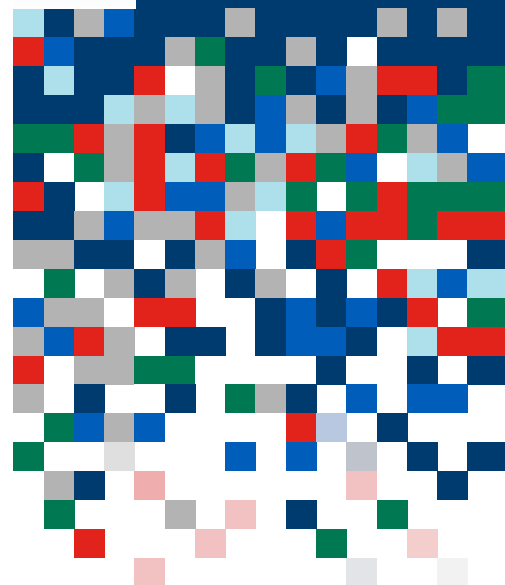


Financial Report

2017

First Half





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FINANCIAL ECONOMIC BALANCE

First Half 2017



Closeness and confidence are two fundamental concepts in our corporate culture. For three decades we have accompanied our clients, not only in their daily relationship with their money management, but also in each of those moments, in which the reality of their achievements offers a sense of transcendence to their lives. Our commitment as a brand is to always be present in the dreams, projects and goals of each of our customers and in that way, enhance their well-being.

At Banesco we are aware that leadership is exercised on a daily basis. Citizen Banesco is the guarantor of the experience we provide for more than 6 million customers, and is responsible, not only for meeting the needs and expectations of these clients, but also can create experiences that render the process unforgettable.

Thanks to the efforts and performance of the thousands of collaborators who are part of this Organization, we reaffirm our leadership as the country's leading private bank. At Banesco, the ability to identify opportunities that are not perceived by others, and to create a work environment where all our workers support the new initiatives, led us once again to hold the first position of private banking in total assets, new public deposits, credit portfolio and equity.

At the end of June 2017, we settled 671,096 loans. This figure -which confirms our role as financial intermediaries- represents an increase of 36.1% compared to the loans we granted in the first half of 2016. In total, the loan portfolio stood at VEF 2,161 billion, helping us reach a market share of 16.46%.

In June 2017, Banesco's assets totaled VEF 293 billion (an increase of 343.7% compared to June 2016) and total assets at VEF 4,861 billion (an increase of 395.0% compared to the cut of 2016), and thus we ended the first half of 2017 with a market share in assets of 17.96% and ratified our leadership in the national private banking.

The constant practice of raising the quality levels of our services is reflected in our first semester financial year. Innovation is one of our corporate values and a distinctive sign of our brand. Therefore, during June we presented the new BanescOnline image, in line with new digital trends and using the latest technologies to protect the confidentiality of our customers. At the end of June 2017, BanescOnline had a record of 200 million transactions per month.

In addition to the financial results, Banesco remains committed to the sustainable development of the country. Through our Corporate Social Responsibility program, we maintained our role of supporting the cause of forming free, productive citizens and aware of their role in the public arena. We are also an active player in supporting small businesses and microenterprises; in the training of entrepreneurs and in the development of inclusive products and services that provide an opportunity for those sectors of the population that have not accessed to the advantages of the financial system.

Our social investment amounted to VEF 2,349 million in the first half. The resources were allocated to different activities and projects that will improve the qua-

lity of life of our workers and the community in general. Of the total amount, 93% corresponded to non-contractual benefits for employees of our Institution nationwide.

Meanwhile, the external dimension of the CSR Program, which is channeled into projects with our social partners, totaled VEF 165.2 million.

During the first semester, we started the Participatory Budget 2017 that this year is being developed in five municipalities of Greater Caracas and in five new states of the country. For nine years, Banesco has supported projects and initiatives through this Corporate Social Responsibility program, benefiting mainly children, adolescents and the elderly.

Finally, we reiterate our commitment to maintain the efficiency of our Organization with a human sense. We insist on preparing the best talent to promote a balance between profitability and human condition, leaving as a mark the highest standards of quality and performance, as well as maintaining our transparency as an Organization, in order to strengthen the environment of confidence between our collaborators and clients.

Oscar Doval García
Executive Chairman
Banesco Banco Universal, C.A.

VENEZUELAN ECONOMY

First Half 2017

Oil

The downward trend in oil prices in 2016 generated a consensus in OPEC to make a cut in production as of January 1, 2017, the first since 2008. Its objective was to withdraw 1.8 million barrels per day and recover the balance of market prices. This measure achieved its mission during the first two months of the year. The price of the barrel of Brent crude oil was consolidated above the US \$/b 55 barrels in January and February, with the price of Venezuelan crude at US \$/b 46; however, since March prices began to decline, despite the fact that the cuts had been fulfilled and therefore the decision was taken at the end of May by OPEC and countries like Russia to extend until March 2018 the cuts that

ended at the close of the end of the first half of 2017. The period ended with an average price of the oil basket in US \$/b 43.6, higher in US \$/b 12.6 compared to the same period of 2016, implying an improvement in revenues by foreign currency of the country.

Tax Collection and Public Expenditure

Regarding the income profited from the domestic economy, VEF 4,931 billion were collected from taxes or tariff rates, increasing by 300% compared to the same period in 2016. The Value Added Tax (VAT) represented the concept of greater importance in the total of the collection (46%), registering a growth of 276% in its annual comparison. In its composition, the VAT corresponding

to internal activities amounted to VEF 2,881 billion and increased by 296% compared to the first half of 2016. The incorporation of the Tax on Large Financial Transactions (TLFT), whose balance increased by VEF 420 billion, representing 9% of total revenues, stands out in Other Income Taxes. Moreover, at the end of the first half, the Fiscal Expenditure recorded by the National Treasury Office was VEF 8,032, 463% higher than the expenditure of the same period in 2016. The most important items were Decentralized Transfers, 42% of the total, reaching VEF 3,335 billion and wages (33%) in VEF 2,681 billion, with growths above 500% in the aforementioned period.



International Reserves

In spite of an improvement in oil prices and, therefore, in foreign exchange earnings, there was no growth in foreign assets. International Reserves closed the semester at US \$ 10,007 million, decreasing by 8.8% (US \$ 970 million) compared to the end of 2016 as a result of the public debt commitments and import payment of the period.

The salary decisions taken during this semester significantly increased the expenses associated with labor commitments of the Public Administration. Two salary increases were decreed in the first semester, at 50% and 60%, in January and May respectively, with two increases in the food bonus in March and May of 69.5% and 25%. As a result, the Total Wage (minimum wage plus food bonus) was placed at the end of the first period in VEF 200,020, 120% higher than in 2016.

Monetary Aggregates and Interest Rates

The expansionary fiscal policy generated a significant increase in the main monetary aggregates. The Monetary Base showed an expansion of 132%, while the Monetary Liquidity registered a rise of 116% in the first half and 326% when compared to the same period last year. Monetary growth was also influenced by the boost of credit portfolio, which accumulated a semiannual variation of 116.4%.

In terms of rates, the active average of the semester was 21.6%, 0.6 percentage points higher than that reflected in June 2016, maintaining an upward trend in the period, due to increased lending activity. Passive rates averaged 0.54% for current interest-bearing accounts, 12.57% for savings deposits and 14.68% for 90-day deposits.

Exchange Market

The exchange market remained almost the entire semester governed by the preferential foreign exchange system DIPRO and DICOM; however, an amendment to the DICOM system for the non-preferential foreign exchange was established at the end of May, based on auctions called by the BCV corresponding to a

flotation system administered between mobile bands.

In the first half of the year, 6 auctions were carried out and US \$ 20.9 million were granted to 61,891 natural persons and US \$ 127.8 million to 3,694 legal persons. Between the first and the sixth auction the price of foreign exchange went from VEF/US \$ 2,010 to VEF/US \$ 2,640, equivalent to a depreciation of 23.8%.

BANKING SYSTEM

At the end of the first half of 2017, the number of institutions that are part of the banking system is maintained, 31 in total, of which 24 are of private capital and 7 are public, with the sub-sector of universal and commercial banks accounting for the highest percentage of the market assets (98.1%).

As of June 30, 2017, there are 3,485 offices, 69,741 employees, 9,850 ATMs and 355,988 points of sale nationwide.

The consolidated balance of the system is constantly growing, with total assets at the end of June 2017 at VEF 27,061 billion, after registering an increase of 107.0% (VEF 13,991 billion) in the last six months and of 320.3% (VEF 20,623 billion) compared to the same period of 2016, variations much higher than those reflected in the previous semesters.

It should be noted the change that has been evident in the formation of the total assets of the banking market, with the gross portfolio accounting for 48.5% of the total, 7.4 percentage points below the June 2016 figure, while cash and cash equivalents increased relative importance by 15.0 percentage points, currently concentrating 41.5%, given the growth experienced by monetary liquidity in the first half.

The loan portfolio amounted to VEF 13,128 billion, after a six-month increase of VEF 7,062 billion (116.4%) and VEF 9,529 billion (264.8%), very similar variations in absolute terms to those experienced by cash and cash equivalents, which stood at VEF 11,231 billion at the end of June 2017, given the growth observed by the funds held at the Central Bank of Venezuela.

During the period, the system's loan portfolio continued to show excellent quality, with a nonperforming loan (NPL) ratio of 0.17%, 0.10 percentage points below the average observed in June 2016; however, the downward trend in the intermediation ratio has been maintained, decreasing by 9.0 percentage points over the same period of the previous year, given the higher growth rate that the public deposit has been experiencing.

The financial system ended the first half of 2017 with a total of 28,106,319 of loans, representing an increase of 1,145,862 credits compared to December and of 4,255,331 compared to June 2016. Of this total, 98.7% of total loans were classified as effective as of June 2017.

The commercial loan portfolio continued to trend upward, reflecting an increase of VEF 5,574 billion (366.7%) in the last twelve months and VEF 3,981 billion (122.6%) compared to December of 2016, thus increasing its participation in the gross portfolio to 55.1%, followed by consumer loans (17.5%) with VEF 2,302 billion; (12.8%), with a balance of VEF 1,678 billion and a semiannual variation of 137.3%. The lowest growth is recorded in fi-



The number of depositors in sight, savings and term deposits at the end of June 2017 stood at 44.6 million, with the largest proportion of the scale being in demand (52.0%)

nancing for vehicle acquisition (3.2% vs. December 2016), decreasing its weight in the portfolio to 0.44%.

Meanwhile, investments in securities continue to lose weight within the total assets, from 13.7% in June 2016 to 5.2% at the end of the first half of 2017, reaching VEF 1,408 billion.

Concerning the liabilities, public deposits maintained a steady growth, doubling the balance presented in December 2016, rising to VEF 23,662 billion in June 2017, equivalent to a variation of 108.2% (VEF 12,298 billion), compared to the same period in 2016, an increase of 324.2% (VEF 18,084 billion), a performance attributable to the expansion of monetary liquidity, which reached 116.0% in the first half of the year and June 2016 shows a growth of 326.5%.

The number of depositors in sight, savings and term deposits at the end of

June 2017 stood at 44.6 million, with the largest proportion of the scale being in demand (52.0%), surpassing 23 million depositors, with an amount that exceeded VEF 20,373 billion at the end of the semester, for a growth of 113.5% in the first six months of the year. Savings deposits at the end of June 2016 amounted to VEF 2,403 billion distributed among more than 21.4 million depositors, while term deposits with a balance of VEF 58.2 billion at the end of the period represent only 0.25% of the deposits of the system, which highlights the preference of the public for the most liquid instruments.

During the period under review, a significant asset strengthening of the Venezuelan financial system was also evident, reaching VEF 1,843 billion, due to the increase of 180.6% (VEF 1,186 billion) compared to the end of the second half of 2016, achieving an Accounting Equity Adequacy Index of 14.2%, higher

than the legally required minimum (9.0%).

The transactions corresponding to the first six months of the current year show a net result of VEF 360 billion, which corresponds to a variation of VEF 267 billion (290.2%) in comparison with the same period of 2016.

The previous results led to the attainment of very favorable indicators for the Venezuelan financial system at the end of the first half of 2017, highlighting the maintenance of an excellent portfolio, with a very low level of adequately provisioned (1,456.7%) nonperforming loan (0.17%), and yields higher than those observed in the same period of 2016, yielding a return on average assets (ROA) of 3.96% and average equity (ROE) of 74.60%.

BANESCO BANCO UNIVERSAL

First Half 2017



At the end of the first half of the current year, Banesco achieved the highest growth in absolute total private banking assets in Venezuela, standing at VEF 4,861 billion, VEF 2,711 billion (126.1%) above the amount accounted for in December 2016, thus increasing market share by 1.5 percentage points in the semester, reaching 17.96%.

The constant observation of the market's behavior has enabled us to remain the country's leading private bank, culminating in more than 671 thousand loans settled in the last six months, offering financing alternatives to all sectors of the country, as evidenced by the significant growth of VEF 1,184 billion (121.2%) in gross loans in the first half of 2017 and VEF 1,638 billion (313.4%) in the last twelve months, achieving a market share of 16.46%, with an outstanding portfolio at the end of June 2017 of VEF 2,161 billion, of excellent quality, with one of the lowest nonperforming loan rates (0.05%) in the financial system, 0.12 percentage points below the average (0.17%), along with ample coverage for fixed assets (4,987%).

Banesco's impeccable track record as private banking leader in lending was reaffirmed in the period that ended, accounting for more than 3.4 million loans in June 2017.

We have a presence among the most important productive sectors, occupying the first place in the market in commer-

cial portfolio, with a figure at the end of the first half of 2017 of VEF 1,175 billion (16.3% of share), reflecting an increase of VEF 637 billion (118.4%) compared to the cut of December 2016.

Agricultural activity is a priority in Banesco, for which we settled more than 1,200 credits during the period January-June 2017, ending in the first half with VEF 280 billion (16.7% of market share), ranking us in the first position of the private banks, after recording a six-month variation of VEF 184 billion (190.6%).

We supported the national manufacturing sector, granting more than 1,300 loans in the semester, for a growth of VEF 51 billion (118.5%) compared to December 2016, to reach a portfolio of VEF 95 billion, placing us in the first place of private banks with 11.3% market share.

Our customers have Banesco to purchase their vehicles, ending the period with 35.0% of the market and a portfolio of VEF 20 billion, ranking first in the system.

Finally, we directed a significant volume of resources to microenterprise activity, which resulted in the granting of more than 10 thousand loans in the first half of 2017, increasing the portfolio to VEF 37 billion.

The resources of the Compulsory Housing Savings Fund (FAOV) increased its balance to VEF 42 billion, registering an increase of VEF 12 billion (38.8%) com-

pared to December 2016, maintaining the first position in the ranking (33.7% of the market).

Public deposits registered the highest growth in private banking (VEF 2,411 billion) compared to the amount reflected in December 2016, with a preference of 6.4 million depositors in the modalities call, savings and term, for a balance at June 2017 of VEF 4,330 billion, equivalent to a share of 18.3%, increasing it by 1.42 percentage points compared to the end of 2016.

Banesco Banco Universal's assets totaled VEF 293 billion in the first half of 2017, after an increase of VEF 190 billion (187%) compared to the previous six-month period, raising the capital adequacy ratio to 13.6%. the risk-weighted capital ratio to 15.3%, exceeding in both cases the legally required minimums of 9.0% and 12.0%, respectively.

