

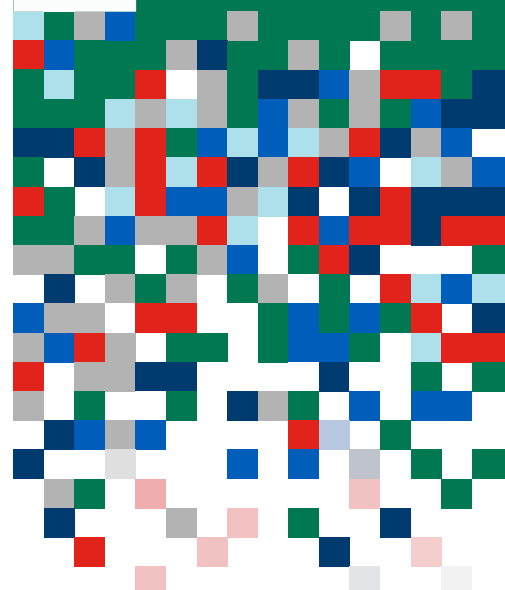
# Financial Report

# 2017

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Second Half

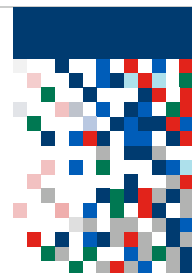
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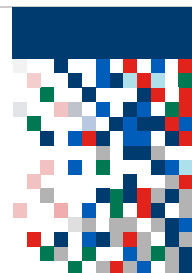
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# FINANCIAL ECONOMIC BALANCE

## Second Half 2017



Dear clients, collaborators, shareholders and social allies, we provide you with a summary on our management in the second semester 2017. We perform this transparency exercise as part of our commitment as Corporate Citizens.

At the close of 2017, the Bank had Bs. 30,788 billion in total assets, accounting for 21.32% of market share (4.87 percentage points above the previous period), being ranked as the first private bank of the country in this category. Our assets increased by Bs. 28,638 billion as of December 31, 2017, equivalent to a 1,332% variation versus the previous year.

Regarding liabilities, client acquisition raised by 1,364.2% (Bs. 26,175 billion), with balance growing to Bs. 28,094 billion by the end of December 2017. Banesco remained as the private bank leader, with a 21.62% market share, becoming the bank with the largest share gain in the year with 4.74 percentage points.

Banesco is still committed to provide productive sectors of the country with financial support. To that end, our gross credit portfolio increased to Bs. 7,595 billion by December 2017, accounting for a 677.5% rise in the year. This rise allowed us to close the year with a market share of 18.27%, granting more than 1,300,000 loans in the year through different modalities and business lines.

Along with the growth of our institution, Banesco's capital jumped by 745.3%,

with Bs. 862 billion, driven by a good result management and capital contributions adding Bs. 80 billion in the year.

Banesco is still focused on the development of the Digital Banking. Banesco established a record of electronic transactions with an average of more than 13 million transactions per day, totaling 4.8 billion transactions performed in 2017, *id est*, 61.16% more than 2016. In October, Banesco launched our P2P App, Banesco Pago Movil, accumulating 885,157 transactions by December 31, 2017 and more than 500,000 downloads by that date.

Likewise, Banesco remained leader in the issuance of plastic cards with more than 7 million credit and debit cards. We are pleased to inform that Banesco closed the 2017 business year with a network of 340 branches, 1,377 ATMs, 536 multifunctional ATMs, and more than 100,000 points of sale throughout the country.

In Banesco, we are committed to the construction of the future. Our social investment was directed to education, healthcare and inclusion all over 2017. By the end of 2017, Banesco invested more than Bs. 11.75 billion in social impact projects and activities, at both the internal level for the benefit of Banesco Citizens and the external level – hand in hand with our social partners and allies.

With respect to the external level, Banesco created closer ties with institutions promoting education and

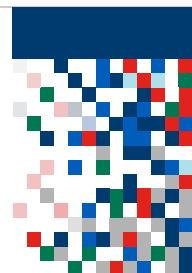
healthcare in the population, particularly, in the most vulnerable social sectors of the society. Besides contributions to projects materialized hand in hand with our social partners and allies, Banesco implemented the Training Program for Microentrepreneurs along with our social partners and allies during the last year, graduating 5,658 entrepreneurs. Participatory budgets were prepared with communities in 9 regions (Merida, Distrito Capital, Carabobo, Zulia, Tachira, Nueva Esparta, Lara, and Anzoategui). In the last semester of the year, five new publications from our Banesco Publishing Fund were presented, all in digital format. And, as part of our new Banesco Scholarship Program, 167 students of the Andres Bello Catholic University (UCAB) and Margarita University (UNIMAR) were benefited. Likewise, volunteers of the Banesco Voluntarism got involved in initiatives carried out along with our allies to benefit communities.

Each one of these milestones reaffirms Banesco's commitment to the Venezuelan society. Therefore, we thank our clients and users for their confidence.

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

# THE VENEZUELAN ECONOMY

## Second Semester 2017



In terms of crude oil, the oil cut agreement between the OPEC countries and 10 independent oil producers – totaling 24 countries – enabled oil prices to climb in the second semester of 2017, with Venezuelan oil going from an average of US\$ 43.63 per barrel in the first semester to US\$ 49.92, a rise of US\$ 6.3 per barrel in such term and US\$ 10 per barrel when compared to the same term of 2016.

According to OPEC sources, the Venezuelan production closed in 1.622 mbd, decreasing by 29% when compared to the previous year. International reserves, which balance was US\$ 9,524 million at the close of 2017, declined by US\$ 483 million in the se-

mester and by US\$ 1.453 billion in the year.

On the other hand, the exchange policy remained adopting several types of exchange rates, the preferential rate of Bs./US\$ 10 (Exchange Agreement No. 35), used for priority goods of the basic basket (food and medicine) and a DICOM rate, which was valid until May and averaged Bs./US\$ 703.24 (Exchange Agreement No. 33) until the validity date. In June, a new alternative system for the acquisition of foreign currency (DICOM) was implemented. This completely electronically system works through auctions and manages the exchange rate through bands. The DICOM is ruled by the Exchange

Agreement No. 38 and started at an initial rate of Bs./US\$ 2,010. The last auction called in 2017 was on August 31 and the resulting exchange rate was Bs./US\$ 3,345, implying a devaluation of 21% in the second semester and 80% in the year. The total amount awarded to individuals and legal entities through the DICOM in 2017 was US\$ 390 million.

The fiscal policy remained expansive, with 3 salary increases in the second semester, reaching a variation of 173% in the minimum wage, totaling 5 salary adjustments in the year for 555%, along with increases in food vouchers,



**The fiscal policy remained expansive, with 3 salary increases in the second semester, reaching a variation of 173% in the minimum wage**

causing a variation in the integral minimum wage of 128% in the second semester and 403% in the year. These adjustments were made to all wage scales of the Public Administration, weather centralized or decentralized. Thus, fiscal spending in the second semester reached Bs. 32,000 billion, increasing 644% with respect to the same period in 2016, for a yearly total of Bs. 40,000 billion, 600% above 2016.

