2,046	1,209
Other Operating Expenses	1,042	396
<b>FINANCIAL INTERMEDIATION MARGIN</b>	<b>2,215</b>	<b>1,772</b>
<b>TRANSFORMATION EXPENSES</b>	<b>1,603</b>	<b>1,312</b>
Personnel Expenses	663	567
Administrative and General Expenses	748	651
Contributions to Deposit Guarantee and Bank Protection Fund	169	71
Contributions to Superintendency of Banks and Other Financial Institutions	24	22
<b>GROSS OPERATING MARGIN</b>	<b>612</b>	<b>461</b>
Income from Adjudicated Goods	6	11
Income from Special Programs	0	0
Income from Sundry Accounts	28	21
Expenses Due to Realizable Property	3	1
Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods	0	0
Expenses Due to Dundry Accounts	232	152
<b>NET OPERATING MARGIN</b>	<b>411</b>	<b>339</b>
Extraordinary Income	0	0
Extraordinary Expenses	6	7
<b>GROSS INCOME BEFORE TAXES</b>	<b>405</b>	<b>332</b>
Income Taxes	2	10
<b>NET INCOME</b>	<b>403</b>	<b>322</b>
<b>APPLICATION OF NET INCOME</b>		
Legal Reserve	40	32
Statutory Utilities	0	1
Other Capital Reserves	0	0
<b>ACCUMULATED INCOME</b>	<b>359</b>	<b>286</b>
<b>LOSEP CONTRIBUTION</b>	<b>4</b>	<b>3</b>
<b>OTHER ACCOUNTS</b>		
Third-Party Investments	0	0
Monthly Agriculture Credit Portfolio	469	400
Accumulated Agriculture Credit Portfolio	4,525	3,816
Public Sector Deposits	3,159	2,820
Micro-Credits	1,112	1,004
Credits to the Segment of Tourism in accordance to law in force	442	466
Mortgages according to the Special Law for the Protection of the Housing Loan Debtor	3,012	2,635
Financial Soundness Ratio	9.73%	9.34%
Manufacturing Loans	1,889	2,112



PRINCIPAL FINANCIAL INDICATORS	JUN-2010
<b>1. EQUITY</b>	
Equity + Operative Management / Total Assets	9.73%
Non-Productive Assets / Equity + Operative Management	312.46%
<b>2. ASSETS QUALITY</b>	
Loan Portfolio Provisions / Gross Loan Portfolio	2.81%
Non Accrual Loans / Gross Loan Portfolio	1.49%
<b>3. MANAGEMENT</b>	
Personnel Expenses + Operative Expenses/ Average Productive Assets *	9.30%
Personnel Expenses + Operative Expenses / Financial Income *	52.47%
<b>4. EARNINGS</b>	
Net Results / Average Assets *	1.90%
Net Results / Average Equity *	21.95%
<b>5. LIQUIDITY</b>	
Availability / Customer Funds	30.35%
Availability + Investment in Securities / Customer Funds	37.71%

\* Annual Percentages

# SOCIAL BALANCE ACCUMULATED

## 1998 - I HALF 2010

(Stated in VEF)		Accumulated	
DESCRIPTION	I Half 2010	1998 - I Half 2010	
<b>Social Investment</b>			
<b>APPLICATION BANESCO RESOURCES</b>	<b>12,899,396</b>	<b>134,030,603</b>	
Fe y Alegría	740,820	21,014,559	
State Foundation for the Venezuelan System of Children and Youth Orchestras	1,863,000	9,592,969	
Association of Venezuelan Catholic Education (AVEC)	—	5,036,091	
Universities and Other Institutions	641,048	6,334,304	
Banesco Life-Long Scholarships	224,327	1,474,695	
Other Education Institutes and Organizations	14,000	1,531,369	
Venezuelan Foundation against Child Paralysis	800,000	1,693,919	
Red Cross	—	701,945	
Other Health and Medical Care Organizations	—	1,095,036	
FUNDANA	—	1,545,254	
Civil Association Don Bosco Houses Network	3,871	1,471,205	
Salesian Ladies Civil Association	250,000	1,329,441	
Attendance to the childhood and people with special neccessities	79,237	2,038,476	
Toys donation to the communities	—	3,108,451	
Editorial Projects	81,500	4,547,125	
Computers donations	10,945	417,958	
Other contributions	—	6,571,067	
Solidarity (Capital and Regional)	556,875	2,348,892	
Words for Venezuela	—	3,307,401	
Investment in works in Colinas de Bello Monte	248,439	2,666,832	
Social work of the Church	—	947,717	
Mayoralties, regional governments and other State Organizations	—	2,852,038	
<b>NON-CONTRACTUAL SOCIAL BENEFITS FOR BANESCO EMPLOYEES</b>	<b>7,361,254</b>	<b>52,016,802</b>	
<b>CORPORATE VOLUNTEERING CONTRIBUTION</b>	<b>24,080</b>	<b>387,057</b>	
<b>APPLICATION OF ARTICLE 96 (LOCTISEP)</b>	<b>—</b>	<b>33,612,457</b>	
Association of Venezuelan Catholic Education (AVEC)	—	4,434,352	
Children Museum	—	300,000	
FUNDANA	—	110,000	
Alliance for Venezuela Free of Drugs	—	100,000	
ABC PRODEIN (School Santa María City, Petare. CISAMA)	—	276,000	
Educational Foundation Canaima Schools	—	571,950	
Civil Association Don Bosco Houses Network	—	2,853,406	
Education (Campaign against drugs and sports events)	—	24,966,749	
<b>Total Social Investment</b>	<b>12,899,396</b>	<b>167,643,060</b>	
<b>CONTRACTED COMMITMENTS</b>	<b>2,555,784</b>	<b>2,555,784</b>	
<b>FE Y ALEGRÍA</b>	<b>2,555,784</b>	<b>2,555,784</b>	
<b>Total Contracted Commitments</b>	<b>2,555,784</b>	<b>2,555,784</b>	
<b>GENERAL TOTAL SOCIAL INVESTMENT PLUS COMMITMENTS MADE</b>	<b>15,455,180</b>	<b>170,198,844</b>	