The favorable semi-annual management led to the achievement of a net result of VEF 69.87 billion, VEF 55.92 billion above the same period of 2016, maintaining financial and operating margins adequate to the current turnover, as well as indicators which show the Institution's successful history.

FINANCIAL HIGHLIGHTS

					Growth			
	Second Half 2015	First Half 2016	Second Half 2016	First Half 2017	I Half 2017 II Half 2016		I Half 2017 I Half 2016	
					Absolute	%	Absolute	%
Stated in Billion VEF								
Total Assets	789.3	982.1	2,150.0	4,861.0	2,711	126.1%	3,879	395.0%
Cash and Due from Banks	209.0	260.2	905.0	2,304.7	1,400	154.7%	2,045	785.9%
Security Investments	152.4	154.6	189.0	176.7	-12	-6.5%	22	14.3%
Credit Portfolio	386.8	522.6	976.9	2,160.5	1,184	121.2%	1,638	313.4%
Deposits from Clients	701.1	859.8	1,918.8	4,329.5	2,411	125.6%	3,470	403.6%
Deposits in Current Accounts	605.8	752.4	1,723.4	3,946.8	2,223	129.0%	3,194	424.6%
Savings Deposits	87.9	99.4	182.9	336.1	153	83.8%	237	238.3%
Time Deposits	0.9	0.9	1.2	1.6	0	36.4%	1	87.3%
Other Deposits	6.5	7.1	11.3	45.0	34	296.7%	38	530.0%
Total Stockholders' Equity	54.2	66.0	102.0	292.7	191	187.0%	227	343.7%
Trust Assets	21.0	28.1	34.7	66.7	32	92.3%	39	137.2%
Debtor Accounts Due To Trust Assignments (FAOV)	19.1	23.1	30.9	42.9	12	38.8%	20	85.7%
Financial Revenues	44.7	62.2	111.6	204.7	93	83.5%	143	229.1%
Financial Expenses	8.1	12.1	13.9	16.9	3	20.9%	5	38.8%
Gross Financial Margin	36.7	50.1	97.6	187.9	90	92.4%	138	275.3%
Financial Intermediation Margin	38.9	56.3	108.5	208.8	100	92.4%	152	270.7%
Transformation Expenses	16.4	29.9	48.7	100.4	52	106.3%	70	235.2%
Income Taxes	5.9	8.2	16.4	24.1	8	47.2%	16	193.9%
Net Income	13.9	14.0	35.3	69.9	35	97.7%	56	400.7%
Accumulate Agriculture Portfolio	55.2	73.3	96.5	280.5	184	190.6%	207	282.4%
Official Institutions Deposits	21.5	43.0	49.0	117.5	68	139.6%	75	173.5%
Micro Loans	18.0	19.4	22.8	37.5	15	64.6%	18	93.3%
Commercial Loans	176.9	241.4	538.2	1,175.7	637	118.4%	934	387.1%
Credits to Consumer	81.4	125.6	212.8	510.3	297	139.8%	385	306.2%
Vehicles	13.0	15.2	24.0	20.1	-4	-16.3%	5	32.5%
Credit Cards	81.4	125.6	212.8	510.3	297	139.8%	385	306.2%
Mortgage Loans	16,870	18,923	23,737	23,747	10	0.0%	4,824	25.5%

Ratios				
Loan Portfolio Provisions / Non Accrual Loans	2,196.79%	1,475.34%	1,824.74%	4,986.88%
Non Accrual Loans/ Gross Loan Portfolio	0.12%	0.17%	0.14%	0.05%
Net Results / Average Assets	4.42%	3.21%	4.21%	4.43%
Net Results / Average Equity	60.40%	46.19%	69.45%	83.18%
Liquidity	39.00%	38.08%	51.58%	55.02%

CREDIT RISK REPORTS PRONOUNCEMENT

The Credit Risk management at the end of the first semester of 2017 showed a performance characterized by obtaining a favorable level of profitability/risk in our indicators.

The delinquency index in the Total Portfolio was around 0.05%, and the coverage level of the Provision on the Immobilized Portfolio recorded a value of 4,986.88%.

With regards to the destination of the resources placed, the following economic activities prevail: Services, Commerce, Agriculture; and Manufacture as the main receivers of credit.

Collection strategies continue to be well-founded in a recovery approach based on integral client and preventive management, thereby showing higher levels of effectiveness.

During the first semester of 2017, keeping a close monitoring on the evolution of the expired balances and continuous management, and allowed obtaining a relevant generation of value on the final result of the credit business. This same management approach is the one to be used as well during the second semester of 2017.



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

In accordance with number 3 of Article 30 from the Law on Institutions from the Banking Sector, in the matters of active operations, at the end of the semester, the Board of Directors decided on the approval of two hundred sixty five (265) credits that by individual or group risk, in the same monthly period, exceeded two percent (2%) of the bank's equity. It is

important to highlight that in the most recent reform to the Law on Institutions from the Banking Sector, the active operations to report are the ones exceeding 5% of the Equity of the Institution, however Banesco keeps the report on operations granted that individually or by group risk exceed 2% of Bank Equity.

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

Credit Situation Economic Activity	Outstanding	Restructured	Non-performing Loans		Total	Percentage Composition
			Past to Due	In Litigation		
Trade, Restaurants and Hotels	839,173,436,346	26,703,605	182,880,368	8,321,585	839,391,341,903	38,85%
Financial Establishments, Real State and Services Provided to Companies	815,096,547,446	45,546,580	726,468,187	25,075,760	815,893,637,973	37,76%
Agriculture, Fishing and Forest	280,442,223,985	9,874,588	8,736,998	0	280,460,835,571	12,98%
Manufacturing Industry	95,301,161,043	3,062,221	108,353,492	0	95,412,576,755	4,42%
Construction	60,056,341,889	475,655	1,198,924	0	60,058,016,468	2,78%
Community, Social and Personal Services	42,037,835,358	2,598,815	17,777,392	0	42,058,211,566	1,95%
Transportation, Storage and Communications	22,857,872,481	2,869,456	3,577,315	0	22,864,319,252	1,06%
Hydrocarbons and Mining Exploitation	3,158,134,080	0	720,115	0	3,158,854,195	0,15%
Electricity, Gas and Water	1,236,493,439	0	0	0	1,236,493,439	0,06%
SUB-TOTAL (Bs.)	2,159,360,046,066	91,130,920	1,049,712,790	33,397,345	2,160,534,287,121	100,00%

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



Chairman of the Board
Juan Carlos Escotet R.

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

Statutory Auditors
Carolina A. Arellano Suárez
María E. Medina Silva

Independent Accountants
Márquez, Perdomo & Asociados
(Miembros de CROWE HORWATH INTERNATIONAL)

Secretary
Marco Tulio Ortega Vargas

Stock Capital Bs. 1.250.000.000,00
Capital Paid-in Bs. 1.250.000.000,00
Capital Reserves Bs. 291.464.601.447,00

BALANCE SHEET

June 30, 2017 (Stated in VEF)

ASSETS	Jun-17	Jun-16
CASH AND DUE FROM BANKS	2.304.690.262.241	260.160.905.526
Cash	41.960.497.883	13.336.890.911
Central Bank of Venezuela	2.142.325.245.472	222.771.546.240
Local Banks and Other Financial Institutions	38.367.211.897	2.747.967.194
Foreign and Correspondent Banks	71.773.861	35.784.246
Head Office and Branches	0	0
Pending Cash Items	81.965.533.128	21.068.716.935
(Provision for Bank Accounts)	0	0
INVESTMENTS SECURITIES	176.723.488.372	154.581.178.183
Investments in Central Bank	14.833.690.000	50.332.852.000
Investments in Trading Securities	0	0
Investments in Securities Available for Sale	62.412.510.389	16.928.865.453
Investments in Securities Held to-maturity	59.896.150.515	45.662.948.568
Limited Availability Investments	527.417.528	482.563.847
Other Security Investments	39.053.719.940	41.179.948.315
(Provision for Security Investments)	0	0
LOAN PORTFOLIO	2.106.520.929.943	509.247.030.248
Outstanding Credits	2.159.360.046.066	521.671.382.241
Restructured Credits	91.130.920	37.182.774
Past Due Credits	1.040.712.790	905.457.982
Credits in Litigation	33.397.345	609.590
(Provision for Credit Portfolio)	(54.013.357.178)	(13.367.602.319)
INTEREST AND COMMISSIONS RECEIVABLE	30.322.277.595	9.598.406.653
Interest receivable from cash and due from banks	0	0
Interest receivable from security investments	3.425.893.057	2.183.657.850
Interest receivable from credit portfolio	24.196.457.383	6.522.466.444
Commissions Receivable	2.936.075.159	1.184.892.667
Interest Receivable on Other Accounts Receivable	0	0
(Provision for Interest Receivable and Other)	(236.148.004)	(272.610.108)
INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES	19.334.836	15.777.449
Investments in subsidiaries and affiliates	19.334.836	15.777.449
Investments in branches	0	0
Provision for investments in subsidiaries, affiliates and branches	0	0
PROPERTY RECEIVED IN LIEU OF PAYMENT	216.899.051	97.363.521
PROPERTY IN USE	152.653.157.644	22.675.368.783
OTHER ASSETS	89.522.687.406	25.488.631.691
TOTAL ASSETS	4.860.969.027.088	982.064.062.054

LIABILITIES AND EQUITY	Jun-17	Jun-16
DEPOSITS	4.329.539.213.102	859.762.464.287
Deposits in Current Accounts	3.946.845.666.496	752.409.462.063
Non-Remunerated Checking Accounts	2.353.936.369.233	377.290.493.943
Remunerated Checking Accounts	1.401.960.747.634	285.522.505.100
Current accounts under exchange agreement n° 20	31.756.400	67.616.909
Demand Deposits and Certificates	190.916.793.229	89.518.786.193
Other Demand Liabilities	44.961.218.680	7.137.220.277
Savings Deposits	0	0
Time Deposits	336.137.103.215	99.363.981.447
OBLIGATIONS WITH BCV	0	0
DEPOSITS AND OBLIGATIONS WITH BANAVIH	9.545.332	5.567.264
OTHER FINANCING OBTAINED	77.136.313.805	12.349.908.422
Liabilities with local financial institutions up to one year	77.081.704.581	11.900.852.868
Liabilities with local financial institutions more than one year	0	0
Liabilities with foreign financial institutions up to one year	54.608.824	443.055.354
Liabilities with foreign financial institutions more than one year	0	0
Other Liabilities up to one year	0	0
Other Liabilities more than one year	0	0
OTHER FINANCIAL OBLIGATIONS	0	2.633.551
INTEREST AND COMMISSIONS PAYABLE	31.920.251	382.596.555
Expenses payable due to deposits from clients	31.798.023	367.507.931
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	122.228	15.088.424
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
ACCRUALS AND OTHER LIABILITIES	161.537.493.151	43.591.750.185
SUBORDINATED DEBT	0	0
OTHER LIABILITIES	0	0
TOTAL LIABILITIES	4.568.254.425.641	916.088.920.264
STOCKHOLDERS' EQUITY	0	0
Capital Paid-in	1.250.000.000	1.250.000.000
Paid-in Surplus	0	0
Capital Reserves	1.357.671.295	1.337.387.336
Equity Adjustments	126.270.719.705	6.342.440.234
Accumulated Income	163.586.065.907	58.438.092.638
Non-Realized Gain or (Loss) on Available for Sale Security Investments	285.034.826	(1.357.388.132)
Treasury Stock	(34.890.286)	(34.890.286)
TOTAL EQUITY	292.714.601.447	65.975.741.790
LIABILITIES AND EQUITY	4.860.969.027.088	982.064.062.054
Contingent Debtor Accounts	616.922.687.268	105.088.629.204
Trust Assets	66.724.990.334	28.125.153.839
Other Trust Assignments	1.868.558.298	201.475.283
Debtor Accounts Due to Trust Assignments (Housing Mutual Fund)	42.899.135.500	23.105.779.137
Other Debtor Accounts (Housing Mutual Fund)	19.471.260	18.743.798
Other Debtor Memorandum Accounts	14.715.464.282	3.412.044.832.947
Other Debtor Book Accounts	30.113.621	29.089.369

Statements of Earnings (Stated in VEF)

	Jun-17	Jun-16
Financial Revenues	204.726.089.962	62.203.576.292
Revenues from Cash and Cash Equivalents	377.320	3.708.071
Revenues from Security Investments	6.566.064.094	6.630.638.915
Revenues from Credit Portfolio	188.134.573.886	55.541.909.676
Revenues from Other Accounts Receivable	25.074.722	27.319.630
Revenues from Investments in Subsidiaries, Affiliates and Branches	0	0
Revenues from Head Office and Branches	0	0
Other Financial Revenues	0	0
Financial Expenses	16.851.497.373	12.140.752.338
Expenses Due to Deposits from Clients	16.839.252.760	11.924.906.058
Expenses Due to Obligations with BCV	0	0
Expenses Due to Deposits and Obligations with BANAVIH	0	0
Expenses Due to Other Financing Obtained	12.244.613	215.846.280
Expenses Due to Other Financial Obligations	0	0
Expenses Due to Subordinated Debt	0	0
Expenses Due to Other Obligations	0	0
Expenses Due to Head Office and Branches	0	0
Other Financial Expenses	0	0
Gross Financial Margin	187.874.592.589	50.062.823.954
Income from Recovered Financial Assets	1.013.796.609	374.373.780
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	32.142.393.690	4.115.709.278
Provision for Loan Portfolio and Other Accounts Receivable, Losses	32.142.393.690	4.115.709.278
Provision for Cash and Due from Banks	0	0
Net Financial Margin	156.745.995.508	46.321.488.456
Other Operating Income	70.880.739.608	14.834.391.648
Other Operating Expenses	18.859.790.925	4.836.226.403

	Jun-17	Jun-16
Financial Intermediation Margin	208.766.944.191	56.319.659.701
Transformation Expenses	100.367.388.494	29.941.149.186
Personnel Expenses	36.979.602.281	8.474.134.007
Administrative and General Expenses	45.977.215.464	15.856.138.519
Contributions to Deposit Guarantee and Bank Protection Fund	13.821.545.514	5.014.674.470
Contributions to Superintendency of Banks and Other Financial Institutions	1.589.021.235	596.202.190
Gross Operating Margin	108.399.555.697	26.378.504.515
Income from Adjudicated Goods	10.139.578	7.488.487
Income from Special Programs	0	0
Income from Sundry Accounts	1.753.312.950	31.421.433
Expenses Due to Realizable Property	93.953.437	10.140.355
Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods	0	0
Expenses Due to Dundry Accounts	15.969.708.903	4.187.735.923
Net Operating Margin	94.099.345.685	22.219.538.355
Extraordinary Income	0	0
Extraordinary Expenses	128.904.013	65.180.414
Gross Income Before Taxes	93.970.441.672	22.154.357.941
Income Taxes	24.100.000.000	8.199.375.000
Net Income	69.870.441.672	13.954.982.941
Application of Net Income	0	0
Reserva Legal	0	0
Statutory Utilities	0	0
Other Capital Reserves	6.250.000	6.250.000
Accumulated Income	69.864.191.672	13.948.732.941
LOSEP Contribution	1.015.387.256	240.765.180

Net Income Distribution		
Legal Reserve	0	0
Other Capital Reserves	6.250.000	6.250.000
Restricted Surplus	34.935.220.836	6.977.491.471
Surplus to apply	34.928.970.836	6.971.241.471
NET INCOME	69.870.441.672	13.954.982.941

REPORT OF DEMANDS AND COMPLAINTS OF CUSTOMERS OF THE BANKING SERVICES

I Half 2017

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

a) Summary by Status

In the first semester of 2017, 18,602 complaints and requests were reported, for a total amount of 1,380,070,023 VEF; of which 16,128 of the requests were managed, and out of those, 9,630 were ruled in favor of the client with a reimbursement of 75,760,440 VEF.