As for fiscal revenue collected by the Venezuelan Tax Administration – SE-NIAT, they rose to Bs. 20,599 billion, jumping by 517% in the year, where Value-Added Tax (VAT) revenues represented the largest portion of the total (55%), with an increase of 492% during the tax year, while Large Financial Transactions Tax (IGTF) accounting for 12% of the total ended the period with Bs. 2,399 billion.

The fiscal impact was evident on monetary aggregates, the increase of the monetary base was 1,737% in the year according to preliminary data, supporting the growth shown by the monetary liquidity of 1,121%, which was partially caused by the credit activity by 585.3%. This excess of liquidity caused a shallow interbank market in the year, which transactions were 76% lower than those of 2016 and an average rate (0.76%) lower by 384 base points.

## BANKING SYSTEM

At the close of 2017, the number of banking institutions remains the same as 2016, 31 in total, 24 of private capital and 7 state-owned, with the sub-sector of universal and commercial banks concentrating the largest percentage of the market assets (98.92%).

The banking system ended the business year with a total of 3,454 offices, 65,495 employees, 8,946 ATMs, and 362,145 points of sale at national level.

During the second semester of 2017, a faster asset growth pace was observed, reaching an amount of Bs. 145,435 billion in December, which accounts for 433.7% increase (Bs. 117,374 billion) in such term and of 1,005.0% (Bs. 131,365 billion) with respect to the 2016 close.

From the analysis of the main items in the consolidated balance of the system and its variations at the close of the 2017 business year, an accelerated growth in client acquisitions was evidenced, increasing by 1,043.1%, with a total of Bs. 129,916 billion at the close of 2017, caused by the expansion of the monetary liquidity in the assessed period, which resulted in rise in the share of liquid assets comprising the total asset of 25.8 percentage points in the period, until reaching 64.8%, with a balance of Bs. 93,649 billion, 96.5% of which corresponds to funds held in the Central Bank of Venezuela. This item experienced a 55.26% growth in the last month of the year and 1,887.2% in the latest 12 months.

With respect to the evolution of the gross portfolio, a yearly rise of Bs. 35,501 billion was evidenced, equal to a nominal variation of 585.3%, reaching an amount of Bs. 41,567 billion at the close of the business year. The average default rate still maintains a decreasing trend, going from 0.26% in 2016 to 0.06% in 2017.

With respect to credit destination, commercial portfolio had a yearly increase of Bs. 20,696 billion (637.2%), ending 2017 with an amount of Bs. 23,944 billion. The consumer credit portfolio totaled Bs. 5,850 billion, with

a rise of Bs. 4,778 billion, equivalent to 445.7%. Farm credit grew by Bs. 4,573 billion, reaching a total of Bs. 5,280 billion (+646.8%). Financing for manufacturing activities rose by Bs. 3,072 billion (+735.6% to close the year at Bs. 3,489 billion.

Again, a lower weight of security investments was evidenced, accounting for 2.9% of assets in 2017 from 10.9% in 2016, reporting Bs. 4,243 billion in the portfolio.

Regarding client acquisitions, a faster growth pace was evidenced in 2017 (1,043.1%), closing 2017 with a balance of Bs. 129,916 billion, as a result of the expansion of the monetary liquidity in the period assessed.

It is also worth noticing the growth in the number of depositors under the call, saving and fixed-term modalities, totaling 45,928,100 by December 2017, 52.8% of which corresponded to call deposits.

It is worth mentioning the greater capitalization of the Venezuelan financial system, with equity growing to Bs. 4,675 billion, after a rise of Bs. 4,018 billion (611.6%) in 2017.

Transactions corresponding to the 2017 year generated a net profit of Bs. 1,977.6 billion, representing an increase of Bs. 1,717.8 billion (661.2%) versus the previous year.

From the main management indicators of the financial system, it is evidenced the largest provision for covering the immobilized portfolio (3,489.8%), proper levels of liquidity (72.08%), as well as a return on assets (ROA) of 4.5% and a return on equity (ROE) of 115.3%.



# BANESCO BANCO UNIVERSAL

## Second Half 2017

BanESCO ended 2017 as the private bank with the largest growth of the market, with a total asset of Bs. 30,788 billion, equal to a rise of Bs. 28,638 billion (1,332.0%) in the latest 12 months, reaching a market share of 21.32%

BanESCO remains as the first private bank of the country, meeting the financing demand, concentrating 18.3% of gross loans of the market with a portfolio balance of Bs. 7,595 billion as of December 2017, after reporting a growth of Bs. 6,618 billion (677.5%) when compared to 2016, having just 0.01% of immobilizations, far below the average of the system (0.06%), as well as a sufficiently broad provision level for the problematic portfolio (32,673%).

BanESCO has an important share in credit granting at national level, totaling more than 2,800,000 loans granted at the close of December 2017. BanESCO is leader in financing the commercial portfolio with an amount of Bs. 4,538 billion at the close of 2017, equal to the 19% of the market share, exceeding the amount recorded last year by 2.4 percentage points.

BanESCO keeps on supporting the farm sector by granting more than 2,600 credits during 2017, increasing the portfolio to Bs. 1,037 billion, after a rise of Bs. 940 billion, ranking first in the financial system with a market share of 19.6%

In 2017, BanESCO recorded an important growth in credits for the manufacturing sector of Bs. 511 billion, for an amount of Bs. 554 billion, thus adding



5.4 percentage points to its market share, until reaching 15.9%.

As every year, BanESCO renewed its commitment to microentrepreneurs of the country, closing 2017 with a Bs. 166 billion portfolio and more than 29,000 loans granted during the year, ranking 2nd in the financial system, with a market share of 10.4%.

BanESCO strengthened its leadership as the first bank of the country in terms of resources managed from the Compulsory Savings Fund for Housing (FAOV) with a balance of Bs. 77 billion as of December 2017, showing a rise of Bs. 47 Billion when compared to the previous year, for a market share of 33.3%.

With respect to liabilities, BanESCO showed the largest growth in client acquisition among private banks (+Bs. 26,175 billion) versus December 2016, having more than 5.6 million depositors under the call, saving and fixed-

term modalities, for a balance of Bs. 28,094 billion at the close of 2017, accounting for a market share of 21.6%, 4.7 percentage points above the previous year.

In 2017, BanESCO Banco Universal's total capital grew by Bs. 760 billion, ranking first in the banking system with an amount of Bs. 862 billion for a Capital Adequacy Ratio of 11.08% and a risk-adjusted capital ratio of 12.52%, exceeding in both cases the minimum ratios set forth by the law, 9.0% and 12.0%, respectively.

Finally, it is important to highlight the favorable management of the institution during the assessed period, achieving a net profit of Bs. 469 billion in 2017, once more reaffirming the excellent business record distinguishing BanESCO in the domestic banking market.