### Directors

Juan Carlos Escotet R.  
Luis Xavier Luján P.  
Salvador Eduardo Cores G.  
María Josefina Fernández M.  
Nelson Orlando Becerra M.

Fernando Crespo S.  
Gonzalo Clemente R.  
Miguel Ángel Marcano C.  
José Rafael Padrón S.  
Daisy Josefina Véliz E.





# 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 has agencies throughout the national territory.

On March 30, 2009, a Regular Stockholders' Meeting was held whereby (i) a dividend in common shares was declared for the amount of Bs.F. 79,000,000.00. As a result of the dividend decree in common shares, the capital stock of BANESCO BANCO UNIVERSAL, C.A. is Bs.F. 1,204,000,000.00, divided in 95,400,000 registered common shares of the same class, non-convertible in bearer shares, at a par value of Bs.F. 10.00 each, and 25,000,000 of registered preferred shares, non-convertible in bearer shares, at a par value of Bs.F. 10.00 each. This procedure was authorized by the Superintendency of Banks and Other Financial Institutions and the Securities and Exchange Commission.

In connection therewith, as of June 30, 2010, Article 5 of the Bank's bylaws reads as follows:



...” ARTICLE 5: The capital stock of “BANESCO BANCO UNIVERSAL, C.A.” amounts to Bs.F. 1,204,000,000.00) divided in 95,400,000 registered common shares of the same class, non-convertible in bearer shares, at a par value of Bs.F. 10.00 each, 25,000,000 of registered preferred shares, non-convertible in bearer shares, at a par value Bs.F. 10.00 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 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 the Board of Directors, if appointed by the Meeting; b) they shall have right to vote at Bank's Stockholders' Meetings only for approval or disapproval of the financial statements, and statutory amendments modifying their rights, and for appointment of 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, the Board of Directors, the Chairman of the Board of Directors, the Compliance Officer for Prevention of Money Laundering, the Internal Comptroller, as well as the Credit, Risk, Assets and Liabilities, and Audit Committees. The Audit Committee was created as established by Corporate Governance Recommendations issued by the Securities and Exchange Commission through resolution number 19-1-2005, of February 2, 2005, published in Official Gazette 38.129 of the Bolivarian Republic of Venezuela, of February 17, 2005.

## | Stockholders' Meetings |

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, establish their remuneration, appoint controllers and deputies, appoint 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, amount, frequency and time to be paid, in conformity with the law and bylaws, as well as deciding 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 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 Bank, and also approves the business principles and policies, thus regulating the autonomy of executive decisions to protect the stockholders' interest and the organization. Furthermore, the Board controls the performance of operating and functional areas of the Bank, and evaluates and compares business projections, as well as the results from previous years with 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.

It is worth mentioning that, in order to guarantee the proper performance of the corporate policies and management's openness in the performance of its duties, the Bank counts on the following committees:

- **Audit Committee:**

The duty of the Committee mainly consists on knowing the financial statements to be considered by the Board of Directors and subject to approval 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, cooperating with the supervision and follow-up of the bank's internal and external audit. In this regard, among other issues, it recommends the Board of Directors to appoint an adequate firm of External Auditors, 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 and claims.