When evaluating the time for customer service regarding the complaints and requests reported by the clients during the second semester of 2016, and on the basis of the premise indicated by the regulatory body that establishes a maximum of 20 continuous days to solve them, it is shown that the level of compliance in the service supply was 99.65%.

Table 1. Summary of complaints and requests reported by Status

	Managed					In Process		Level of Compliance in the service supply
	Admissible			Not Admissible				
Report Month	N° of Complaints	Claim Amount (VEF)	Reimbursed Claim Amount (VEF)	N° of Complaints	Claim Amount (VEF)	N° of Complaints	Claim Amount (VEF)	
January	1,880	11,753,442	11,082,421	1,284	128,634,525	564	63,315,850	99.75%
February	1,706	17,843,156	17,025,367	1,172	103,683,919	628	38,987,637	99.72%
March	2,121	21,799,413	17,616,621	1,494	151,572,011	349	34,566,988	99.75%
April	1,352	13,540,959	11,446,642	831	151,120,007	344	62,209,218	98.99%
May	1,403	8,004,824	6,802,392	911	207,151,082	327	87,332,272	99.65%
June	1,168	12,723,991	11,786,996	806	192,031,549	262	75,629,180	99.90%
I Half 2017	9,630	85,665,785	75,760,440	6,498	934,193,094	2,474	362,041,144	99.65%

b) Summary by Type of Financial Instrument

Table 2. Summary by Type of Financial Instrument

Report Month	Credit Card (CC)		Debit Card (TDD)		Savings		Checks		Customer Service	
	N° of Complaints	Claim Amount (VEF)	N° of Complaints	Claim Amount (VEF)	N° of Complaints	Claim Amount (VEF)	N° of Complaints	Claim Amount (VEF)	N° of Complaints	Claim Amount (VEF)
January	124	6,690,945	3,497	157,707,466	9	3,039,108	98	36,266,299		
February	98	13,160,544	3,317	109,939,924	8	2,557,355	83	34,856,889		
March	106	15,835,813	3,798	174,754,740	8	2,819,744	51	14,528,114	1	0
April	70	5,659,959	2,404	152,378,722	12	6,686,513	41	62,144,989		
May	54	3,378,385	2,520	220,920,529	13	49,806,352	54	28,382,911		
June	74	7,822,191	2,114	252,450,591	6	9,683,426	42	10,428,513		
I Half 2017	526	52,547,837	17,650	1,068,151,973	56	74,592,498	369	186,607,715	1	0

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

EQUITY SUFFICIENCY COEFFICIENTS LEVELS

According to the provisions set in Resolution No. 305.09 dated on July 09th, 2009 published in the Official Gazette No. 39230 dated on July 29th of the same year, the following principles and procedures to calculate the Capital Adequacy Ratio were established:

Capital Adequacy Ratio

Which is calculated by dividing the Book Value of Capital plus the Operative Management and the Total Value of the Assets. By multiplying the quotient by one hundred (100), it should not be less than nine percent (9%), according to the provisions published in the Official Gazette No. 40509 dated on October 1st, 2014.

Likewise, through Official Papers SIB-II-GGR-GNP- 10189 dated on April 7th and SIB-II-GGR-GNP-11035 dated on May 30th, 2017, the Superintendency of Institutions in the Banking Sector (Sudeban) grants the regulatory exception to determine the Capital Adequacy Ratio, set in Article 6 of such Resolution No. 305.09, as follows:

SIB-II-GGR-GNP-10189

a. Exclude from the Total Asset, according to the definition set forth in Article 2 of the forementioned Resolution, the balance of the following items:

- Bonds and Obligations issued by the Central Bank of Venezuela.
- Placements in the Central Bank of Venezuela.
- Liquid assets of the banking Institution in the Central Bank of Venezuela (including Legal Reserve).
- Bonds and Obligations issued by state-owned oil company Petróleos de Venezuela, S.A. (PDVSA).

b. Include in the book value of capital, according to the definition set in the aforementioned Article 2, the amount corresponding to:

- General provision for credit and microcredit portfolio
- Countercyclical Provision for credit and microcredit portfolio

The amount to be included under the aforementioned provisions will be the amount corresponding to percentages established in regulations issued for such purposes by the Superintendency.

SIB-II-GGR-GNP-11035

- The balance corresponding to “instruments payable on demand”, as well as the monthly variation experienced by the sub-item 111.01 “Cash” of the item 110.00 “Cash and Cash Equivalents” of the Accounting Manual for Banking Institutions, will be deducted from Total Asset.

For the purposes of the aforementioned monthly variation, the balance in the above mentioned sub-item 111.01 “Bills and Coins” as at November 2016 will be taken into consideration.

Total Capital Adequacy Ratio

Which results from adding the value of Tier 1 Capital (Level I) to the Tier 2 Capital (Level II), divided by the total amount of assets and contingent operations, weighted by risk levels. The quotient obtained, upon being multiplied by one hundred, should not be less than twelve percent (12%).

In the same way, through official papers SIB-II-GGRGNP- 12738 dated on April 27th and SIB-II-GGRGNP-11035 dated on May 30th, 2017 the Superintendency of Institutions in the Banking Sector (Sudeban) grants a regulatory exception to determine the Total Capital Adequacy Ratio, established in article 4 of the aforementioned Resolution No. 305.09, according to the following:

SIB-II-GGR-GNP-12738

Banking institutions must include within the calculation of Tier 1 Capital (Level I), the amount corresponding to the general and countercyclical provisions.



The amount to be included under such provisions will be the amount corresponding to the percentages established in regulations issued for such purposes by the Superintendency.

SIB-II-GGR-GNP-11035

The “instruments payable on demand” will exceptionally be calculated as 0% risk-weighted items.

It should be noted that exceptions related to Official Paper SIB-II-GGR-GNP-11035 will be applicable for the indicators corresponding to the closing of the months of May and June, 2017.

Additionally, in Resolution No. 025.17 dated March 28th, 2017, the “Rules Relating to the Application of the Revaluation of Assets in Banking Institutions” were established through which the Superintendency of Banking Sector Institutions instructed that the amount of the Revaluation “may not exceed the total of the Primary Equity (Level I) of the Institution considering the parameters established in the Rule that re-

gulates the calculation of the Index of Total Patrimonial Adequacy”. Similarly, indicates in Art. 6 “The record of the amount of the revaluation of assets in the Asset will be made in the accounts and sub-accounts established in the Accounting Manual for Banking Institutions, with counterpart in the account of the Equity item 351.00 “Adjustment for Revaluation of Assets”.

Tier 1 Capital Adequacy Ratio (Level I)

Is the comparison between tier 1 capital and total risk-weighted assets and contingent transactions. It should not be less than 6%.

According to the provision established and based on the results obtained in June 2017 and December 2016, percentages reached are:

Description	June 2017	December 2016
Capital Adequacy Ratio	13.60%	10.98%
Total Capital Adequacy Ratio	15.30%	12.39%
Tier 1 Capital Adequacy Ratio	15.30%	12.39%



ELECTRONIC CHANNELS AND BANK AGENCIES

As of June 2017 close, Banesco had a wide network of physical and electronic distribution channels whereby the Bank offers a wide range of products and services:

- 348 service points (agencies, satellites and Banesco Express) .
- 105.595 Points of Sale.
- 1.426 ATMs (900 Monofunctional and 551 Multifunctional).
- 307 Non-Banking Correspondents.

EXTERNAL AUDITOR'S REPORT

The financial statements of the Bank corresponding to the first half of 2017, included in this report, were audited by the external auditors of the Institution, "Márquez, Perdomo & Asociados", and confirmed the fairness of such financial statements.



LIQUIDITY, LEVERAGE, EFFICIENCY AND PROFITABILITY INDICATORS

Principal Financial Indicators	Jun. 17	Dec. 16	Jun. 16	Dic. 15
1. Equity				
(Equity + Operative Management) / Total Assets	13.60%	10.98%	12.38%	10.13%
Non-Productive Assets / Equity + Operative Management	828.80%	961.64%	449.22%	450.04%
2. Assets Quality				
Loan Portfolio Provisions / Gross Loan Portfolio	2.50%	2.50%	2.56%	2.72%
Non Accrual Loans / Gross Loan Portfolio	0.05%	0.14%	0.17%	0.12%
3. Management *				
Personnel Expenses + Operative Expenses / Average Productive Assets	10.46%	8.45%	7.93%	5.41%
Personnel Expenses + Operative Expenses / Financial Income	41.50%	38.07%	39.11%	27.98%
4. Earnings *				
Net Results / Average Assets	4.43%	4.21%	3.21%	4.42%
Net Results / Average Equity	83.18%	69.45%	46.19%	60.40%
5. Liquidity				
Availability / Customer Funds	53.23%	47.17%	30.26%	29.81%
Availability + Investment in Securities / Customer Funds	55.02%	51.58%	38.08%	39.00%

* Annualized Percentages

INTERNAL AUDITOR'S REPORT ON THE EVALUATION OF THE INTERNAL CONTROL ENVIRONMENT

First Half 2017



In accordance with the provisions of article 28 of the decree with status, validity and force of Law of the partial reform of the Law of Institutions of the Banking Sector, published in Official Gazette Number 40,557, dated December 08, 2014; as well as the prudential standards issued by the Superintendency of Banking Sector Institutions (hereinafter SUDEBAN), published on August 27, 2014, articles 1 and 16, of Resolution 064.14, referring to the "General Rules Relating to the Internal Audit of Banking Institutions", we present the summary of the management, work conducted and activities performed by the Internal Audit Unit at Banesco Banco Universal, C.A., during the period between January 1, 2017 and June 30, 2017, which was presented for the consideration of the Audit Committee and the Board of Directors, as established and approved in the Operational Plan for Internal Audit defined for 2017.

Banesco Banco Universal, C.A., has an Internal Audit Unit, which has sufficient independence to perform its functions in an effective, efficient and timely manner, with all the necessary powers to reach its goals. The Executive Vice President of Internal Audit of the Bank is the Internal Auditor, responsible for the Internal Audit area, and the staff in charge, assigned to the Internal Audit Unit, report functionally and administratively to Banesco's Board of Directors.

The Unit has an Internal Audit Function Statute, which is periodically reviewed and defines the Internal Auditor's Principles, Rules and Attributes, Internal

Audit Activity Assurance Policy, Audit Policy Manuals and Internal Audit Standards and Internal Audit Activity, as well as work instructions, which are defined in accordance with the National and International Internal Audit Standards and with the standards established in the Institution. If there are significant, regulatory or functionality changes, it is subject to consideration by the Audit Committee for approval and Board of Directors.

The methodology applied by Internal Audit for the development of the audit plan based on risk management processes was carried out considering the following criteria:

- The Internal Audit Operating Plan was approved by the Audit Committee and submitted to the Board of Directors for ratification, and six (6) reports of periodic progress have been made and provided to the Board of Directors and the Audit Committee (monthly periodicity) and the Integral Risk Committee (bi-annual periodicity).
- The rules established by SUDEBAN, as well as the current banking regulations and International Supervision practices were considered.
- Audit management was mainly oriented to the revision of the Risk-based Processes of the Central Administrative and Operational Areas, Banking and Agencies Network, Information Technology and Prevention and Control of Money Laundering and Terrorism Financing (hereinafter referred to as PCML/TF), according to the sche-

dule established in the 2017 First Semester Audit Plan.

- Implementation of audit tests to evaluate significant risk exposures, follow-up of corrective/preventive actions based on strategies, verification of the Internal Control Environment and effective functioning, which contributes to the improvement of the effectiveness and efficiency of the areas of Banesco Banco Universal, C.A., providing perspectives and guidance on the basis of analysis and evaluation of its information and processes.
- For the first half of 2017, revisions were made to the coverage established in the Internal Audit Operational Plan, whose aspects include the following:
 - Qualification of the effectiveness of the internal control environment, when evaluating the various aspects that involve the updating, application and operation of the internal controls of the Institution, the risk management framework, the effectiveness of the internal controls and the efficiency and productivity of the resources.
 - Review and verification of compliance with the legal provisions governing banking activity, and especially, the provisions of the Law of the Partial Amendment of the Banking Institutions

Audit management was mainly oriented to the revision of the Risk-based Processes of the Central Administrative and Operational Areas, Banking and Agencies Network, Information Technology and Prevention and Control of Money Laundering and Terrorism Financing



Law, other resolutions, circulars and documents issued by the Superintendence of Banking Institutions (SUDEBAN), as well as other regulations in force related to the banking activity applicable in the revisions undertaken.

—Verification of the application of the provisions contained in the Banking Accounting Manual for Banks of SUDEBAN, in the balances that make up the figures presented in Banesco's financial statements.

—Annual Program of Monitoring Evaluation and Control in Compliance with the aspects contained in the Regulation in force for the treatment of the Risk of Prevention and Control of Money Laundering and Terrorism Financing, Comprehensive Risk and Technological Risk.

—Follow-up of the Comprehensive Risk and Technological Risk Manage-

ment Processes; as well as, tests to validate the closure of the gaps identified in the analysis of the Regulatory Authority, Operational Risk, Internal Audit and External Audit.

—Special audits related to the certification of processes evaluated by the Regulatory Agencies in inspections performed by SUDEBAN, special cases, or requests from the Audit Committee were performed.

—For the closing of the first half of 2017, according to the schedule, Internal Audit concluded:

Type of Audit	Scheduled
Scheduled Audit Completed	19
Non Scheduled Audit	14
Total	33

Likewise, an audit was conducted in the Comprehensive Risk Management Unit, corroborating that Banesco has materialized its efforts to shape the organizational structure enshrined in Resolution 136.03 of SUDEBAN, for an adequate Risk Management; in addition, the design of methodologies to identify, measure, control, monitor and assess the various risks assumed, as well as the development of policies provided for in the aforementioned standard has been incorporated, and the necessary adjustments have also been made to comply with the Resolution 136.15.

In accordance with Resolution 119-10 of SUDEBAN, concerning PCML/TF, auditing and verification of compliance activities have been performed in accordance with the regulations related to the Administration and Control of Risks related to the Crimes of Prevention of Money Laundering and Terrorism Financing applicable to Institutions regulated by SUDEBAN, with scope of revision to date in risk areas (Credit, Agencies and Employees). Based on the work done, we conclude that the plans and programs designed to prevent and detect the operations that are presumed or could be related to Money Laundering and Terrorism Financing work properly.

In the area of Information Technology, the Technological Risk Inspection Reports reported by SUDEBAN, External and Internal Audit were followed up; as well as the processes, applications and components, communications, links and interfaces established in the Audit Plan.