# FINANCIAL HIGHLIGHTS

					Growth			
	First Half 2016	Second Half 2016	First Half 2017	Second Half 2017	II Half 2017 II Half 2016		II Half 2017 I Half 2017	
Stated in Billion VEF					Absolute	%	Absolute	%
<b>Total Assets</b>	<b>982.1</b>	<b>2,150.0</b>	<b>4,861.0</b>	<b>30,788.1</b>	<b>28,638</b>	<b>1332.0%</b>	<b>25,927</b>	<b>533.4%</b>
Cash and Due from Banks	260.2	905.0	2,304.7	21,152.9	20,248	2237.3%	18,848	817.8%
Security Investments	154.6	189.0	176.7	746.7	558	295.0%	570	322.5%
Credit Portfolio	509.2	952.5	2,106.5	7,424.5	6,472	679.5%	5,318	252.5%
Gross Portfolio	522.6	976.9	2,160.5	7,595.4	6,618	677.5%	5,435	251.5%
Deposits from Clients	<b>859.8</b>	<b>1,918.8</b>	<b>4,329.5</b>	<b>28,094.4</b>	<b>26,176</b>	<b>1364.2%</b>	<b>23,765</b>	<b>548.9%</b>
Deposits in Current Accounts	752.4	1,723.4	3,946.8	26,215.8	24,492	1421.2%	22,269	564.2%
Savings Deposits	99.4	182.9	336.1	1,737.3	1,554	849.7%	1,401	416.8%
Time Deposits	0.9	1.2	1.6	3.2	2	175.3%	2	101.9%
Other Deposits	7.1	11.3	45.0	138	127	1118.3%	93	207.1%
Total Stockholders' Equity	<b>66.0</b>	<b>102.0</b>	<b>292.7</b>	<b>862.3</b>	<b>760</b>	<b>745.4%</b>	<b>570</b>	<b>194.6%</b>
Trust Assets	<b>28.1</b>	<b>34.7</b>	<b>66.7</b>	<b>118.1</b>	<b>83</b>	<b>240.4%</b>	<b>51</b>	<b>77.1%</b>
Debtor Accounts Due To Trust Assignments (FAOV)	<b>23.1</b>	<b>30.9</b>	<b>42.9</b>	<b>77.9</b>	<b>47</b>	<b>151.8%</b>	<b>35</b>	<b>81.5%</b>
Financial Revenues	62.2	111.6	204.7	717.0	605	542.6%	512	250.2%
Financial Expenses	12.1	13.9	16.9	52.8	39	279.2%	36	213.5%
Gross Financial Margin	50.1	97.6	187.9	664.2	567	580.2%	476	253.5%
Financial Intermediation Margin	56.3	108.5	208.8	862.3	754	694.5%	654	313.0%
Transformation Expenses	29.9	48.7	100.4	279.2	231	473.8%	179	178.2%
Income Taxes	8.2	16.4	24.1	128.7	112	686.0%	105	434.0%
<b>Net Income</b>	<b>14.0</b>	<b>35.3</b>	<b>69.9</b>	<b>399.0</b>	<b>364</b>	<b>1028.9%</b>	<b>329</b>	<b>471.0%</b>
Accumulate Agriculture Portfolio	73.3	96.5	280.5	1,037.4	941	975.0%	757	269.9%
Official Institutions Deposits	43.0	49.0	117.5	576.4	527	1075.5%	459	390.6%
Micro Loans	19.4	22.8	37.5	166.7	144	630.9%	129	344.1%
Commercial Loans	241.4	538.2	1,175.7	4,538.6	4,000	743.2%	3,363	286.0%
Credits to Consumer	125.6	212.8	510.3	1,176.4	964	452.9%	666	130.6%
Vehicles	15.2	24.0	20.1	17.1	-7	-28.9%	-3	-15.1%
Credit Cards	125.6	212.8	510.3	1,176.4	964	452.9%	666	130.6%
Mortgage Loans	18.9	23.7	23.7	62	38	159.5%	38	159.4%

Ratios				
Loan Portfolio Provisions / Non Accrual Loans	1475.34%	1824.74%	4986.88%	32673.44%
Non Accrual Loans/ Gross Loan Portfolio	0.17%	0.14%	0.05%	0.01%
Net Results / Average Assets	3.21%	4.21%	4.43%	5.64%
Net Results / Average Equity	46.19%	69.45%	83.18%	140.05%
Liquidity	38.08%	51.58%	55.02%	75.55%



## CREDIT RISK REPORTS PRONOUNCEMENT

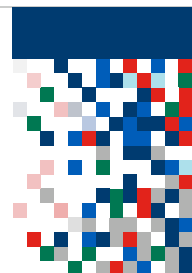
The Credit Risk management at the end of the second half of 2017 showed a performance characterized by obtaining a favorable level of profitability/risk in our indicators.

The delinquency index in the Total Portfolio was around 0.01%, and the coverage level of the Provision on the Immobilized Portfolio recorded a value of 32.673,44%.

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 second 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 year 2018.



## 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 four hundred and thirty seven (437) 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

Economic Activity	Outstanding	Restructured	Non-performing Loans		Total (Bs.)	Percentage Composition
			Past to Due	In Litigation		
Trade, Restaurants and Hotels	3,461,608,987,113	7,239,020	89,350,747	0	3,461,705,576,880	45,58%
Financial Establishments, Real State And Services Provided to Companies	2,258,411,844,575	46,745,607	429,632,644	0	2,258,888,222,827	29,74%
Agriculture, Fishing and Forest	998,390,578,461	2,559,720	625,000	0	998,393,763,180	13,14%
Manufacturing Industry	552,074,718,255	2,522,461	0	0	552,077,240,716	7,27%
Community, Social and Personal Services	125,379,208,175	741,065	3,405,402	0	125,383,354,643	1,65%
Construction	105,948,673,158	0	0	0	105,948,673,158	1,39%
Transport, Storage and Communications	72,376,593,420	2,125,217	26,873	0	72,378,745,511	0,95%
Electricity, Gas and Water	14,873,872,459	0	0	0	14,873,872,459	0,20%
Hydrocarbons and Mining Exploitation	5,700,878,279	0	0	0	5,700,878,279	0,08%
<b>SUB-TOTAL (Bs.)</b>	<b>7,594,765,353,896</b>	<b>61,933,090</b>	<b>523,040,666</b>	<b>0</b>	<b>7,595,350,327,653</b>	<b>100,00%</b>

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



President of the Board  
Juan Carlos Escotto R.

Male Directors:  
Juan Carlos Escotto R.  
Diego David García  
Miguel Ángel Martínez C.  
José Grasso Vercillo  
Enrico Surán Coballes  
María Josefina Fernández M.

Statutory Auditor:  
Carolina A. Arévalo-Santini  
María E. Méndez Silva

Secretary:  
María Fátima Ortega Vargas

Share Capital: Bs. 1,250,000,000.00  
Capital Paid-Up: Bs. 1,250,000,000.00  
Capital Reserves: Bs. 881,822,492,815.11

Independent Accountants:  
Márcel, Tardón & Asociados  
(Miembros de CDMV (CDMVA) INTERNATIONAL)

## BALANCE SHEET

December 31, 2017 (Stated in Bs.)