- **Risk Committee:**

This Committee is mainly engaged in fixing risk limits under the policies established for each of the activities carried out by the Bank to guarantee a sound and integrated management of operating, market, legal, and business risks, among others, in conformity with the Bylaws and the best practices at an international level.

The Risk Committee meets once a month, and also advise the Board of Directors and the different Credit Committees on the decision making, and establish the guidelines and policies they must comply with in order to maintain the established risk profile.

- **Credit Committees:**

The Board of Directors, reserving the execution of this right, has decided to delegate the right to grant credits to the committees created to such end, and established the amounts and all the terms and conditions for the performance of their duties. 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 different credit applications, and of keeping the Board of Directors informed about the results of their transactions. Likewise, they must also

*The Assets and Liabilities Committee must guarantee compliance with Integrated Risk and Investment Management policies*

comply with the different risk policies that have already been established for such purpose.

• **Asset and Liability Committee:**

It gives support to the Board of Directors. Therefore, its policies are aimed at designing, controlling, and taking the necessary measures to comply with the entity's financial strategy, including, but not limited to: Liquidity Policies, Equity Adjustment, Rate Setting, Funding Strategy, Investment Strategy and Policies for the correct management of assets and liabilities.

This Committee is in charge of managing risks associated with asset and liability management, identified by Finance, Treasury, Risk, and Business Units, among others, and ensuring compliance with equity adjustment policies.

The Assets and Liabilities Committee must guarantee compliance with Integrated Risk and Investment Management policies, and may propose to the Risk Committee or the Board of Directors, as appropriate, modifications or reviews to such policies.

**Chairman of the Board of Directors**

The Chairman of the Board of Directors is subordinated to the Stockholders' Meeting and the Board of Directors. In the exercise of his rights, he acts as legal representative of the institution before any and all public or private authority, and, on its behalf, grants contracts, agreements, settlements and, in general, all kinds of documents of any nature whatsoever. To summarize, all the duties assigned by the Board. The Chairman of the Board of Directors chairs the Stockholders' Meetings and board of directors' sessions, and jointly with the latter, exerts the supreme management of Bank's activities.

**Secretary**

The Secretary of the Board is an attorney, and also has many years' experience in the banking sector, especially, at the service of this Institution. 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 corporate information required by the Board, the stockholders, and the regulatory agencies, among others.

The Secretary 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, the Secretary is entitled to be present and 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 Comptroller**

The Internal Comptroller is in charge of the internal coordination of the analysis of the diverse operations of the institution and, together with the Audit Committee, informs the Board of Directors about the results of the 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 resources allocated to the training and education of Banesco's personnel regarding this matter. The Compliance Officer is entitled to participate in the Risk Committee, and reports to the President of the Institution.

*Board of Directors*

Juan Carlos Escotet R.  
Luis Xavier Luján P.  
Salvador Eduardo Cores G.  
María Josefina Fernández M.  
Nelson Orlando Becerra M.  
Fernando Crespo S.  
Gonzalo Clemente R.  
Miguel Ángel Marcano C.  
José Rafael Padrón S.  
Daisy Josefina Véliz E.

**Commisaries**

Main: Gordy Palmero Luján e Igor Williams de Castro  
Substitute: Berta Maita Rodríguez y Mariela Alcalá

**Secretary**

Marco Tulio Ortega V.

**Judicial Representative**

Marco Tulio Ortega V.



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

- Efficiency: Oriented toward generation of the maximum value at the lowest cost, in less time and achieving the goals set.
- Equity: Strict respect to the right to equality of treatment of stockholders, workers, and suppliers, as well as any other person in connection with the partnership.
- Respect to the stockholders' economic and political rights.
- Openness, communication, and information: Generate reliance and credibility in the public through the truthful 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 stockholders' 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 stockholders, in a timely, complete and accurate manner. It also constitutes a channel for investors to express any possible inquiry on their investment, gather corporate information of their interest, and receive the reports to be considered at the Stockholders' Meeting. The Stockholders' Unit is assigned to the Bank's Legal Vice Presidency.

Within the framework of the principles of good corporate governance, the Board of Directors of Banesco Banco Universal C.A. has taken the necessary measures to maintain the proper openness and reliance standards to contribute with a greater efficiency and responsibility in the Venezuelan securities market.

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 was promoted through Directive and Executive Topic Committees, which will back the Board of Directors' management and its Executive Office for the benefit and protection of the interests of its stockholders, customers, and employees.

The Directive Topic Committees shall be responsible for the control and follow-up of internal and external regulations, the preparation of policies, plans, and strategies to be presented to the Board of Directors for approval, as well as the creation of action lines to control 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 reaching higher efficiency and effectiveness levels in key decision-making, as well as a stronger and more developed Corporate Governance structure of Banesco Banco Universal C.A.