With regard to the implementation of the Framework for Professional Practice of Internal Audit, the Unit has adapted to specific factors in the legal, regulatory, cultural and stakeholder expectations. In this sense, and in accordance with the current regulations in force in the country



and the best practices of Internal Audit in matters of Assurance, Internal Auditing Standards and Procedures to meet the requirements of SUDEBAN, concerning the activity performed by Internal Audit.

The activities developed by Internal Audit were defined taking into consideration the rules established in the current regulations, providing for the principles of objectivity and independence of the Internal Audit Function.

As for the self-assessment of internal control, during the second semester the assessment corresponding to the year 2016 was performed, obtaining as a result 76 points that places it at the right-hand level.

Of the revisions made to the internal controls of the Units and processes of Banesco Banco Universal, C.A., during the first half of 2017, an Average Rating of 1.87 SATISFACTORY was achieved; therefore, based on these results, an adequate formulation of policies and processes was observed so that Banesco Banco Universal, C.A., can operate:

- According to the strategies defined by the Senior Management, with the necessary human, technological and material resources, seeking an efficient use.

- Adequate decision-making and a reliable and transparent disclosure of information to its Board of Directors, shareholders, employees, customers, competent authorities and the general public (all stakeholders), which must have systems of information of the quality, sufficiency, security and opportunity required.
- Identification, evaluation and monitoring of risks, in order to maintain effective control and reduction of losses, through their proper administration.
- Compliance of the operational processes in accordance with the Executive Directorate and their permanent evaluation, to verify the operation of the controls and to adopt, where appropriate, corrective measures in a timely and efficient manner.
- Compliance with current regulatory standards and internal policies and procedures established by the Board of Directors and Executive Management.
- Awareness on risk, adequate Corporate Governance and continuous and timely supervision, which guarantees integrity and ethical values, strategic objectives based on operability, compliance by the Administration and control activities related to Policies and Procedures.

It is therefore concluded that the efficiency and effectiveness in the management of the Internal Control System of Banesco Banco Universal, C.A., maintains reasonable security.

NOTICES BY THE SUDEBAN

Regarding Provisions, Remarks, Recommendations or Initiatives on the Operation of the Institution



PARTICULAR REGULATIONS

DATE	OFFICIAL PAPERS
General Meeting of Shareholders	
27/01/17	SSIB-DSB-UNIF-01330. Considerations to the semi-annual Anti-Money Laundering and Terrorist Financing Report for the semester ended June 30th, 2016, on the occasion of required documents presented to the Ordinary General Shareholders' Meeting.
29/03/17	SIB-II-GGIBPV-GIBPV5-06128. Considerations to the required documents sent on the occasion of the celebration of the Ordinary General Shareholders' Meeting of March 30, 2017.
29/03/17	SIB-II-GGIBPV-GIBPV5-06129. Considerations to the required documents sent on the occasion of the celebration of the Special Meeting of Shareholders of March 30, 2017.
29/03/17	SIB-DSB-UNIF-06033. Considerations on the Semi-annual Anti-Money Laundering and Terrorist Financing Report for the semester ended on December 31, 2016, on the occasion of the reports submitted for the holding of the Ordinary General Shareholders' Meeting.
31/05/17	SIB-II-CCD-11062. Considerations regarding the performance of the managed portfolios contained in the Special Report and Notes to the Financial Statements of the semester ended on December 31, 2016.
31/05/17	SIB-II-GGR-GA-11086. Considerations to nominations to the Board of Directors made by the Ordinary General Shareholders' Meeting held on September 28th, 2016.
Inspections	
12/01/17	SIB-DSB-UNIF-00282. Results obtained in the Special Inspection Visit carried out in the Customs Agencies San Antonio del Táchira (Code 525), Banesco Express San Antonio Centro (Code 840) and La Fría (Code 436), with the objective of evaluating the provisions contained in the Resolution No. 119-10.
23/01/17	SIB-DSB-UNIF-00754. Results obtained in the Special Inspection Visit in order to evaluate compliance with the "PCML/TF Risk Management Policies and Procedures derived from the Financial Services Provided through Virtual Banking".
24/01/17	SIB-DSB-UNIF-00769. Results obtained in the Special Inspection Visit carried out in the Agency "7th San Cristóbal Avenue (Code 340)", with the objective of evaluating the provisions contained in Resolution No. 119-10.

PARTICULAR REGULATIONS (CONTINUE)

DATE	OFFICIAL PAPERS
Inspections	
01/03/17	SIB-DSB-UNIF-03759. Results obtained in the Special Inspection Visit practiced in the El Moján Agency (Code 0002), with the objective of evaluating the provisions contained in Resolution No. 119-10.
03/04/17	SIB-DSB-UNIF-06313. Special Inspection visit in matters of Prevention and Control of Money Laundering and Terrorist Financing.
26/04/17	SIB-DSB-UNIF-07750. Results obtained in the Special Inspection Visit carried out in the Seventh Avenue Agencies (Code 0340), Táchira Sambil (Code 0281), La Concordia (0436), Calle 10-Barrio Obrero (Code 0173), with the objective of evaluating the provisions contained in Resolution No. 119-10.
04/05/17	SIB-II-GGIR-GRT-08495. Visit of Special Inspection on Technology and Systems.
22/06/17	SIB-II-GGIR-GSRB-12313. Special Inspection visit in matters of Integral Risk Management, with the objective of evaluating the provisions contained in Resolution No. 136.03 relating to the "Standards for an adequate Comprehensive Risk Management".
23/06/17	SIB-II-GGIBPV-GIBPV6-12510. Results obtained in the General Inspection Visit, made to Banesco with a cut-off date of December 31, 2016.
Others	
04/05/17	SIB-II-GGIBPV-GIBPV5-08511. Authorization of the revaluation of the goods owned by Banesco registered in group 170.00 "Assets of Use", in accordance with Resolution No. 025.17.
05/06/17	SIB-II-CCSB-11529. Considerations to the "Report of the claims presented by the Clients in the Customer Service Unit such as those filed with the Customer Ombudsman and Banking User", included in the Bank's half-yearly report as of December 31, 2016.

GENERAL REGULATIONS

Date	OFFICIAL PAPERS
27/01/17	SIB-II-GGR-GNP-01396. Guidelines to determine the "Calculation of Adequacy Accounting Patrimony" foreseen in the Resolution N° 305.09.
20/02/17	SIB-DSB-II-GGR-GNP-03009. Instructions referring to the application of Foreign Exchange Agreement N° 36, containing the Norms that regulate Currency Transactions carried out by tourism service providers that operate Receptive Tourism, as well as the payments of goods destined for sale to Passengers.
24/02/17	SIB-II-GGR-GNP-03672. Supplementary information regarding the consolidated and/or combined financial statements, in accordance with generally accepted accounting principles; as well as the individual semi-annual audited financial statements adjusted for inflation.
24/02/17	SIB-II-GGR-GNP-03674. Guidelines to determine the equity-to-asset-and-contingent-transactions ratio, applying the risk-weighted criteria.
21/03/17	SIB-II-GGR-GNP-05305. Guidelines to determine the equity-to-asset-and-contingent-transactions ratio, applying the risk-weighted criteria.
28/03/17	SIB-II-GGR-GNP-05865. Modification of the Accounting Manual for Banking Institutions, referring to the incorporation of the accounts for the accounting records that are derived from the application of the revaluation of assets.
25/04/17	SIB-II-GGR-GNP-07588. Guidelines to determine the equity-to-asset-and-contingent-transactions ratio, applying the risk-weighted criteria.
17/05/17	SIB-DSB-UNIF-10013. Measures to ensure that financial institutions are educated about the concerns and weaknesses in the Capital Legitimacy Prevention and Terrorist Financing (PCML /TF) Systems.
30/05/17	SIB-II-GGR-GNP-11035. Guidelines to determine the equity-to-asset-and-contingent-transactions ratio, applying the risk-weighted criteria.

RELEVANTS INFORMATION TO STAKEHOLDERS



SUMMONS

BANESCO BANCO UNIVERSAL, C.A.

Stock Capital Bs. 1,250,000,000

By resolution of the Board of Directors and in accordance with the provisions of Articles 10, 12 and 27.2 of the Corporate By-laws, shareholders of Banesco Banco Universal, C.A. are summoned to meet at the Annual Meeting of Shareholders to take place on September 28th, 2017, at 8:00 a.m., in the Fernando Crespo Suárez Auditorium, in the third floor of the Ciudad Banesco building, located in Avenida Principal de Bello Monte, entre calle Lincoln y calle Sorbona, in the city of Caracas, for the purpose of addressing the following matters:

FIRST: Discuss and decide, prior submission of the report of the Shareholders' Representatives, on the approval of the Financial Statements, prepared by independent public accountants, corresponding to the business semester ended on June 30th, 2017.

SECOND: Discuss and decide on the decree, distribution and payment of dividends in cash.

THIRD: Appoint the members of the Board of Directors for the 2017-2020 period.

FOURTH: Election of the external auditor of the Bank.

JUAN CARLOS ESCOTET RODRÍGUEZ

Chairman of the Board

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 at the offices located in Edificio "Ciudad Banesco", Piso 3 (third floor), Legal Vice Presidency.

Caracas, September 1st, 2017

By resolution of the Board of Directors and in accordance with the provisions of Articles 10, 12 and 27.2 of the Corporate By-laws, shareholders of Banesco Banco Universal, C.A. are summoned to meet at the Special Meeting of Shareholders to take place on September 28th, 2017, at 8:30 a.m., in the Fernando Crespo Suárez Auditorium, in the third floor of the Ciudad Banesco building, located in Avenida Principal de Bello Monte, entre calle Lincoln y calle Sorbona, in the city of Caracas, for the purpose of addressing the following matters:

FIRST: Reduce the capital stock of the Bank in One Hundred Thousand Bolívars (VEF 100,000.00), as a result of the redemption of ten thousand (10,000) preferred shares, in conformity with the public offering prospect of preferred shares issue 2008-I and issue 2008-II.

SECOND: Increase the Capital Stock in the amount of One Hundred Thousand Bolívars (VEF 100,000.00), by decree, distribution and payment of dividends in common shares.

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

JUAN CARLOS ESCOTET RODRÍGUEZ

Chairman of the Board

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 at the offices located in Edificio "Ciudad Banesco", Piso 3 (third floor), Legal Vice Presidency.

Caracas, September 1st, 2017

RIF: J07013380-5

CORPORATE GOVERNANCE REPORT

BANESCO BANCO UNIVERSAL, C.A.

BanESCO Banco Universal, C.A., is a Banking Institution domiciled in Caracas, Bolivarian Republic of Venezuela, authorized to perform all financial intermediation operations and related services, with no limitations other than those established in the Decree with Status, Validity and Force of the Banking Institutions Law.

Shareholders Meeting

It represents the universality of shareholders and has the supreme direction of the company. Extraordinary meetings are held, within 90 days after the closing of each semiannual fiscal year, and special meetings are held at such opportunity as the Board of Directors may deem appropriate in the interests of the company, or upon request of a group of shareholders representing at least 20% of the share capital. Their acts and resolutions bind the Bank and all its shareholders.

The Shareholders' Meeting shall be responsible for: i) Determining the number of Directors who will be members of the Board of Directors; ii) Appointing the members of the Board of Directors and fix their remuneration; iii) Appointing the Chief Commissioner and his Alternate and fix their remuneration; iv) Appointing one or more directors with the right to attend and to speak in the Board of Directors meetings; v) Discussing, approving or modifying the Financial Statements submitted, in view of the report of the Commissioners; vi) Passing and amending the Bylaws; (vii) Deciding on early dissolution, extension, merger with another company, sale of the company's assets, change of corporate purpose, increase, reduction or reinstatement of the share capital and reform of the Articles of Incorporation; viii) Deciding on



The main function of the Board of Directors is the general management and administration of the businesses and transactions of the Bank, including its corporate social responsibility policy

the dividend decree and its form of payment, in the amount, with the frequency and in the opportunity deemed appropriate, in accordance with the Law and the Bylaws of the Bank; ix) Deciding on the constitution of reserves or special provisions that the Board of Directors submits for consideration; x) As well as knowing and deciding on any other matters within its jurisdiction, in accordance with the Law and the Company Bylaws.

Board of Directors

Its main function is the general management and administration of the Bank's business and operations, including its corporate social responsibility policies, with the broadest powers of administration and disposal of the company's assets and business, provided that they are not

matters reserved exclusively to the Shareholders' Meeting or other bodies established by the Law or the Bylaws of the Bank. It is responsible for the definition and strategic direction of the Institution; it also approves the principles and business policies, regulating the autonomies of executive decisions to ensure the interest of the shareholders and the preservation of the Institution. In addition, it controls the work of the operational and functional areas of the Bank, evaluates and compares the business projections, and the results of previous years with the results of each year. It holds ordinary meetings at least once a month, and may convene special meetings at the request of the President of the Board of Directors or three (3) of its members.

In accordance with the Decree with Status, Validity and Force of the of Banking Institutions Law, the attributions and duties of the Board of Directors are: i) Defining the financial and credit strategy of the Institution and control its execution; ii) Analyzing and declaring on credit risk reports, regarding the proportionality and validity of the guarantees granted; iii) Deciding on the approval of the active operations that individually exceed five percent (5%) of the assets of the Institution; iv) Issuing opinion, under its responsibility, on the financial statements and the internal audit report that includes the opinion of the auditor on compliance with the standard of prevention of money laundering; v) Knowing and resolving on the content and compliance with the communications of the Superintendency of Banking Institutions, referring to provisions, observations, recommendations or initiatives on the operation of the Institution; vi) Complying and enforcing the provisions enshrined by the Law, the Superintendency of Banking Institutions, the General Shareholder's Meeting and the Board of Directors. Likewise, the Board of Directors has the powers described in the Bank's Bylaws.

Chairman of the Board of Directors

It is subordinate to the Shareholders' Meeting and to the Board of Directors; in the exercise of its powers, it legally represents the Institution before any public or private authority; grants on its behalf contracts, agreements, conventions and, in general, any kind of documents; performs all those actions that are commissioned by the Board of Directors; and chairs the Shareholders' Meetings, as well as the meetings of the Board of Directors, exercising with it the supreme conduct of the Bank's activities.

CEO

He is in charge of the conduction, management and daily operation of the Bank's internal businesses and services, as well as the administration, supervision and control of its businesses, its accounting, financial statements, inventory and accounts. He also has the power to supervise, control and coordinate the activities and tasks assigned to each executive di-

rectorate; chairs the executive management committees of the Bank and represents it to third parties in non-judicial matters, being able to conclude contracts, agreements and conventions on its behalf and representation.

Internal Auditor

Pursuant to the Decree with Status, Validity and Force of the Banking Institutions Law, he is responsible for ensuring that the Bank's operations and procedures comply with the Law, prudential regulations, internal procedures manuals of the Institution and the accounting principles approved by the Superintendency of Banking Institutions. He is also responsible for monitoring the proper functioning of internal control systems; to ensure compliance with the resolutions of the General Shareholder's Meeting, the Board of Directors and the Superintendency of Banking Institutions; underwrite financial statements, together with the legal re-



The Internal Auditor is responsible for ensuring that the Bank's operations and procedures comply with the Law, prudential regulations, internal procedures manuals of the Institution and the accounting principles approved by SUDEBAN.

presentative and the accountant general; to coordinate internally the analysis of the different operations of the Institution and, jointly with the Audit Committee, inform the Board of Directors about the results of the different audits performed in order to improve the processes and be able to rectify any gap that might arise.