ASSETS	dec-17	dec-16
<b>CASH AND DUE FROM BANKS</b>	<b>21,152,860,640,919</b>	<b>366,020,409,960</b>
Cash:		
Central Bank of Venezuela	308,934,041,101	40,439,018,715
Local Banks and Other Financial Institutions	80,895,277,009,910	83,411,138,101
Foreign and Correspondent Banks	89,832,042,806	13,818,180,560
Head Office and Branches	258,236,739	130,488,718
Holding Cash Items	0	0
Provision for Bank Accounts	-88,696,860,271	83,960,977,086
	0	0
<b>INVESTMENTS SECURITIES</b>	<b>746,687,363,886</b>	<b>180,014,925,007</b>
Investments in Central Bank	10,805,033,000	16,910,058,000
Investments in Trading Securities	0	0
Investments in Securities Available for Sale	61,034,365,757	64,868,466,731
Masterbonds in Securities (Held-to-maturity)	59,285,509,435	62,795,193,014
Limited Availability Investments	540,882,184	485,170,022
Other Security Investments	93,959,094,940	81,619,238,182
Provision for Security Investments	0	0
<b>LOAN PORTFOLIO</b>	<b>7,424,454,945,280</b>	<b>692,465,152,371</b>
Outstanding Credits	7,594,705,353,896	871,501,840,612
Restricted Credits	81,519,090	78,247,341
Post-Due Credits	0,230,400,666	1,305,909,084
Credit in litigation	0	110,402
Provision for Credit Portfolio	(110,495,882,372)	(24,448,338,316)
<b>INTEREST AND COMMISSIONS RECEIVABLE</b>	<b>108,936,072,374</b>	<b>67,895,810,789</b>
Interest receivable from cash and due from banks	0	0
Interest receivable from security investments	15,912,716,333	2,578,128,127
Interest receivable from credit portfolio	88,261,402,340	11,814,785,412
Commissions Receivable	4,480,331,400	1,130,151,818
Interest Receivable on Other Accounts Receivable	0	0
(Provision for Interest Receivable and Other)	(1,817,337,000)	(398,898,310)
<b>INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES</b>	<b>209,377,406</b>	<b>50,364,140</b>
Investments in subsidiaries and affiliates	209,277,800	49,294,271
Investments in branches	0	0
Provision for investment subsidiaries, affiliates and branches	0	0
<b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>	<b>150,317,768</b>	<b>219,453,854</b>
<b>PROPERTY IN USE</b>	<b>388,878,880,484</b>	<b>28,872,164,180</b>
<b>OTHER ASSETS</b>	<b>965,930,631,573</b>	<b>56,882,928,999</b>
<b>TOTAL ASSETS</b>	<b>30,768,084,318,443</b>	<b>2,156,084,654,748</b>

LIABILITIES AND EQUITY	dec-17	dec-16
<b>DEPOSITS</b>	<b>22,094,374,110,084</b>	<b>1,918,802,308,930</b>
Deposits in Current Accounts:		
Non-Remunerated Checking Accounts	14,311,714,142,413	2,728,374,859,848
Remunerated Checking Accounts	17,112,883,142,881	792,189,671,546
Current accounts under exchange agreement N° 20	8,191,388,841,864	122,388,779,637
Demand Deposits and Certificates	18,718,285	78,850,895
Other Demand Deposits and Certificates	105,882,843,395	141,671,057,865
Savings Deposits	148,284,124,149	11,334,142,131
Time Deposits	0	0
Time Deposits	1,737,296,655,743	687,928,438,554
<b>DEPOSITS WITH RCV</b>	<b>0</b>	<b>0</b>
<b>DEPOSITS AND OBLIGATIONS WITH BANAVIH</b>	<b>12,811,551</b>	<b>13,183,371</b>
<b>OTHER FINANCING OBTAINED</b>	<b>218,341,130,545</b>	<b>37,072,200,671</b>
Liabilities with local financial institutions up to one year	718,840,616,912	31,657,180,514
Liabilities with local financial institutions more than one year	0	0
Liabilities with foreign financial institutions up to one year	131,623	1,141,701,250
Liabilities with foreign financial institutions more than one year	0	0
Other Liabilities up to one year	0	0
Other Liabilities more than one year	0	0
<b>OTHER FINANCIAL OBLIGATIONS</b>	<b>0</b>	<b>17,834,448</b>
<b>INTEREST AND COMMISSIONS PAYABLE</b>	<b>44,480,828</b>	<b>36,290,379</b>
Expenses payable due to deposits from clients	44,152,411	34,472,023
Interest payable due to obligations with RCV	0	0
Expenses payable due to deposits and liabilities with BANAVIH	0	0
Expenses payable due to other financing obtained	1,188	1,427,400
Expenses payable due to other financial obligations	0	0
Expenses payable due to obligations convertible to capital	0	0
Expenses payable due to subordinated debt	0	0
<b>ACCUMULATED AND OTHER LIABILITIES</b>	<b>1,121,542,907,439</b>	<b>87,084,487,346</b>
<b>SUBORDINATED DEBT</b>	<b>0</b>	<b>0</b>
<b>OTHER LIABILITIES</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>23,925,815,136,448</b>	<b>2,048,046,235,397</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>1,250,000,000</b>	<b>1,250,000,000</b>
Capital Paid-Up	1,250,000,000	1,250,000,000
Paid-in Surplus	0	0
Capital Reserves	1,348,135,813	1,947,379,750
Equity Adjustments	218,995,604,694	6,347,440,234
Accumulated Income	143,542,808,314	93,738,791,338
Non-Realized Gain or (Loss) on Available for Sale Security Investments	311,330,338	(941,813,160)
Treasury Stock	(34,890,286)	(34,890,286)
<b>TOTAL EQUITY</b>	<b>862,272,492,015</b>	<b>301,990,835,371</b>
<b>LIABILITIES AND EQUITY</b>	<b>23,925,815,136,448</b>	<b>2,156,084,654,748</b>
Contingent Debtor Accounts	1,164,959,805,082	144,895,213,703
Trust Assets	118,140,596,859	34,705,404,310
Other Trust Assignments	2,889,109,557	500,350,917
Debtor Accounts Due to Trust Assignments (Housing Mutual Fund)	77,840,466,727	30,913,202,222
Other Debtor Accounts (Housing Mutual Fund)	18,327,520	13,789,464
Other Debtor Memorandum Accounts	73,362,317,361,812	7,238,927,004,671
Other Debtor Book Accounts	80,441,619	29,629,181