## 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, Banco CMF.

**AUSTRALIA** ANZ Bank.

**AUSTRIA** Unicredit Bank Austria A.G., RZB A.G.

**BELGIUM** Dexia Bank, CIB Fortis Bank.

**BOLIVIA** Banco Económico, Banco Do Brasil, Banco de la Nación Argentina, Banco Nacional de Bolivia, Banco BISA, Banco de Crédito de Bolivia, Banco Mercantil de Santa Cruz, Banco Ganadero, Banco BISA.

**BRAZIL** Banco Bradesco, Banco Do Brasil, Banco Itau S.A., HSBC Bank, Banco ABC Brasil, Banco Safra, Banco Santander, Deutsche Bank.

**CANADA** Royal Bank of Canada.

**CHILE** Banco Estado, Banco Santander, Bci Banco de Crédito e Inversiones, Banco Do Brasil, Banco de Chile, Banco BICE.

**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.

**COLOMBIA** Banco de Bogotá, Bancolombia, Bancoldex, Banco de Occidente, Banco Santander, Da Vivienda, Banco de Crédito.

**COSTA RICA** Banco Nacional de Costa Rica, Banco de Costa Rica, Banco Improsa, HSBC Bank.

**CURAZAO** Maduro & Curiel's Bank.

**DENMARK** Danske Bank, Nordea Bank.

**DOMINICAN REPUBLIC** Banco de Reservas, Banco BHD, Banco Popular.

**ECUADOR** Banco del Pichincha, Banco del Pacífico, Produbanco, Banco de Guayaquil, Banco del Austro.

**EL SALVADOR** Banco Cuscatlán, Banco Agrícola, Banco Salvadoreño.

**ENGLAND** The Royal Bank of Scotland, HSBC Bank P.L.C.

**FINLAND** Nordea Bank.

**FRANCE** Crédit Industriel et Commercial, BNP Paribas Group, Société Générale.

**GERMANY** Commerzbank A.G., Unicredit HVB A.G., Deutsche Bank.

**GUATEMALA** Banco Industrial, Banco GT Continental, Banco Agromercantil.

**HOLLAND** Commerzbank A.G.

**HONDURAS** Banco Atlántida, Grupo Financiero Ficohsa, Banpais, Banco Continental.

**HONG KONG** Standard Chartered Bank, Deutsche Bank A.G., Citibank N.A., Unicredit HVB Ag., Commerzbank A.G.

**INDIA** Standard Chartered Bank, Deutsche Bank, HSBC Bank.

**IRELAND** Bank of Ireland.

**ISRAEL** Bank Leumi Le Israel, Bank Hapoalim B.M.

**ITALY** Banca Nazionale del Lavoro, Unicredit Group, Intesa-San Paolo.

**JAPAN** The Bank of Tokyo and Mitsubishi Bank, Standard Chartered Bank, Citibank N.A., Unicredit HVB Ag., Commerzbank Ag., Deutsche Bank.

**KOREA** Standard Chartered Bank, Citibank N.A., Deutsche Bank, Commerzbank A.G.

**MALAYSIA** Bumiputra Commerce Bank Berhad, Standard Chartered Bank.

**MALTA** FimBank

**MEXICO** Banamex, S.A., HSBC Bank, Banco Santander, Banco del Bajío, Banco Regional, Banorte, BBVA Bancomer.

**NEW ZEALAND** ANZ Bank.

**NICARAGUA** Banpro, Bancentro.

**NORWAY** Nordea Bank.

**PANAMA** HSBC Bank, Multibank, Credicorp Bank

**PARAGUAY** Banco Do Brasil, Banco de la Nación Argentina, Banco Sudameris, Banco Continental.

**PERU** Banco de Crédito del Perú, Banco Financiero, Interbank, Scotia Bank, BIF, Citibank.

**PORTUGAL** Banco Espírito Santo S.A., Banco Banif, Millennium BCP, Caixa General de Depósitos.

**PUERTO RICO** Banco Popular de Puerto Rico.

**SINGAPORE** Standard Chartered Bank, Unicredit HVB Ag., Deutsche Bank, Commerzbank A.G.

**SPAIN** Grupo Banco Popular, La Caixa.

**SWEDEN** Nordea Bank, Svenska Handelsbanken.

**SWITZERLAND** BNP Paribas, Commerzbank AG.

**URUGUAY** Banco de la Nación Argentina, Banco Credit Uruguay, BBVA, Banes, Banco de la República Oriental del 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.



## Affiliated Banks

- Banesco S.A., Panamá (former Banesco International Bank Inc.)
- Banesco International Bank Corp., Puerto Rico
- BBU Bank, Miami

## Representative Offices

Banesco Banco Universal C.A.  
(Bogotá)

## International Mailing Address

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