Compliance Officer

It is an official who reports directly to the Bank's Board of Directors. His purpose is to strengthen the mechanisms that contribute to the surveillance of the risks related to Money Laundering and Terrorism Financing (ML/TF).

His functions include: to chair the Committee of Prevention and Control of ML/TF; coordinate, supervise and administer the compliance program against ML/TF, as well as monitor the implementation of all regulations issued to prevent money laundering and terrorism financing; design jointly with the Committee and the Unit of Prevention and Control of Money Laundering and Terrorism Financing the Annual

Operation Plan of Prevention and Control of ML/TF.

The Corporate Governance of Banesco Banco Universal, C.A., includes in its structure the following Committees:

Audit Committee

Its purpose is to know the financial statements that will be considered by the Board of Directors and then submitted for the approval of the Shareholders' Meeting, in order to verify that they contain all the required information and fully and truthfully reflect, without reservations and omissions, the financial situation of the company. The Audit Committee also assists the Board of Directors in implementing measures to preserve the integrity of the Company's financial information, collaborates in the supervision and follow-up of the Bank's internal and external audit, approves the scope of the annual audit and reviews jointly with the Board of Directors and the External Auditors all significant points regarding litigation, contingencies and claims.

Committee on Risk

Its main function is the administration, identification, measurement and mitigation of the risks to which the Bank is exposed, setting the risk limits in compliance with policies established in each of the Bank's activities in credit, market, legal, business matters, among others, in accordance with domestic legislation and international best practices. In addition, it supports both the Board of Directors and the different Credit Committees in decision-making, and sets the guidelines and policies they must comply with in order to preserve the established risk profile.

Credit Committees

The Board of Directors, reserving the exercise of this attribution, delegated to credit committees powers to grant credits in any of the modalities permitted by law, assigning to each autonomous or credit committee a certain limit of individual indebtedness. For this date there is: the Central Credit Committee, the Executive Credit Committee, the Delegated Credit Committee, the Regional Credit Committees and the individual autonomies.

Technology Committee

Its main function is to ensure that technological implementations are aligned with the Bank's strategies and objectives, with a global and horizontal vision of the business, responsibly using resources and identifying and managing risks. It also ensures the formulation of the business architecture and governance of the Bank's technology plan; it optimizes and monitors process performance and solution delivery.



Assets and Liabilities Committee (ALCO)

It is the agency directly responsible for the management of market and liquidity risks (price, interest and exchange rate) and equity adjustment; it periodically analyzes the degree of risk exposure and defines short- and medium-term financial strategies against risks assumed in accordance with foreseeable market developments. Its main objective is to manage, from a financial, commercial and risk perspective, the Bank's assets and liabilities, managing to anticipate threats and opportunities in the market, in order to optimize results and achieve the goals set out in financial planning.

Committee on Prevention of Money Laundering and Terrorism Financing

Its objective is to control and supervise the faithful fulfillment of the preventive measures tending to combat Money Laundering and Terrorism Financing within the Bank. Likewise, it acts as an advisory and consulting body in support of the tasks that are the responsibility of the Board of Directors, the President of the Institution and the Compliance Officer regarding compliance with the issues related to the current legislation on the prevention of Money Laundering and Terrorism Financing.

Ethics Committee

Its main function is to ensure the adequate reception, analysis, evaluation and resolution of complaints, concerns and issues that may be affecting compliance with the ethical values established in Banesco Code of Ethics and Citizen's Conduct, and facts that affect integrity and image of the Bank.



Banesco Code of Ethics and Citizen's Conduct

It helps define and regulate Banesco's conception in regards to ethical values, by establishing patterns of conduct intended to reinforce honesty as the core of Banesco Citizen's actions. Its implementation is directed essentially towards the respect of human rights, as well as the prevention and control of Money Laundering and Terrorism Financing.

In order to achieve said goal, the conduct of Banesco Citizens must be guided by the following values:

RESPONSIBILITY: To be responsible in the performance of their activities, which means full acceptance of the responsibilities, duties and tasks that have been entrusted to them, including showing initiative and to be diligent in the fulfillment of all the requirements of their position, to make a good use of time and to give their best before anyone.

RELIABILITY: To ensure compliance with bank confidentiality and to protect any other client confidential data, unless a competent authority requests such information; and to not use any of the information to which they have access through the performance of their activities, responsibilities or tasks for personal gain or for that of third parties. Likewise, they shall tell the truth under any circumstance, answer with truthfulness, recognize their errors and request help whenever it is necessary.

QUALITIES: To conduct themselves in a way that shall be defined by respect for human dignity, performing any task with the greatest care and striving to exceed our customer and client's expectations.

INNOVATION: To be up to date with new technologies, making an adequate use of them, creating new ways of doing things, analyzing risks; all in compliance with the Code of Ethics and Conduct of the Institution.

REPORT OF SHAREHOLDERS' REPRESENTATIVES

Banesco Banco Universal, C.A.

Six-month period ended June 30, 2017 • Caracas, August 17, 2017

To the Shareholders and the Board of Directors of Banesco Banco Universal, C.A.

I, in my capacity as Senior Commissioner of Banesco Banco Universal, C.A., appointed at the Ordinary General Shareholders' Meeting of the Bank, held on March 30, 2016 and ratified at the Ordinary General Shareholders' Meeting of the Bank, held on March 30, 2017, in accordance with the provisions of the Bank's Articles of Incorporation, the Interprofessional Standards for the performance of the Commissioner's duties and pursuant to Articles 287, 309 and 311 of the Code of Commerce, hereby inform that I have examined the balance sheet as of June 30, 2017, and related statements of results and application of net income, changes in equity, and cash flows for the six-month period then ended; attached to the report of the independent public accountants of the Bank, Márquez, Perdomo & Asociados (Members of Crowe Horwath International) issued on August 16, 2017, which should be considered an integral part of this report.

During the six-month period ended June 30, 2017, I attended in my capacity as Commissioner the Ordinary General Shareholders' Meeting and the Special Shareholders' Meeting, held on March 30, 2017.

Administrative Financial Statements Accountability

The Management of Banesco Banco Universal, C.A., is responsible for the preparation and reliable presentation of these financial statements in accordance with the accounting standards

established by the Superintendency of Banking Institutions (SUDEBAN), which differ in some respects from the Generally Accepted Accounting Principles (VEN-NIF). The management of Banesco Banco Universal, C.A., is also responsible for establishing the internal controls it deems necessary for such financial statements to be free from material misstatements due to fraud or error, to select and apply the appropriate accounting policies, and to make accounting estimates that are reasonable, according to the circumstances.

Auditor's Responsibility

Independent public accountants are responsible for expressing an opinion on these financial statements based on their audits. They conducted their audits in accordance with International Standards on Auditing. These standards require that they comply with ethical requirements and that they plan and execute their examinations to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes performing procedures for obtaining evidence related to the amounts and disclosures presented in the financial statements.

The procedures selected depend on the auditor's judgment, and include the assessment of the risks of material distortions in the financial statements due to fraud or error. In assessing the risks, the auditor considers the significant internal controls used by Banesco Banco Universal, C.A., for the preparation and presentation of reliable financial statements in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriate use of accounting policies and the reasonableness of accounting estimates made by management; as well as the joint presentation of the financial statements. The Bank's independent public accountants believe that the audit evidence they obtained during their review is sufficient, appropriate and provides a reasonable basis for their opinion.

Responsibilities of the Commissioner

My responsibility is to issue a recommendation on these financial statements based on my review. Said review was performed in accordance with the scope I deemed necessary in the circumstances, which is substantially less than that of an audit conducted in accordance with International Standards on Auditing, whose purpose is to express an opinion on the basic financial statements taken as a whole. Therefore, it is important to note that both my review and the judgments and opinions that I issue in this report on the financial situation of Banesco Banco Universal, C.A., as of June 30, 2017, are based mainly on the report of independent public accountants of the Bank, Márquez, Perdomo & Asociados (Members of Crowe Horwath International) dated August 16, 2017, mentioned above.



Recommendation

In the opinion of independent public accountants, the aforementioned financial statements present fairly, in all material respects, the financial position of Banesco Banco Universal, C.A., as of June 30, 2017, the results of its operations and the cash flows for the semester then ended, in accordance with generally accepted accounting principles, established by the Superintendency of Banking Institutions (SUDEBAN) for the Venezuelan banking system, which is why, based on the scope of my review, as expressed in the previous paragraph, I would recommend its approval.

Accounting Basis

Banesco Banco Universal, C.A., presents its financial statements in accordance with the accounting standards established by the Superintendency of Banking Institutions (SUDEBAN), which differ in some respects from the Generally Accepted Accounting Principles, as explained in Note 2 of the financial statements of the report of independent public accountants. The financial statements accompanying the report of the independent public accountants were prepared with the purpose of complying with the standards and practices established by that agency and not with the purpose of being presented in compliance with Generally Accepted Accounting Principles in Venezuela VEN- NIF.

Other Matters To Be Informed

Based on the evaluation of the Loan Portfolio, Interest and Commissions Receivable and Other Assets, as of June

30, 2017, presented in the Special Report issued by the Independent Public Accountants dated August 16, 2017, to comply with the standards for the preparation of semi-annual external audit reports, established by the Superintendency of Banking Institutions (SUDEBAN), the following provisions as of June 30, 2017 are, in my opinion, reasonable and sufficient for the purposes that were created, in accordance with the standards issued by the Superintendency of Banking Institutions (SUDEBAN):

Provision for Loan Portfolio	54,013,357,178
Provision for Income Receivables and Other	236,148,004
Provision for Other Assets	348,555,379

Likewise, based on the evaluation of the Securities Investment Portfolio and its receivables as of June 30, 2017, the presentation and valuation are reasonable and, in my opinion, do not require the constitution of a provision at that date.

The reserves, provisions and sections; as well as the decreed dividends and statutory paragraphs, meet the provisions of the regulations governing the matter; therefore, the Bank's directors have complied with the duties established by the Law, the articles of incorporation, the bylaws and the legal regulation in force.

The Bank has implemented the corresponding audit programs with a view to complying with the instructions contained in Circular No. HSB-200-1155 dated February 24, 1984, issued by the Superintendency of Banks and Other Financial Institutions, currently Superintendency

of Banking Institutions (SUDEBAN), as established in Circular No. HSB-200-5355 dated September 13, 1984.

During the period under review I have not received any complaint from any shareholder and I have not been informed by any of them of the existence of circumstances that I believe weaken or have the potential to weaken the financial condition of the Institution.

Based on the foregoing, I recommend that the shareholders approve the financial statements of Banesco Banco Universal, C.A., for the six-month period ended June 30, 2017, presented by the Board of Directors; as well as its administrative management.



Carolina A. Arellano Suárez
Statutory Auditor
C.P.C. 44.795

CORPORATE MANAGEMENT REPORT



HUMAN CAPITAL

Talent Development and Training

In keeping with the demands of the environment and oriented to the continuous improvement in the performance of all Banesco citizens, the Talent Development Management has been immersed in innovative processes of planning, organization, management and control, while recognizing in turn, the temporality of the practical concepts applied at the moment, a situation that entails establishing a constant search for better practices oriented and harmonized to the unique characteristics lived and demanded by our current society, thus developing, training actions that allowed to keep updated to all our employees in the face of technological changes, providing them with information on the application of new trends in learning processes, as well as enhancing their integral vision in terms of technical knowledge, key competences development and banking knowledge. In this sense, our most important initiatives are highlighted as follows:

- Positioning of Banesco Virtual Learning (AVB), in compliance with the training strategy 2017, in which it was established that 80% of the training sessions were conducted through Virtual modality and 20% Face-to-face, achieving 40,772 participations and 186,929 hours of training.
- 3,112 workers attended at least one face-to-face training activity and 7,180 workers have developed their Virtual



In the first half of the year, 250 INCES Apprentices were trained, the annual program for Strengthening the Code of Ethics and Values was started

Training, doing at least one course under this modality.

- In this first semester, 65% of the training was aimed at reinforcing the Technical Knowledge of the staff, 21% to the Development of Competences and Leadership Skills, and 14% to the Reinforcement of Regulatory Banking Knowledge.
- Among the training activities, the Banesco Leader program, the Collaborative Tools program, the Integral Salesman virtual program for the Commercial Network, the Safety and Occupational Health Diploma, endorsed by the IUNETE Foundation, the first Advanced Innovation Program, as well as other courses in different subjects, in alliance with renowned universities, such as UCAB, USB and UNIMET.
- Similarly, and in compliance with legal regulations, we provide banking knowledge associated with Specializations in Prevention of Money Laundering and Terrorism Financing, with priority given to the Training of Responsible Compliance Employees nationwide. Likewise, virtual courses related to Risk Culture were offered in a Financial Institution and on Occupational Health and Safety: First Aid and LOPCYMAT.
- In the first half of the year, 250 INCES Apprentices were trained, the annual program for Strengthening the Code of Ethics and Values was started and we incorporated the Rapid-Learning methodology into our virtual designs.

Life Quality

In the first half of 2017 leisure sports and cultural activities were developed as part of the Life Quality Plan, for a total of 13,582 participations, including:

Leisure and Sports Activities

- ▶ **Family Days:** Workers and their families enjoyed leisure, sports, and preventive activities against the consumption of alcohol, tobacco and other drugs, reinforcing organizational values.
- ▶ **Continuous Training:** In the softball and football-room disciplines.
- ▶ **Tonification:** Dance therapy, yoga, among others.
- ▶ **BanESCO Running Club:** Workers have a space for their well-being and their health, with the support of a specialized trainer.
- ▶ **Recipes and Tastings:** We reinvent new activities to give attention to our collaborators in different spaces, such as the explanation and tastings of recipes easy to prepare and at low cost, as well as tasting of natural infusions that help to improve health.
- ▶ **Corporate Alliances and Employee Fairs:** Alliances were established with different suppliers, in order to offer employees discounts on various items: School Texts/Supplies, Clothing-Footwear, Tourism, Accessories, Toys, Household Goods, Cell Phones and others. Also several sales fairs were held at Ciudad BanESCO with discounts and payment facilities.

Cultural Activities

- ▶ **Theater Group/Theatrical Performance:** Theater, rehearsal and mi-

cro-theater lessons, reinforcing values, co-habitation rules, service, among others.

- ▶ **Choral Singing Workshops:** Rehearsal and group preparation for different performances, Mother's Day, Father's Day and Children's Day.
- ▶ **Sundays of Family Cinema:** Providing employees and their families with spaces of entertainment, in which contents are handled over values, etc.



- ▶ **Talks of interest in different specialized areas:** Personal Finance, Motivational Talks, Emotion Management, Chat ARI, Talk Mortgage and Vehicle, among others.

It is important to mention the activities performed with our BanESCO Volunteer and Cultural Agents:

—Volunteering for recreational activities, protocol on events and participation in the celebration of Mother's Day and Father's Day, the month of service, recreational support during the Family Days.

—Empowering our Volunteers and Cultural Agents, different lectures and conferences were given: Personal and organizational commitment, Appreciative inquiry, Personal leadership.

Contract Benefits

HCM Policy

It is vitally important for the Organization that its employees and their family group benefit from the HCM (Hospitalization, Surgery and Maternity) Policies; to do this, during the renewal, payment methods are established that help the employees select the modalities of the beneficiaries' premiums that they can additionally include. Also, a communication campaign was deployed by the various internal media to provide information on the benefits offered, as well as guidance for using them.