## Statements of Earnings (Stated in Bs.)

	dec-17	dec-16
<b>Financial Revenue</b>	<b>717,017,209,471</b>	<b>111,677,340,881</b>
Revenues from Cash and Cash Equivalents	2,514,491	2,492,897
Revenues from Security Investments	15,912,716,333	7,169,523,312
Revenues from Credit Portfolio	88,261,402,340	104,392,084,817
Revenues from Other Accounts Receivable	4,480,331,400	22,600,899
Revenues from Investments in Subsidiaries, Affiliates and Branches	0	0
Revenues from Head Office and Branches	0	0
Other Financial Revenues	11	480,540
<b>Financial Expenses</b>	<b>52,832,144,918</b>	<b>13,833,566,834</b>
Expenses Due to Deposits from Clients	51,811,488,138	13,754,280,884
Expenses Due to Obligations with RCV	0	0
Expenses Due to Deposits and Obligations with BANAVIH	0	0
Expenses Due to Other Financing Obtained	196,710	179,405,141
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
<b>Gross Financial Margin</b>	<b>664,185,064,553</b>	<b>97,843,774,047</b>
Income from Recovered Financial Assets	1,892,501,546	341,787,687
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	118,993,578,073	13,462,971,194
Provision for Loan Portfolio and Other Accounts Receivable, Losses	118,888,578,074	13,462,971,194
Provision for Cash and Due from Banks	0	0
<b>Net Financial Margin</b>	<b>547,174,387,026</b>	<b>84,758,570,523</b>
Other Operating Income	412,121,160,370	38,307,023,884
Other Operating Expenses	57,082,148,018	10,079,007,058

	dec-17	dec-16
<b>Financial Intermediation Margin</b>	<b>862,309,005,348</b>	<b>108,513,587,279</b>
<b>Transformation Expenses</b>	<b>279,230,025,977</b>	<b>48,619,136,618</b>
Personnel Expenses	7,455,321,335	16,222,571,610
Administrative and General Expenses	148,234,284,822	29,669,123,003
Contributions to Deposit Guarantee and Bank Protection Fund	91,013,231,518	4,061,100,411
Contributions to Supervisory of Banks and Other Financial Institutions	1,527,184,548	166,000,486
<b>Gross Operating Margin</b>	<b>583,078,979,415</b>	<b>59,834,451,131</b>
Income from Advanced Goods	17,006,971,114	889,618,070
Income from Special Programs	0	0
Income from Sundry Accounts	50,935,677	164,190,119
Expenses Due to Realizable Property	112,681,534	69,430,729
Expenses Due to Depreciation, Amortization and Devaluation of Miscellaneous Goods	0	0
Expenses Due to Sundry Accounts	71,929,701,786	5,121,100,947
<b>Net Operating Margin</b>	<b>528,114,504,314</b>	<b>51,835,771,644</b>
Extraordinary Income	0	0
Extraordinary Expenses	979,372,945	110,540,110
<b>Gross Income Before Taxes</b>	<b>527,135,131,369</b>	<b>51,725,231,534</b>
Income Taxes	128,080,000,000	18,372,581,090
<b>Net Income</b>	<b>399,055,131,369</b>	<b>33,352,650,444</b>
<b>Application of Net Income</b>		
Reserve Legal	0	0
Statutory Reserves	0	0
Other Capital Reserves	4,159,000	4,159,000
<b>Accumulated Income</b>	<b>399,055,131,369</b>	<b>33,352,650,444</b>
LOSEP Contribution	5,689,057,888	355,361,971

<b>Net Income Distribution</b>		
Legal Reserve	0	0
Other Capital Reserves	6,250,000	6,250,000
Restricted Surplus	139,489,648,505	17,071,815,004
Surplus to apply	253,485,432,854	17,006,585,440
<b>NET INCOME</b>	<b>399,055,131,369</b>	<b>33,352,650,444</b>

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

## II 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 (BanescoOnline, 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 second half of 2017, 6,049 complaints and requests were reported, for a total amount of 9,163,903,972 VEF; of which 3,455 were ruled in favor of the client with a reimbursement of 5,668,747,320 VEF.

When evaluating the attention times of the claims and requirements reported by customers / users in the second half of 2017, and starting from the premise indicated by the regulatory body where a maximum date of 20 continuous days is established for the resolution of the same, it is observed that the level of compliance in the service offer was 99.82%.

**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 Amount (VEF)	N° of Complaints	Claim Amount (VEF)	N° of Complaints	Claim Amount (VEF)	
July	857	16,642,004	14,953,876	572	179,023,179	277	104,794,752	99.86%
Augiust	904	15,391,575	13,650,653	634	312,252,891	245	115,560,990	99.80%
September	727	20,347,778	17,863,294	512	371,280,512	128	73,488,661	100.00%
October	496	21,741,575	18,180,963	396	645,098,072	70	50,312,460	99.78%
November	300	69,368,677	63,711,382	277	422,389,867	99	176,093,263	99.83%
December	171	5,549,014,630	5,540,387,152	203	472,053,541	144	549,049,545	99.20%
Total II Half	3,455	5,692,506,239	5,668,747,320	2,594	2,402,098,062	963	1,069,299,671	99.82%

### 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)
July	72	15,970,636	1,596	271,495,130	5	2,644,149	33	10,350,021	0	0
August	70	10,379,795	1,668	354,172,104	11	14,439,901	34	64,213,656	0	0
September	75	16,031,335	1,254	404,440,666	16	31,294,793	22	13,350,156	0	0
October	112	20,798,775	814	563,376,733	13	29,505,412	23	103,471,187	0	0
November	154	69,165,169	496	535,743,104	8	12,833,793	18	50,109,740	0	0
December	113	53,150,453	386	6,461,993,178	4	38,841,246	15	16,132,839	0	0
<b>Total II Half</b>	<b>596</b>	<b>185,496,163</b>	<b>6,214</b>	<b>8,591,220,915</b>	<b>57</b>	<b>129,559,294</b>	<b>145</b>	<b>257,627,599</b>	<b>0</b>	<b>0</b>

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 SIBI-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 (April 27th, 2016)

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-12738 (April 27th, 2016)

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-24974 (November 22nd, 2017)

- The balance corresponding to the “Notes immediately receivable” will be deducted from the total assets, as well as the monthly variation experienced by the sub-account 111.01 “Cash” of Item 110.00 “Availabilities” of the Accounting Manual for Banking Institutions.
- For the purposes of the aforementioned monthly variation, the balance in said sub-account 111.01 “Bills and Currencies” will be considered at the close of November 2016.

### 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%).

The “Notes immediately receivable” will exceptionally be calculated as 0% risk-weighted items.

It should be noted that exceptions related to Official Paper SIB-II-GGR-GNP-24974 will be applicable for the indicators corresponding to the closing of the months of November and December, 2017.

**Resolution No. 025.17  
(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 regulates the calculation of the Index of Total Patrimonial Adequacy”. Similarly, indicates in Art. 6 “The re-

cord 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 2017, percentages reached are:

Description	December 2017	June 2017
Capital Adequacy Ratio	11.08%	13.60%
Total Capital Adequacy Ratio	12.52%	15.30%
Tier 1 Capital Adequacy Ratio	12.52%	15.30%



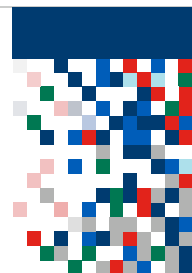
## ELECTRONIC CHANNELS AND BANK AGENCIES

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

- 340 service points (agencies, satellites and Banesco Express) .
- 102.370 Points of Sale.
- 1.377 ATMs (900 Monofunctional and 551 Multifunctional).
- 93 Non-Banking Correspondents.