Funeral Service

All members of the Savings Bank make their monthly contribution to the funeral services and these resources are used to pay for the Funeral Services Policy, whose Basic Plan is offered free of additional cost for the associated owner (employee) and direct relatives (father, mother, children and spouse); and BanESCO, as a socially responsible organization, assumes part of the cost for the welfare of its employees.

Credit Cards

As of May, the annual interest rate of BanESCO Credit Cards for its employees went from 20% to 17%; in addition, a massive process was applied to evaluate the assigned limit, and to grant the first credit card for employees older than 3 months in the Organization.

Contribution of School Supplies and Holiday Plan

In June 2017, Banesco paid all employees the contribution of school supplies for children between 1 and 17 years of age, and a holiday plan for children between 0 and 12 years of age, which for this year increased by 267% and 400%, respectively.

Health Contribution

Now Banesco employees enjoy a benefit that allows them to make purchases in pharmacies, and thus to acquire the medicines and products that they require, as well as hospital expenses, through a TodoTicket Health Card.

Unsecured Loans

At Banesco, we know that the main house is a priority for our employees and their family, which is why the amount of the unsecured loan was increased by 200%, in order to complete the down payment of purchase option or notarized purchase of the main house.

Health as part of Banesco's Corporate and Social Responsibility

During the first half of 2017, the Medical Service has implemented over 20,000 individual actions aimed at preventing illness in workers. Preventive days have been organized for thermo-nebulization, discussions of good food, information through internal communications on various topics, such as correct storage of water, how to combat dengue transmitter mosquito, among others.

Likewise, events for testing skin, breast, prostate, cervix cancer, hypertension, diabetic screening, ultrasound controls, and others were held. Awareness-raising talks were delivered for the inclusion of people with disabilities addressed to Banesco Citizens, in partnership with the regulatory body CONAPDIS.



CORPORATE AND SOCIAL RESPONSIBILITY

BanESCO's social investment at the end of the first half of 2017 totaled VEF 2.34 billion. Of this amount, 93% of the resources (Bs 2.18 billion) were oriented to non-contractual benefits for workers. In the external area, VEF 165.17 million were allocated for projects that serve the community, mainly executed through our Social Partners.

Social Action in the Community

AVEC

Since 2004 Banesco and the Venezuelan Association of Catholic Education have worked together to improve and expand the infrastructure of schools affiliated to this association, through direct contributions for the repair, construction and refurbishment of schools. This year we contributed VEF 7.17 million for 3 schools serving more than 1,300 students.

Universidad Católica Andrés Bello

Our University Scholarship Program in honor of Father Gustavo Sucre, Jesuit,

reached its second year of management, serving 130 students of this university in its headquarters in Caracas and Guayana. The contribution for this period was VEF 46.9 million.

Universidad Simón Bolívar

We arrive at a decade of support for Equinoccio Editorial and the publication of the Papiros Collection -formed by the Essay, Narrative, Poetry and Tours Series- of this publishing house, which already has 75 titles, of which 66 have been published under the sponsorship of Banesco. They have become books of celebrated reading and necessary consultation to know the balance of our most recent literature.

Fe y Alegría

As a continuous support to Fe y Alegría's higher education, we contributed VEF 49.7 million to improve

the infrastructure and air conditioning of the classrooms of the Instituto Universitario San Francisco (IUSFRA), located in Ciudad El Sol, San Francisco Parish, Zulia State. The resources granted to Fe y Alegría will be used to improve the installed capacity of IUSFRA's Academic Module II, as well as the replacement of the air conditioners system by wall fans. This contribution will improve the safety and temperature conditions of 15 classrooms.

A.C. Red de Casas Don Bosco

The Bank made a contribution of VEF 6.5 million this year to finance the BoscoBus, which serves children, adolescents and young people between the ages of 4 and 25, who are in a street or high risk condition in the urban centers of the Metropolitan Area of Caracas. BoscoBus is a mobile unit that takes multidisciplinary attention to the streets of Caracas and has three Support Centers located in Sarría, Palo Verde and La Vega, where children and adolescents can receive shelter, food or supervision of the various specialists. They are also offered training workshops in trades.

Venezuelan Cancer Society

We contributed VEF 55.0 million for the preparation of the Third Mobile Clinical Unit that will have mammography, digital ultrasound and video print. Mobile clinical units are intended to provide on an outpatient basis the evaluation service and early diagnosis of breast, cervix, prostate and skin lesions of different popular communities of Greater Caracas. The annual attention and benefit is raised for 3,036 women directly and more than 9,000 people indirectly.

SOCIAL NETWORKS

At the end of June 2017, our social networks totaled a community of 1,218,264 followers in our official accounts on Twitter, Facebook, Instagram, Google+, YouTube and LinkedIn, which is equivalent to an increase of 14.5% compared to the December 2016 numbers.

For us it represents an important channel to communicate with our customers and with the general public, not only to convey our messages, but to listen to their statements almost in real time, apart from having a blog.

Banesco Banco Universal dealt with 10,465 cases related to its products and services through its social networks. Of the cases addressed, 61% corresponded to the requirements of Banesco's customers, while 39% were inquiries about products and services.

In terms of its presence in social networks, Twitter -through the account @Banesco-, remains as the social network preferred by users, reaching 653,497 followers as of June 2017. In addition to serving as a link for the attention of queries and requirements, offers relevant contents on personal finance, entrepreneurship, technology, ephemeris, history, sports, business, energy and news about the Bank's products, services or promotions. On the other hand, Banesco on Facebook added 260,270 followers, while on Instagram it reached 89,410 followers. The videos placed on the YouTube channel "Banesco en Imágenes", recorded more than 3.4 million views, as well as adding 7,503 subscribers. At the end of June 2017, Banesco Blog exceeded 6,323,447 million visits. In this site, apart from corporate information on products and its Corporate Social Responsibility policy, the institution has exclusive content prepared by renowned journalists.

Micro-Enterprise Training Program

We continue our training of small business entrepreneurs thanks to important alliances with different social action institutions focused on entrepreneurship. This is how during this period we trained 2,340 entrepreneurs to whom we provided management training to incorporate them into their businesses, improve their production and make them become more competitive in the market. Since the implementation of this Program until June 2017, we have trained 50,790 entrepreneurs.

Venezuelan Foundation against Children's Paralysis

We contributed VEF 11.3 million for the provision of medical equipment for the hospitalization area of the Hospital Ortopédico Infantil de Venezuela. The purchased equipment includes: multiparameter monitors to measure vital signs, blood pressure monitors and laryngoscopes.

During 2016, the hospital treated more than 200,000 patients, performed 3,815 surgical procedures, and hospitalized 4,000 patients with 44 available beds.

MARKETING AND INNOVATION

Now our customers can enjoy the Digital Library at Banesco.com

During the first semester of 2017 we included a new section on our website, the Banesco Digital Library. This initiative arises to meet the need to support education and editorial activity in the country, as part of the Banesco Corporate Social Responsibility Program, through the Banesco Editorial Fund and with the aim of contributing to the comprehensive education of citizens and promote a greater knowledge of these Venezuelan authors.

Our Clients participated in a new edition of the Promotion “You are about to Win”

As of February we started the fourth edition of the Prompt Payment Promotion for Banesco cardholders. We offered our clients the opportunity to earn a refund of the minimum payment of their credit card and thus reduce their debt by only paying their card punctually. The promotion was extended until May and the clients participated for monthly refunds of their minimum payment for amounts of up to VEF 20,000 each.

To promote it, we launched a massive campaign through television, radio, social networks and Banesco.com.



We launched: “It’s Not You, It’s Me”, the New Campaign of Electronic Channels

During the second quarter of 2017, in order to promote the use of the Electronic Channels services that Banesco offers to its customers and the options they have to carry out their banking transactions, we launched the campaign “It’s Not You, It’s Me”, intended to strengthen the knowledge of all the services that the customer can access to perform their operations quickly, easily and safely, without the need to approach a banking agency.

With this campaign we also wanted to reinforce the understanding of these services in the specific target of pensioned clients, who in a high percentage still do

not know about the transactions that they can carry out with their Venezuelan Social Security Institute Pension account.

The campaign was broadcasted as of April on television and radio.

We reinforced the benefits of our Collections and Payments Services

To make known the multiple solutions that Banesco offers its legal clients to manage their business comfortably and from anywhere, we launched a campaign through Banesco.com and radio, for which a campaign concept was designed to focus on the multiple benefits offered by Banesco's collection and payment services, as well as highlight the alternatives it has to carry out this campaign according to the needs of each client, thus consolidating our commitment to support them in their business management.

The campaign was deployed in mass media during the first quarter of 2017 and has become a permanent campaign in Banesco.com.





BUSINESS MANAGEMENT

In the first semester of 2017, the commercial strategy was focused on strengthening the relationship with our customers, through the management of their financial transactions through our electronic channels, and the comprehensive management of credit as the main facilitator of support in the growth of their businesses and as a source of financing for the acquisition of goods and services.

The segmentation process of our clients was carried out, specifying improvements in our value offer to further link them with the Bank, with products and services that guarantee the best experience for them.

Mass Segments

During the first semester of 2017, the “Quality Contact” Program was consolidated, whose objective is to innovate in the sales schemes, directing the efforts towards the development of our clients and ensuring that they obtain the best experience, regardless of the person who assists them and the contact channel used.

Thanks to the maturity of the Management Model and Segment initiatives, in this first semester more than 880,000 clients have been managed with an orientation toward proactive sales, identifying their needs in advance and offering the appropriate solution.

Banking for Legal Persons

Corporate Banking

Corporate Banking remained focused on linking our clients with products and services designed according to their transactional needs, to facilitate administrative work in companies.

All this has been achieved thanks to a team oriented to know the performance of clients in the economic sectors in which they are developed, providing financial advice that has made Banesco their business ally.

Agricultural Banking

Our Agricultural Banking continued with the commitment to support the agricultural development of the country,

granting loans to more than 1,400 clients in the first semester, under a strategy of accompaniment and knowledge of the areas in which our clients exercise their activity.

Enterprise Banking

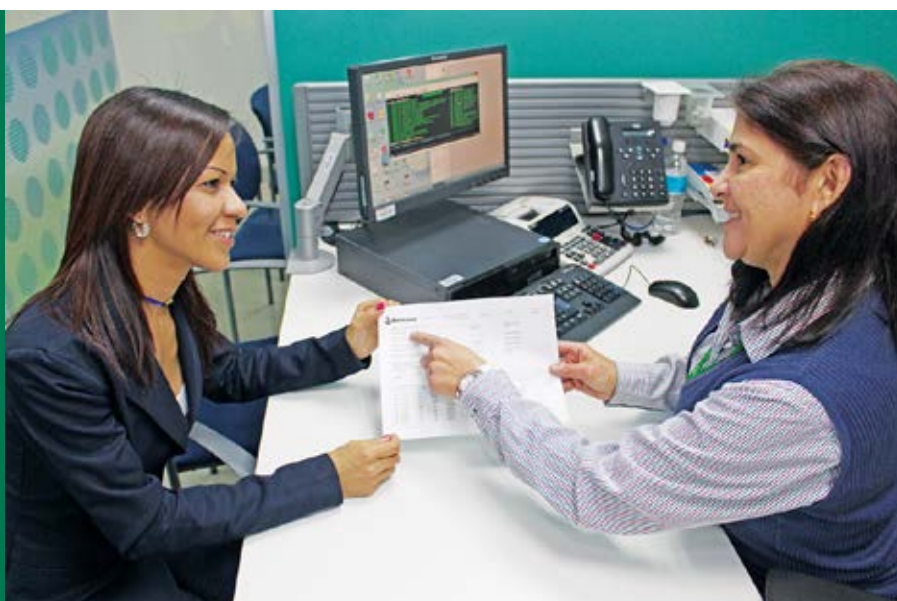
For the first semester of 2017, Enterprise Banking increased by 251% in Liabilities, based on the provision of collection products and means of payment, instruments that help the management of accounts to our customers.

The loan portfolio shows a 183% growth, which reaffirms our support to the different productive sectors, Trade, Manufacturing, Tourism, among others.

Energy Banking

Energy Banking continued to strengthen the relationship with its customers, focusing on sustainably meeting the demand for credit in the areas of refining and production services. The specialization degree

For the first semester of 2017, Enterprise Banking increased by 251% in Liabilities, based on the provision of collection products and means of payment, instruments that help the management of accounts to our customers





of our executives in the sector and personalized service has been a key factor for the development of the clients and the positioning within the segment.

Public Sector Banking

During the first semester of the year, Public Sector Banking managed to improve the placement of collection products, including Multiple Payments, Points of Sale and Payments Gateway; optimizing payment processes and improvements in the collection of liabilities.

International Products

For the closing of the first half of 2017, we continued with active participation as an authorized exchange operator, leveraging the management of the range of traditional Foreign Trade products, with the quality of service that distinguishes us.

Means and Payment Services

We continue to increase our customer base with Collection and Payment services, implementing constant improvements in our products of Collection Services, Payment to Suppliers, Electronic Deposit, among others, thus achieving a greater bonding of customers with the Bank's products.

Trust

We started 2017 with a sustained growth of our portfolio by type of Trust, focusing our strategy on the collection of Social Benefits, allowing our customers to offer high levels of self-management and optimal response times through electronic channels.

As a result of the aforementioned strategy, 54.5% of the Assets correspond to Trusts of Social Benefits and Collective Investment (VEF 36,360 million), 38.9% to Investment Trusts (VEF 25,952 mi-

BANESCO COMMUNITY BANKING

In the popular sector of the economy various economic activities are developed through which a significant number of Venezuelans obtain their main source of family support. Their main financing needs are oriented to the purchase of raw materials or inventories; as well as the acquisition of equipment with which they strengthen the infrastructure of their businesses.

Today we add more than 449 thousand clients served belonging to the popular sectors of Venezuela; we surpassed the 309,000 credits granted; and more than 50,000 small entrepreneurs have successfully completed the Training Program for Micro Enterprises that we have created especially for them.

At the end of the first half of 2017, the loan portfolio for community services was VEF 4,122 million, representing 23.44% of our loan portfolio, which was VEF 17,119.2 million, reaffirming the spirit and vocation of service for the less favored sectors of society. The main activities financed in community services are: food sales, personal care, health services, education, among others.

During the analyzed period, we encouraged the fundraising through various products such as the Community Account and the Step by Step Savings, achieving an important increase in the resources of our customers account in 131.7%.

Likewise, through the advisory processes, the use of electronic channels such as BanescOnline was increased, where transactions exceeded 2 million and more than 286,000 transactions were carried out through ATMs.

We ended the period with a total of 26 Community Agencies, consolidating our presence in popular areas such as: La Vega, Antímano, San Martín, Petare, Catia, El Cementerio, Santa Teresa, Maiquetía, Higerote, Guarenas, Barinas, Valencia (2), Barcelona, Puerto Cabello, Cúa, Maracay, Acarigua, Palo Negro, Maturin, Barquisimeto (2), Porlamar, Maracaibo (2) and Ciudad Ojeda, with a presence in 8,653 neighborhoods in 16 states of the country.

llion), 3.8% to Guarantee Trusts (VEF 2,508 million), 2.9% to Administration (VEF 1,903 million).

In this sense, a total growth of VEF 32,023 million (92.28%) in the Trust Assets is reported for the first half of 2017, reaching an amount of VEF 66,725 million at the end of June, which ranks us in the first positions in the country's private trust banking.