## EXTERNAL AUDITOR'S REPORT

The financial statements of the Bank corresponding to the second 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	Dec. 17	Jun. 17	Dec. 16	Jun. 16
<b>1. Equity</b>				
(Equity + Operative Management) / Total Assets	11.08%	13.60%	10.98%	12.38%
Non-Productive Assets / Equity + Operative Management	2577.88%	828.80%	961.64%	449.22%
<b>2. Assets Quality</b>				
Loan Portfolio Provisions / Gross Loan Portfolio	2.25%	2.50%	2.50%	2.56%
Non Accrual Loans / Gross Loan Portfolio	0.01%	0.05%	0.14%	0.17%
<b>3. Management *</b>				
Personnel Expenses + Operative Expenses / Average Productive Assets	9.60%	10.46%	8.45%	7.93%
Personnel Expenses + Operative Expenses / Financial Income	35.76%	41.50%	38.07%	39.11%
<b>4. Earnings *</b>				
Net Results / Average Assets	5.64%	4.43%	4.21%	3.21%
Net Results / Average Equity	140.05%	83.18%	69.45%	46.19%
<b>5. Liquidity</b>				
Availability / Customer Funds	75.29%	53.23%	47.17%	30.26%
Availability + Investment in Securities / Customer Funds	75.55%	55.02%	51.58%	38.08%

\* Annualized Percentages

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

## Second Half 2017



According to the provisions of Article 28 of the Decree with status, validity and force of Law of the partial reform of the Law on Institutions in the Banking Sector (*Ley de las Instituciones del Sector Bancario*), published in the Official Gazette No. 40,557 dated on December 08, 2014; as well as the pertinent regulations issued by the Superintendency of Institutions in the Banking Sector (hereinafter referred to as SU-DEBAN) published on August 27, 2014; Articles 1 and 16 of the Resolution No. 064.14 referring to the General Standards Related to the Internal Audit Unit of the Institutions in the Banking Sector (*Normas Generales Relativas a la Unidad de Auditoría Interna de las Instituciones del Sector Bancario*); we present the summary on the management, work done and activities developed by the Internal Audit Unit in Banesco Banco Universal, C.A., during the period from July 01, 2017 and December 31, 2017 which was submitted to the Audit Committee and the Board of Directors for consideration, according to the provisions established and approved in the Internal Audit Operational Plan defined for 2017.

Banesco Banco Universal, C.A. has an Internal Audit Unit, which is sufficiently independent to fulfill its functions in an effective, efficient and timely manner. To that end, it has all faculties required to achieve its goals. The Internal Audit Vice President of the Bank is the Internal Auditor, who is responsible for the Internal Audit area and the staff attached to the Internal Audit Unit, which

functionally and administratively reports to Board of Directors of Banesco.

The Unit has an Internal Auditing Statute, which is regularly reviewed and compiles the principles, standards and powers of the Internal Auditor, the Policy on Assurance of the Internal Auditing Activity, Manuals on Internal Auditing Policies and Standards and Internal Auditing Activity, as well as work handbooks, which are defined according to the Internal Auditing Standards, both nationally and internationally, and standards established by the Institution. In case of significant, regulatory or functional changes; these are submitted to the Audit Committee and Board of Directors for consideration and approval.

The methodology applied by the Internal Audit Unit to develop the Audit Plan based on the risk management processes was performed according to the following criteria:

- The Internal Audit Operational Plan was approved by the Audit Committee and was submitted to the Board of Directors for ratification. Six (6) regular progress reports on such plan have been prepared and submitted to the Board of Directors and the Audit Committee (monthly) and the Comprehensive Risk Committee (half-yearly).
- The standards established by SU-DEBAN, as well as valid regulations on the banking activity and International Supervision practices were considered.

- The Audit management was mainly focused on the revision of Processes based on risks in the core areas: Administration and Operation, Banking and Branch Network, Information Technology, and Anti-Money Laundering and Terrorist Financing Prevention and Control (here in after referred to as AML/TF), according to the schedule established in the Audit Plan 2017 – Second Semester.

- Implementation of audit tests to assess the exposure to significant risks, monitoring of corrective/preventive actions supported in strategies, verification of the Internal Control Environment and its effective operation, which contributes to the improvement in the effectiveness and efficiency of the areas of Banesco Banco Universal, C.A., providing viewpoints and guidelines on the basis of the analysis and assessment of its information and processes.

- For the second semester 2017, revisions were performed with coverage stipulated in the Internal Audit Operational Plan, which includes the following main aspects:

—Rating of efficiency of the internal control environment by assessing different aspects that involve the updating, im-



plementation and functioning of internal controls of the Institution, the risk management framework, the effectiveness of internal controls, and the efficiency and productivity of resources.

—Revision and verification of the fulfillment of legal provisions that govern the banking activity and, particularly, provisions of the partial amendment of the Law on Institutions in the Banking Sector, other resolutions, official papers issued by the SUDEBAN, as well as other regulations in force related to the banking activity applicable to revisions made.

—Verification of the implementation of provisions established in SUDEBAN's Accounting Manual for Banks, in balances comprising the figures shown in Banesco's financial statements.

—The Annual Monitoring, Assessment and Control Program in terms of Compliance with the aspects contained in regulations in force for treating Money Laundering and Terrorist Financing Risks, Comprehensive Risk, and Technology Risk.

—Monitoring of Comprehensive Risk Management Process and Technology Risk Management Process; as well as tests to validate the filling of gaps identified in the analysis of the Regulatory Agency;

Operational Risks, Internal Audit, and External Audit.

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

—At the close of the second semester 2017 according to the schedule made, the Internal Audit concluded:

Audit Class	Scheduled
Scheduled Audits accomplished	40
Non-scheduled Audits	18
<b>Total</b>	<b>58</b>



**In the field of Information Technology, the Reports were followed up of Technological Risk Inspection reported by SUDEBAN, External and Internal Audit**

In the same way, an audit in the comprehensive risk management unit was performed, corroborating that Banesco has materialized its efforts to shape the organizational structure established in Resolution No. 136.03 from the SUDEBAN, for a proper Risk Management. Additionally, the design of methodologies has been included in order to identify, measure, control, monitor, and assess the different risks taken, as well as the development of policies established in such resolution. Required adaptations have also been implemented to comply with Resolution 136.15.

In reference to SUDEBAN's Resolution No. 119-10, in terms of AML/TF, audit activities and the verification of compliance with provisions set forth in Regulations regarding the Management and Control of Risks related to Money Laundering and Terrorist Financing crimes applicable to Institutions regulated by SUDEBAN were performed, with a revision scope to date in risk areas (Credit, Branches, and Employees). Based on work made, we conclude that plans and programs designed to prevent and detect operations that are presumed to be or could be related to Money Laundering and Terrorist Financing work in an adequate manner.

In terms of Information Technology, Technology Risk Inspection Reports prepared by the SUDEBAN and Internal and External Audit were monitored, as well as the following processes, applications and components, communications, links and interfaces established in the Audit Plan.