AVAILABILITY OF ELECTRONIC CHANNELS AND BANKING OFFICES

As of June 2017 close, Banesco had a wide network of physical and electronic distribution channels whereby the Bank offers a wide range of products and services:

- ▶ 348 service points (agencies, satellites and Banesco Express)
- ▶ 105,595 Points of Sale
- ▶ 1,426 ATMs (881 Monofunctional and 545 Multifunctional)
- ▶ 307 Non-Banking Correspondents Channel (CNB)

Agencies, Electronic and Digital Channels Network

In the first semester of 2017, through the service channels offered by Banesco, our clients carried out a total of 2,017 million transactions, which represents a 58% growth compared to the same period of 2016, showing a participation in the electronic channels at the end of June of 98.9%.

Agencies Network Channel

At the end of the first semester Banesco has 348 Service Points, composed of 302 Agencies, 34 Box Offices and 12 Banesco Express, through which 21.9 million transactions were carried out, representing a decrease of 13% (3 million of transactions less) compared to the same period of 2016, leveraged in the derivation of transactions to electronic channels.

Internet Banking Channel

At the end of June 2017, BanescOnline has more than 2.3 million active clients, representing 62% of the Bank's total active clients that executed recurrently



during the first half of 2017, more than 1,263 million transactions.

In order to improve the experience of our customers, the automatic activation of the Dynamic Special Operations Code (COED) of BanescOnline was enabled in March, thus preventing the customer from contacting our Call Center.

In June, the new image of our BanescOnline and Electronic Payment portals was published, which is aligned with the new trends. Likewise, the possibility of recovering access to BanescOnline was enabled using the Credit Card or Debit Card.

Mobile Banking Channel

For the first half of 2017, through the Mobile Banking Channel offered by Banesco, 50% transactions were carried out more than in the same period of the previous year, of which more than 15 million were financial transactions.

Telephone Banking Channel

The Banesco Call Center attended during the first semester of 2017, a total of 44.7 million calls, experiencing a growth of 27.4% in relation to the same period of the previous year, 93% (41.6 million of calls) were received automatically through the IVR and only 7% (3 million calls) were answered by telephone agents.

ATMs

Banesco closed with an installed park of 1,426 ATM machines nationwide (881 Monofunctional and 545 Multifunctional), through which 56 million transactions were processed during the first half of 2017, leveraging the derivation of transactions from the box office towards the automatic devices.

In June we began to adapt our ATMs to the expansion of the monetary cone pieces, which helped improve the availability of the equipment and the customer experience.

Non-Banking Correspondents Channel (CNB)

By the end of the first semester of 2017 Banesco has 307 points of service through which between January and June 2017 more than 229 thousand transactions were carried out, which represents an increase of 13% with respect to the same period of the previous year.



DEBIT AND CREDIT CARD

Issuer Business Credit Cards

The Credit Card business grew 139% in sales at the end of the first half of 2017 compared to the second half of 2016. The market share of the Credit Card portfolio closed at 25.0%.

The ExtraCredit Product (Purchases and Cash) grew by 58% compared to the second half of 2016 and 266% compared to 2015, driven by improvements in the grant amounts.

During the first semester, card granting and maintenance initiatives were carried out, in order to strengthen the financial relationship and loyalty of our customers, benefiting:

- ▶ 57,667 Customers with the card category change through the Up-Grade maintenance process, allowing them to enjoy the benefits of the new product.
- ▶ More than 480 thousand credit limit increases in their cards.

Issuer Business Debit Cards

The Debit Cards Banesco recorded a sales growth of 41% at the end of the first half of 2017 compared to the end of 2016, being the Point of Sale the channel most used by customers, reaching a share of 91%, product of the constant revision of the maximum amounts for transactions in Point of Sale, reaching an acceptance level of 93.3%; maintaining the service offer above the market and strengthening the customer experience.

Concerning Pensioners, 69% of our clients already have a debit card, and



enjoy the convenience of transacting their pension through the Points of Sale to make their purchases and payments of services, supported by a communication and referral campaign to offer the debit card when the pensioner goes to the box office of the Agency to collect his benefit.

Acquisition Business

The Acquisition business showed a growth of 103% at the end of the first half of 2017 compared to the second half of 2016, driven by both the increase in debit and credit.

The leadership that Banesco holds in the Acquisition Business is the product of an affiliation and maintenance plan structured by different business segments, developing the most important and sensitive sectors of the country, understanding that relations with customers cannot be standardized. Banesco is committed to strengthening its vision

with the client, developing strategies aimed at differentiation, meeting their needs and expectations, creating memorable and innovative experiences in the sales and payment service and thereby contributing to the level of the Bank's preference and recommendation. Therefore, under the Innovation framework, Banesco continues to grow under the new digital trends, Electronic Commerce + Request Payment, recording an increase of 157.5% at the end of the first half of 2017 compared to December 2016.

Similarly, Banesco seeks to expand its scope, contributing to the transformation of the Organization in its digital culture. This culture and digital awareness is a commitment assumed by Banesco for savings and collaboration with the environment, incorporating a new point model without a printer "Flexipos", located in retail stores.



COMPETITIVE INTELLIGENCE

The management of the customer experience is a continuous process, where the main challenge is to fulfill the promise of brand value. This is achieved by maintaining the consistency of the quality of services, products and channels. Maintaining, developing and managing the emotional connection with the brand, is what allows us to keep evolving in the customer experience issues and thus continue to provide memorable moments to our clients.

We continue to deploy efforts to leverage the evolution of the Customer Experience with different product families, personalized relationship and experiential marketing, as well as the follow-up of the customer's voice through social networks.

Continuous improvement to leverage the Omni-channel strategy

Managing each point of interaction of our clients is one of the main challenges of experience management. Providing memorable moments and in turn, trying

to monetize each contact is part of the developing strategy. Our main points of contact (BanescOnline, Call Center, Automated Teller Machines, Agencies, Claims and Requirements), continue to be permanently monitored according to our clients indications concerning the areas we should improve. During this first semester, some 54 initiatives have been managed on the basis of this monitoring, which help us to continue leveraging our service model.

Relational/Experiential Marketing

The development of the customer's knowledge helps us specify, within the customer's life cycle, commercial and relationship-related actions that are fully customized according to the market strategy in execution. This process of personalization increases the loyalty of our customers. Today we have in production the ability to manage outbound marketing (email, sms and soon Push Notification), promoting the effectiveness and efficiency in sending these communications/notifications.



We continue to deploy efforts to leverage the evolution of the Customer Experience with different product families, personalized relationship and experiential marketing, as well as the follow-up of the customer's voice through social networks



INFORMATION TECHNOLOGY, BUSINESS PROCESSES AND OPERATIONS

In Information Technology, Processes and Operations, we remain aligned with the transformation strategy of the processes that enable and sustain the growth and development of new markets, guaranteeing a unique and reliable experience for our clients, meeting the needs of the present and establishing the foundations of a Global Digital Corporation, adopting innovative solutions and services with a long-term vision, guaranteeing the stability, continuity and growth of services with criteria of reliability, quality and profitability, emphasizing the health of the systems.

We continue to promote technological innovation as part of the Banesco Culture and in this sense, we launched the Innovation Ambassadors Program, with the participation of all our Banesco Citizens. This year the coverage of the program was carried out nationwide, leveraging us in the virtual training platform.

We also established an initiative in partnership with Universidad Simón Bolívar, with the aim of promoting the challenge we call "Builders of the Future", encouraging students to propose ideas on Banking of the Future. The ideas received reflect the needs and dreams of the students, which are related to the Bank's strategic issues and the Innovation agenda.

Processes

In this first half of 2017, we have deepened the lines of action aimed at optimizing the Bank's performance with efficient processes and structures, establishing light structures through capacity studies that allow us to assess the productivity of an area based on effort



This year the coverage of the Innovation Ambassadors Program was carried out nationwide, leveraging us in the virtual training platform

carried out in each activity, thus determining the productive and unproductive tasks, to define strategies that allow to reduce or eliminate the extra or unproductive time.

Additionally, we optimize processes by addressing the customer's voice, that is, the constant review of processes, including the monthly review of claims, which allowed us to focus on improving processes that are affecting the service, minimizing risks and meeting the needs of our customers.

Technology Operations

In the first semester of 2017, derived from the continuous improvement plans of the technological platform, health plans of the systems and the maturity reached in its processes, the IT Operations area reached optimal service le-

vels for the platforms that support the Bank services, products and channels.

We continue with the constant renewal of the main processing, storage, monitoring, communications and data center architectures, allowing us to guarantee the reliability and quality of service that we offer to our clients, through the renewal of the technological infrastructure of communications, storage, security and processing.

We also reinforced the 7x24 Operations Services Center team through new schedules, focused on greater surveillance and monitoring of the Bank's critical services, thus strengthening preventive management over services and operational continuity.

COMPREHENSIVE RISK ADMINISTRATION

At Banesco, during the first semester of 2017, the Integral Risk Management maintained its orientation to the monitoring, control and mitigation of global losses; the promotion and reinforcement of the continuity and follow-up of the key risk indicators approved by the Board of Directors within the tolerance levels established by the shareholders.

Identification is a continuous activity achieved through constant review and monitoring of exhibitions, evaluation of both new and existing products; accompaniment associated to this analysis and the continuous revision of the Risk Models, together with the continuity of the communication, measurement and training actions that make up the Risk Culture Plan, whose main objective is to provide the necessary tools for Banesco Citizens, to manage their processes.

Credit Risk

During the first semester of 2017, the actions aimed at strengthening credit risk management continued, leveraged in: a) strengthening the criteria for granting and maintaining loans, b) executing training plans in credit analysis directed to the sales areas, for a proper decision making, c) the massification of the tool that consolidates the criteria to be considered in the selection of clients, d) as well as having highly predictive models and methodologies of granting and behavior, which they are continually reviewed and have allowed us to maintain a credit portfolio quality at the levels foreseen by the Institution.

In this regard, the Portfolio Quality Committees sessions were reinforced in their different modalities. This was comple-

mented by the completion and delivery of reports and situation reports for the taking of shares, as well as close monitoring of the overdue balances of the loan portfolio.

All these actions, combined with the application of more effective collection strategies differentiated by credit modalities, maintaining a comprehensive vision of the customer, have allowed obtaining indicators of past due balances and delinquency at levels below the limits established by the Organization.

Market and Liquidity Risk

In order to minimize the impact on the Bank's financial results, as a result of the volatility of the market variables and the structure of the balance sheet, Banesco managed market and liquidity risks through the application of framed methodologies in international and local standards.

In the case of Market Risk (defined as the possibility of incurring losses in the market value of the positions held as a result of the adverse transactions in the associated variables), methodologies were applied to determine the possible losses that could occur due to variations in the factors that affect the valuation of the positions held in the balance sheet.

In the case of the Liquidity Risk Administration (understood as the impossibility for the Bank to honor financial commitments on a given day, regardless of whether it can do so in the future), Banesco Banco Universal carried out the management through the follow-up to the liquidity indicators and coverage ratios, through Key Risk Indicators.



Operational Risk

In the case of Operational Risk, understood as the possible financial impact on the Organization due to weaknesses, inadequacies or failures of the processes, people and internal systems; or due to external events, Banesco has maintained and reinforced the application of methodologies for risk analysis in the various value chains, as well as in new products and/or services. During the first semester, leveraged in the Risk Culture Plan, it continued strengthening the figures of the Process Owner, Risk Delegate Master and Integral Risk Delegates in the value chains of the core processes through risk analysis; which allows us to continue strengthening the "end-to-end" vision of the processes, for the identification and assessment of risks and controls. The evaluations, analyzes and continuous monitoring with the owners of the processes, together with the Internal Audit area, have formed a management fundamental component.

PROPOSAL TO DECREE AND PAID DIVIDENDS

Banesco Banco Universal

Caracas, August 30, 2017

Proposals Presented by The Board of Directors For The Consideration And Decision of The Regular General Meeting of Shareholders Called For September 28, 2017, to Decree And Pay Cash Dividends (Preferred Shares), Approved in Session No. 1,437 Dated August 30, 2017.

Cash Dividends

To declare cash dividends to holders of preferred shares in the amount of EIGHT MILLION ONE HUNDRED THIRTY SEVEN THOUSAND EIGHT HUNDRED AND TWENTY-ONE BOLIVARS WITH SEVENTY AND FIVE CENTS (Bs. 8,137,827.75), corresponding to the 2008-I and 2008-II. This dividend covers the quarterly period with maturity on 02/15/2018, in accordance with the respective issuance prospectus. Likewise, it shall be submitted to the Assembly for consideration, to authorize the Board of Directors to comply with such formalities as may be necessary to make the payment in due time.

Oscar Doval
Executive President

Caracas, August 30, 2017

Proposal Presented by The Board of Directors to Consideration And Decision of The Extraordinary Shareholders' Meeting Summoned For September 28, 2017, to Decree And Pay Dividend in Shares, Approved in Session No. 1,437 Dated August 30, 2017.

Share Dividends

If the repayment of ten thousand (10,000) preferred actions were approved, in conformity with the prospect of public offer of preferred actions issuances 2008-I and 2008-II, and to the purpose of keeping the Social Capital of the Financial Institution in one thousand two hundred and fifty million bolivars (1,250,000,000.00), it will be suggested to the Special Meeting of Shareholders that they decree and pay a dividend in shares for one hundred thousand bolivars (Bs.100,000), though the issuance of ten thousand (10,000) new common shares.

If this proposal is approved, the Board of Directors shall determine the time of payment of the share dividends, prior authorization of the Venezuelan Superintendence of Banking Institutions.