Regarding the implementation of the Framework for the Professional Practice of Internal Auditing, the Unit adapted to specific factors of the legal, regulatory and cultural environment and the



expectations from the interested parties. In this sense and according to the Regulations in force in the country and the best practices of Internal Auditing in terms of Assurance, Statements on Internal Auditing Standards and Procedures were observed to deal with requirements from the SUDEBAN, in relation to the activity performed by the Internal Audit.

Activities performed by the Internal Audit were defined by taking the standards established in regulations in force into account, considering the objectivity and independence principles of the Internal Auditing Practice.

From revisions performed to internal controls of Units and processes of Banesco Banco Universal, C.A. through the second semester of 2017, an Average Rate of 1.69 (SATISFACTORY) was obtained. Therefore, based on such results, a proper process- and policy-making was observed for Banesco Banco Universal, C.A. to operate:

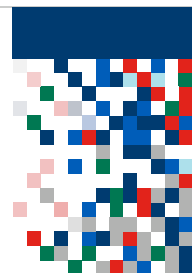
- According to the strategies defined by the Senior Management, having the required human, technological and material resources, and trying to make an efficient use of them.

- Proper decision-making and reliable transparent information disclosure to the Board of Directors, shareholders, employees, customers, pertinent authorities and the public in general (all interested groups). To that end, quality, sufficiency, security and opportunity information systems will be required.
- Identification, assessment and monitoring of risks to maintain an effective control and mitigate losses by means of a proper management thereof.
- Concordance of the operational processes with provisions established by the executive management and assessed in a permanent manner to verify the functioning of controls and adopt, if necessary, corrective measures in a timely and efficient manner.
- Compliance with the regulations in force and internal policies and procedures established by the Board of Directors and the Executive Management.
- Awareness on risk, adequate Corporate Governance and permanent and timely supervision, which guarantees the integrity and ethical values, strategic objectives based on operating capacity, compliance by the Management, and control activities related to Policies and Procedures.

Based on the above, it is concluded that efficiency and effectiveness in managing the internal control system of Banesco Banco Universal, C.A. is reasonably secure.

## 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	
18/07/17	<b>SIB-II-GGIR-GSRB-14551.</b> Observations derived from the Special Report of the Audited Financial Statements as of December 31, 2016, which includes the degree of compliance with the legal regulations in force related to the matter of risks.
31/07/17	<b>SIB-II-GGIBPV-GIBPV5-15821.</b> Considerations to the required documents sent on the occasion of the celebration of the Ordinary General Shareholders' Meeting of March 30, 2017.
28/08/17	<b>SIB-II-GGIBPV-GIBPV5-18057.</b> Considerations to the resolutions adopted at the Extraordinary General Shareholders' Meeting held on March 30, 2017.
25/09/17	<b>SIB-II-GGIBPV-GIBPV5-20087.</b> Considerations to the resolutions adopted at the Extraordinary General Shareholders' Meeting held on September 28, 2017.
26/09/18	<b>SIB-II-GGIBPV-GIBPV5-20174.</b> Considerations to the required documents corresponding to the Ordinary General Shareholders' Meeting held on September 28, 2017.
10/11/17	<b>SIB-II-GGR-GA-23707.</b> Considerations to nominations to the Board of Directors made by the Ordinary General Shareholders' Meeting held on September 28th, 2016.
13/11/17	<b>SIB-II-GGR-GA-23970.</b> Considerations for the ratifications of the positions of Commissioners and Defender of the Client and Banking User made at the Ordinary General Shareholders' Meeting held on March 30, 2017.
17/11/17	<b>SIB-II-GGIBPV-GIBPV5-24571.</b> Considerations to the required documents sent on the occasion of the celebration of the Extraordinary General Shareholders' Meeting held on November 20, 2017.
21/11/17	<b>SIB-II-GGIBPV-GIBPV5-24777.</b> Considerations to the resolutions adopted at the Extraordinary General Shareholders' Meeting held on September 28, 2017.
16/12/17	<b>SIB-II-GGIBPV-GIBPV5-26969.</b> Considerations to the required documents corresponding to the Extraordinary General Shareholders' Meeting held on December 18, 2017.
28/12/17	<b>SIB-II-GGIBPV-GIBPV5-28103.</b> Considerations to the required documents corresponding to the Ordinary General Shareholders' Meeting held on September 28, 2017.

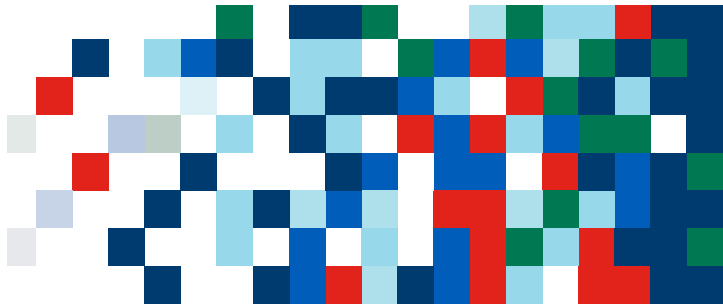
**PARTICULAR REGULATIONS** (CONTINUE)

DATE	OFFICIAL PAPERS
<b>Inspections</b>	
31/07/17	<b>SIB-DSB-UNIF-15761.</b> Results obtained in the Special Inspection Visit made to the Agency located in the Sambil San Cristóbal Shopping Center (code 261) in the Táchira State, which had as objective to evaluate compliance with the regulations established in Chapter II of the Integrated Administration of PCML / TF Risks and Chapter III Policies and Procedures for PCML / TF Risk Management.
08/08/17	<b>SIB-DSB-UNIF-16379.</b> Results obtained in the Special Inspection Visit made to the Agencies located in Coro (code 021), Punto Fijo (code 087) and Comunidad Cardón (code 0439), which had as objective to evaluate compliance with the regulations established in Resolution 119 -10.
01/09/17	<b>SIB-II-GGIR-GSRB-18443.</b> Follow-up of the results obtained in the Special Inspection Visit carried out with a cut-off date of June 30, 2015, which had the purpose of evaluating compliance with the provisions of Resolutions No. 136.03 "Rules for an adequate Comprehensive Risk Management" and No. 136.15 "Regulations Concerning the Adequate Comprehensive Management of Liquidity Risk of Banks".
23/11/17	<b>SIB-II-GGIR-GSRB-25127.</b> Follow-up of the results obtained in the Special Inspection visit carried out with a cut-off date of May 31, 2017, which had the purpose of assessing compliance with the provisions of Resolutions No. 136.03 "Rules for an adequate Comprehensive Risk Management" and No. 136.15 "Regulations Concerning the Adequate Comprehensive Management of Liquidity Risk of Banks".
01/12/17	<b>SIB-II-GGIBPV-GIBPV5-25861.</b> Follow-up of the results obtained in the General Inspection Visit made with a cut-off date of December 31, 2016.
06/12/17	<b>SIB-DSB-UNIF-26359.</b> Results obtained in the Special Inspection Visit made to the Agency located in Tumere-mo (510 code) Bolívar State, which had the objective of evaluating compliance with the regulations established in Chapter II of the Comprehensive Risk Management PCML / TF and the Chapter III Policies and Procedures for Risk Management of PCML / TF.
12/12/17	<b>SIB-DSB-UNIF-26581.</b> Results obtained in the Special Inspection Visit to the agencies: Lago Mall (195), Paraíso (453), Los Niveles (073), La Limpia Satellite (003) and Bella Vista (086), located in Maracaibo, Zulia state, which had the objective of evaluating compliance with the regulations established in Resolution 119-10.
<b>Others</b>	
20/07/17	<b>SIB-II-CCSB-14804.</b> The amendments to the Regulations that regulate the activities of the Customer Ombudsman and Banking User are authorized.
22/09/18	<b>SIB-II-GGIBPV-GIBPV5-20037.</b> The accounting record of the amount corresponding to the second phase of the revaluation of assets is authorized in accordance with Resolution No. 101.17.