Oscar Doval
Executive President

BALANCE SHEET

Stated in Million VEF

ASSETS	June 17	Dec. 16	June 16	Dec. 15
CASH AND DUE FROM BANKS	2,304,690	905,021	260,161	209,004
Cash	41,961	40,489	13,537	12,690
Central Bank of Venezuela	2,142,325	817,811	222,772	178,049
Local Banks and Other Financial Institutions	38,367	12,694	2,748	3,345
Foreign Banks	72	120	36	32
Head Office and Branches	0	0	0	0
Pending Cash Items	81,966	33,906	21,069	14,888
(Provision for Bank Accounts)	0	0	0	0
INVESTMENTS SECURITIES	176,723	189,015	154,581	152,381
Investments in Central Bank	14,834	19,910	50,333	47,009
Investments in Trading Securities	0	0	0	0
Investments in Securities Available for Sale	62,413	64,699	16,929	17,435
Investments in Securities Held to-maturity	59,896	62,795	45,663	50,257
Limited Availability Investments	527	505	483	402
Other Security Investments	39,054	41,105	41,174	37,277
(Provision for Security Investments)	0	0	0	0
LOAN PORTFOLIO	2,106,521	952,466	509,247	376,270
Outstanding Credits	2,159,360	975,502	521,671	386,252
Restructured Credits	91	72	37	48
Past Due Credits	1,050	1,340	905	472
Credits in Litigation	33	0	1	7
Provision for Credit Portfolio	-54,013	-24,448	-13,368	-10,508
INTEREST AND COMMISSIONS RECEIVABLE	30,322	17,966	9,598	7,127
Interest receivable from cash and due from banks	0	0	0	0
Interest receivable from security investments	3,426	2,520	2,164	1,989
Interest receivable from credit portfolio	24,196	13,875	6,522	4,460
Commissions Receivable	2,936	1,870	1,185	821
Interest Receivable on Other Accounts Receivable	0	0	0	0
Provision for Interest Receivable and Other	-236	-299	-273	-144
INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES	19	20	16	29
Investments in subsidiaries and affiliates	19	20	16	29
Investments in branches	0	0	0	0
Provision for investments in subsidiaries, affiliates and branches	0	0	0	0
PROPERTY RECEIVED IN LIEU OF PAYMENT	217	284	97	23
PROPERTY IN USE	152,653	28,872	22,675	17,052
OTHER ASSETS	89,823	56,403	25,689	27,381
TOTAL ASSETS	4,860,969	2,150,046	982,065	789,266

BALANCE SHEET

Stated in Million VEF

LIABILITIES	June 17	Dec. 16	June 16	Dec. 15
DEPOSITS FROM CLIENTS	4,329,539	1,918,802	859,762	701,077
Deposits in Current Accounts	3,946,846	1,723,375	752,409	605,820
Non-Remunerated Checking Accounts	2,353,936	957,727	377,290	317,605
Remunerated Checking Accounts	1,401,961	622,399	285,533	220,817
Current accounts under exchange agreement n° 20	32	78	68	43
Demand Deposits and Certificates	190,917	143,171	89,519	67,354
Other Demand Obligations	44,961	11,334	7,137	6,512
Obligations for Money Desk Operations	0	0	0	0
Savings Deposits	336,137	182,924	99,364	87,884
Time Deposits	1,595	1,170	852	861
Securities Issued by the Institution	0	0	0	0
Restricted Deposits from Clients	0	0	0	0
Right of Ownership and Participation on Security Investments	0	0	0	0
OBLIGATIONS WITH BCV	0	0	0	0
DEPOSITS AND OBLIGATIONS WITH BANAVIH	10	13	6	6
OTHER FINANCING OBTAINED	77,136	32,072	12,344	8,042
Liabilities with local financial institutions up to one year	77,082	31,658	11,901	7,948
Liabilities with local financial institutions more than one year	0	0	0	0
Liabilities with foreign financial institutions up to one year	55	415	443	94
Liabilities with foreign financial institutions more than one year	0	0	0	0
Other Liabilities up to one year	0	0	0	0
Other Liabilities more than one year	0	0	0	0
OTHER FINANCIAL OBLIGATIONS	0	18	3	17
INTEREST AND COMMISSIONS PAYABLE	32	86	383	77
Expenses payable due to deposits from clients	32	84	368	74
Expenses payable due to obligations with BCV	0	0	0	0
Expenses payable due to deposits and liabilities with BANAVIH	0	0	0	0
Expenses payable due to other financing obtained	0	2	15	3
Expenses payable due to other financial obligations	0	0	0	0
Expenses payable due to obligations convertible to capital	0	0	0	0
Expenses payable due to subordinated debt	0	0	0	0
ACCRUALS AND OTHER LIABILITIES	161,537	97,054	43,592	25,837
SUBORDINATED DEBT	0	0	0	0
OTHER LIABILITIES	0	0	0	0
TOTAL LIABILITIES	4,568,254	2,048,046	916,089	735,057
STOCKHOLDERS' EQUITY				
CAPITAL STOCK	1,250	1,250	1,250	1,250
Capital Paid-in	1,250	1,250	1,250	1,250
PAID-IN SURPLUS	0	0	0	0
CAPITAL RESERVES	1,358	1,347	1,337	1,328
EQUITY ADJUSTMENTS	126,271	6,342	6,342	5,827
ACCUMULATED INCOME	163,586	93,737	58,438	46,205
NON-REALIZED GAIN OR (LOSS) ON AVAILABLE FOR SALE SECURITY INVESTMENTS	285	-642	-1,357	-366
(TREASURY STOCK)	-35	-35	-35	-35
TOTAL LIABILITIES	292,715	102,000	65,976	54,209
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	4,860,969	2,150,046	982,065	789,266
CONTINGENT DEBTOR ACCOUNTS	616,923	144,895	105,089	92,493
TRUST ASSETS	66,725	34,701	28,125	20,985
OTHER TRUST ASSIGNMENTS	1,970	500	201	167
DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (HOUSING MUTUAL FUND)	42,899	30,916	23,105	19,096
OTHER DEBTOR ACCOUNTS (HOUSING MUTUAL FUND)	19	20	19	18
OTHER DEBTOR MEMORANDUM ACCOUNTS	14,715,464	7,028,929	3,412,045	2,142,411
OTHER DEBTOR BOOK ACCOUNTS	30	30	29	29

BALANCE SHEET

Stated in Million VEF

STATEMENTS OF EARNINGS	June 17	Dec. 16	June 16	Dec. 15
FINANCIAL REVENUES	204,726	111,577	62,204	44,746
Revenues from Cash and Cash Equivalents	0	2	4	4
Revenues from Security Investments	6,566	7,170	6,631	5,687
Revenues from Credit Portfolio	198,135	104,382	55,542	39,018
Revenues from Other Accounts Receivable	25	23	27	37
Revenues from Investments in Subsidiaries, Affiliates and Branches	0	0	0	0
Revenues from Head Office and Branches	0	0	0	0
Other Financial Revenues	0	0	0	1
FINANCIAL EXPENSES	16,852	13,934	12,141	8,059
Expenses Due to Deposits from Clients	16,839	13,754	11,925	8,002
Expenses Due to Obligations with BCV	0	0	0	0
Expenses Due to Deposits and Obligations with BANAVIH	0	0	0	0
Expenses Due to Other Financing Obtained	12	179	216	58
Expenses Due to Other Financial Obligations	0	0	0	0
Expenses Due to Subordinated Debt	0	0	0	0
Expenses Due to Head Office and Branches	0	0	0	0
Other Financial Expenses	0	0	0	0
GROSS FINANCIAL MARGIN	187,875	97,644	50,063	36,686
Income from Recovered Financial Assets	1,014	544	374	423
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	32,142	13,483	4,116	5,147
Provision for Loan Portfolio and Other Accounts Receivable, Losses	32,142	13,483	4,116	5,147
Provision for Cash and Due from Banks	0	0	0	0
NET FINANCIAL MARGIN	156,746	84,705	46,321	31,963
Other Operating Income	70,881	34,507	14,834	10,622
Other Operating Expenses	18,860	10,678	4,836	3,712
FINANCIAL INTERMEDIATION MARGIN	208,767	108,534	56,320	38,873
TRANSFORMATION EXPENSES	100,367	48,659	29,941	16,395
Personnel Expenses	38,980	16,224	8,474	4,252
Administrative and General Expenses	45,977	25,608	15,856	8,620
Contributions to Deposit Guarantee and Bank Protection Fund	13,822	6,061	5,015	3,167
Contributions to Superintendency of Banks and Other Financial Institutions	1,589	766	596	356
GROSS OPERATING MARGIN	108,400	59,874	26,379	22,478
Income from Adjudicated Goods	10	985	7	40
Income from Special Programs	0	0	0	0
Income from Sundry Accounts	1,753	168	31	180
Expenses Due to Realizable Property	94	70	10	4
Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods	0	0	0	0
Expenses Due to Sundry Accounts	15,970	9,121	4,188	2,873
NET OPERATING MARGIN	94,099	51,836	22,220	19,822
Extraordinary Income	0	0	0	0
Extraordinary Expenses	129	120	65	36
GROSS INCOME BEFORE TAXES	93,970	51,716	22,154	19,785
Income Taxes	24,100	16,373	8,199	5,850
NET INCOME	69,870	35,344	13,955	13,935
APPLICATION OF NET INCOME				
Legal Reserve	0	0	0	0
Statutory Utilities	0	0	0	0
Other Capital Reserves	6	6	6	6
Accumulated Income	69,864	35,337	13,949	13,929
LOSEP Contribution	1,015	556	241	213
Other Accounts				
Third-Party Investments	0	0	0	0
Monthly Agriculture Credit Portfolio	86,797	14,921	2,740	8,668
Accumulated Agriculture Credit Portfolio	280,461	96,502	73,335	55,155
Public Sector Deposits	117,475	49,033	42,953	21,459
Micro-Credits	37,540	22,810	19,425	17,994
Credits to the Segment of Tourism in accordance to law in force	23,776	23,947	14,935	12,723
Mortgages according to the Special Law for the Protection of the Housing Loan Debtor	7,575	7,468	6,527	5,915
Financial Soundness Ratio	13.60%	10.98%	12.38%	10.13%
Manufacturing Loans	95,413	43,660	19,869	19,056

BALANCE SHEET

Stated in Million VEF

	June 17	Dec. 16	June 16	Dec. 15
TRUSTS	65,697	32,896	27,085	19,970
HERITAGE TRUST	26,496	6,613	7,992	3,390
Individuals	223	217	287	284
Corporative Entities	8,438	5,690	2,684	2,466
Central Administration	0	0	0	206
Public, State, Municipal and Central Administrations	136	102	98	0
Decentralized Entities and Other Entities with Special Regime	17,699	604	4,924	434
GUARANTEE TRUSTS	2,463	2,462	2,462	2,463
Individuals	0	0	0	0
Corporative Entities	11	10	10	11
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	12	12	12	0
Decentralized Entities and Other Entities with Special Regime	2,439	2,439	2,439	2,452
MANAGEMENT TRUSTS	36,739	23,821	16,630	14,118
Individuals	2	9	5	5,575
Corporative Entities	12,681	8,331	5,909	569
Central Administration	2,218	1,531	982	303
Public, State, Municipal and Central Administrations	1,288	1,243	901	0
Decentralized Entities and Other Entities with Special Regime	20,550	12,708	8,833	7,671
FEATURES MIXED TRUSTS	0	0	0	0
Individuals	0	0	0	0
Corporative Entities	0	0	0	0
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	0	0	0	0
Decentralized Entities and Other Entities with Special Regime	0	0	0	0
OTHER TRUSTS	0	0	0	0
Individuals	0	0	0	0
Corporative Entities	0	0	0	0
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	0	0	0	0
Decentralized Entities and Other Entities with Special Regime	0	0	0	0

SOCIAL BALANCE ACCUMULATED 1998 • JUNE 2017

Stated in VEF

DESCRIPTION	June 2017	Accumulated 1998 - June 2017
SOCIAL INVESTMENT		
Application Banesco Resources	2,349,194,702	5,451,622,265
Fe y Alegría	—	47,986,729
Microentrepreneurs Training Program	19,276,261	127,413,999
Simón Bolívar Music Foundation	—	16,630,224
Association of Venezuelan Catholic Education (AVEC)	7,176,928	24,711,717
Social Undertaking Project with the IESA	—	92,999,443
Universities and Other Institutions	49,181,033	130,178,606
Banesco Life-Long Scholarships	(60,000)	2,540,128
Other Education Institutes and Organizations	—	10,522,205
Venezuelan Foundation against Child Paralysis	11,287,505	21,361,439
Cruz Roja	—	—
Other Health and Medical Care Organizations	55,042,064	104,420,061
FUNDANA	(1,545,254)	3,641,379
Civil Association Don Bosco Houses Network	6,500,883	25,781,704
Salesian Ladies Civil Association	—	5,170,239
Attendance to the childhood and people with special necessities	723,515	11,691,143
Toys donation to the communities	—	3,416,673
Editorial Projects	16,649,360	71,870,338
Donaciones de Equipos de Computación	—	—
Other Contributions	651,143	31,622,916
Solidarity (Capital and Regional)	—	6,138,558
Events for the Community	(517,137)	47,730,515
Investment in works in Colinas de Bello Monte	—	2,306,376
Social work of the Church	—	—
Mayoralties, Regional Governments and other State Organizations	—	14,170,881
Community Participative Budget	809,540	9,360,726
Non-Contractual Social Benefits for Banesco Employees	2,183,963,000	4,633,200,949
Dining Subvention	976,391,274	2,538,905,770
Medical Service	20,714,010	67,750,344
Parking Subsidy	5,341,677	50,184,946
Medical Assistance for Extreme Diseases	97,230,356	191,225,582
Unsecured Loans for Housing	1,430,662	71,663,097
Transportation between offices	25,810,000	53,057,768
Housing sales between employees	(73,109)	131,107
Collective Agreement	1,057,118,130	1,660,282,335
Corporate Volunteering Contribution	55,860	6,755,317
Training and volunteer training	(0)	1,637,465
Special Projects	—	30,479
Additional training workshops	—	6,006
Cost Volunteer Man/Hours	55,860	2,019,921
Amount executed from the Volunteer Logistics budget	—	3,117,307
Aplication of Article 96 (LOCTISEP)	—	33,612,457
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
SOCIAL INVESTMENT	2,349,194,702	5,485,234,722



President

Juan Carlos Escotet R.

Directors

Juan Carlos Escotet R.
Oscar Doval García
Miguel Ángel Marcano C.

José Grasso Vecchio
Emilio Durán Ceballos
María Josefina Fernández M.

MAIN CORRESPONDENT BANKS

ARGENTINA Banco de la Provincia de Buenos Aires, Banco de la Nación Argentina, Banco Supervielle, Banco Credicoop, Banco Macro, Banco Patagonia, Banco CMF.

AUSTRALIA ANZ Bank.

AUSTRIA Unicredit, Commerzbank Ag. Deutsche Bank.

BELGIUM Commerzbank Ag., Deutsche 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 Unión de Bolivia.

BRAZIL Banco Bradesco, Banco Do Brasil, Banco Itau, Banco Safra, Banco Santander, Deutsche Bank.

CANADA Royal Bank of Canada.

CHILE Banco Estado, Banco Santander, Banco BBVA, Banco de Chile, Banco Do Brasil.

CHINA Standard Chartered Bank, Commerzbank Ag, Deutsche Bank, N.A., Bank of China, The Industrial and Commercial Bank of China.

COLOMBIA Banco de Bogotá, Bancolombia, Banco de Occidente, Davivienda.

COSTA RICA Banco Nacional de Costa Rica, Banco de Costa Rica, Banco Improsa.

CURAZAO Maduro & Curiel's Bank.

CZECH REPUBLIC Deutsche Bank, Commerzbank Ag.

DENMARK Nordea Bank.

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

ECUADOR Banco del Pacífico, Produbanco, Banco Internacional, Banco del Austro

ENGLAND Standard Chartered Bank, Deutsche Bank.

FINLAND Nordea Bank.

FRANCE Crédit Industriel et Commercial (CIC), Deutsche Bank.

GERMANY Commerzbank Ag., Unicredit, Deutsche Bank.

GUATEMALA Banco Industrial, Banco GT Continental, Banco Agromercantil.

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INDIA Standard Chartered Bank, Deutsche Bank.

ITALY Unicredit Group, Deutsche Bank.

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PANAMA Banco Banistmo, Multibank, Credicorp Bank.

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

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

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PUERTO RICO Banco Popular de Puerto Rico.

RUSSIA Deutsche Bank

SINGAPORE Standard Chartered Bank, Deutsche Bank, Commerzbank Ag.

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SWEDEN Nordea Bank.

SWITZERLAND Commerzbank Ag., Deutsche Bank.

TAIWAN Deutsche Bank, Standard Chartered Bank.

THAILAND Deutsche Bank, Standard Chartered Bank.

TURKEY Deutsche Bank.

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USA Standard Chartered Bank, Deutsche Bank A.G., Commerzbank Ag.

VIETNAM Deutsche Bank, Vietinbank.

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