## GENERAL REGULATIONS

DATE	OFFICIAL PAPERS
12/07/17	<b>SIB-II-GGR-GNP-13992.</b> Presentation of 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.
25/07/17	<b>SIB-II-GGR-GNP-15281.</b> Regulatory exception to the provisions of Articles 7 and 15 of Resolution No. 641.10 dated December 23, 2010, relating to the Rules Governing the Use of Electronic Banking Services.
25/07/17	<b>SIB-II-GGR-GNP-15309.</b> Guidelines to determine the equity-to-asset-and-contingent-transactions ratio, applying the risk-weighted criteria.
03/08/17	<b>SIB-II-GGR-GNP-16068.</b> Guidelines to determine the Capital Adequacy Ratio, established in Article 4 of Resolution No. 305.09 of July 9, 2009.
18/08/17	<b>SIB-II-GGR-GNP-17248.</b> The suspension of products, services, agreements, agreements or contracts with legal persons or personal signatures is instructed, through which withdrawal in cash is allowed through Debit or Credit Cards, except for Automatic Teller Machines and Non-Banking Correspondents.
24/08/17	<b>SIB-II-GGR-GNP-17786.</b> The implementation of strategies to be applied by the Banking Institutions in order to optimize the care and service provided to the elderly, pensioners, retired and disabled is instructed.
18/08/17	<b>SIB-II-GGR-GNP-18397.</b> Deferral of Articles 24 to 31 of Resolution No. 136.15 dated November 11, 2015, containing the Rules Relating to the Adequate Comprehensive Management of Liquidity Risk of Banks.
08/09/17	<b>SIB-II-GGR-GNP-19151.</b> Optimization of the attention of the pensioners in the Commercial Network of Agencies, Offices and Branches of the Banking Institutions.
12/09/17	<b>SIB-II-GGR-GNP-19260.</b> Resolution No. 101.17 containing the "Rules Relating to the Application of the Second Phase of Revaluation of Assets in Banking Institutions".
25/09/17	<b>SIB-II-GGR-GNP-20126.</b> Guidelines to determine the equity-to-asset-and-contingent-transactions ratio, applying the risk-weighted criteria.
23/10/17	<b>SIB-II-GGR-GNP-22245.</b> Modification of Resolution No. 524.10, containing the "Rules to unify the information displayed on the screens of the Automatic or Electronic ATMs intended for the use of customers and users of the banking system".
24/10/17	<b>SIB-II-GGR-GNP-22290.</b> Avoid the Discrimination, Restriction, Deterrence or Prohibition of Opening and Maintenance of the collection instruments.
08/11/17	<b>SIB-II-GGR-GNP-23502.</b> Avoid the Discrimination, Restriction, Deterrence or Prohibition of Opening and Maintenance of the collection instruments.
22/11/17	<b>SIB-II-GGR-GNP-24974.</b> Guidelines to determine the equity-to-asset-and-contingent-transactions ratio, applying the risk-weighted criteria.

## RELEVANTS INFORMATION TO STAKEHOLDERS

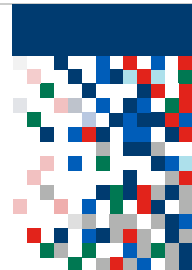




# SUMMONS

## BANESCO BANCO UNIVERSAL, C.A.

Stock Capital  
Bs. 1.250.000.000



### Announcement Ordinary Shareholders' Meeting

By resolution of the Board of Directors and in accordance with the provisions of Articles 10, 12 and 27.2 of the Corporate By-laws, shareholders of Banesco Banco Universal, C.A. are summoned to meet at the Annual Meeting of Shareholders to take place on March 22nd, 2018, 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 December 31st, 2017.

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

**THIRD:** To authorize the Board of Directors to acquire the Bank's own shares for consideration and dispose of them when deemed convenient.

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

Caracas, February 23, 2018

RIF: J07013380-5

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

### Announcement Extraordinary Shareholders' Meeting

By resolution of the Board of Directors and in accordance with the provisions of Articles 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 March 22, 2018, at 8:45 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:** To consider and decide on the advisability of increasing the Bank's capital stock.

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

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

Caracas, February 23, 2018

RIF: J07013380-5

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

### Announcement Extraordinary Shareholders' Meeting

By resolution of the Board of Directors and in accordance with the provisions of Articles 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 March 22, 2018, at 9:00 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:** Reduce the capital stock of the Bank in Sixty Thousand Bolívars (Bs. 60,000.00), as a result of the redemption of six thousand (6,000) 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 Sixty Thousand Bolívars (Bs. 60,000.00), 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.

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

Caracas, February 23, 2018

RIF: J07013380-5

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



# CORPORATE GOVERNANCE REPORT

## BANESCO BANCO UNIVERSAL, C.A.

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

### Meeting of Shareholders

The Meeting of Shareholders represents the whole shareholders and is the supreme authority of the company. General meetings are held within the first 90 days following the close of each business semester, and special meetings are held as deemed convenient by the Board of Directors according to the company's interest, or when required by a group of shareholders representing at least 20 percent of the share capital. Its acts and resolutions are mandatory for the Bank and all shareholders.

The Meeting of Shareholders has, among others, the faculties to: i) Determine the number of Directors comprising the Board of Directors; ii) Appoint the members of the Board of Directors and set their remunerations; iii) Appoint the shareholders' main representative and his/her Alternate and set their remunerations; iv) Appoint one or several consultants entitled to attend and participate in the meetings of the Board of Directors; v) Discuss, approve or modify the Financial Statements submitted before it, prior submission of the report of the Shareholders' Representatives; vi) Draft and amend the By-Laws; vii) Decide on the early dissolution, extension, merger with another company, sale of corporate assets, change of business purpose, increase, reduction or refund of the share capital and amendment of By-Laws regarding the aforementioned matters; viii) De-



**The Board of Directors 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.**

cide on the decree of dividends and the payment method thereof, for the amount, with the frequency and in the opportunity as deemed convenient, pursuant to the Law and the By-Laws of the Bank; ix) Decide on the creation of reserves and special provisions submitted to the Board of Directors for consideration; and x) Hear and decide on any other matter within its power, according to the Law and By-Laws of the company.

### Board of Directors

Its main function is the general management and administration of the businesses and transactions of the Bank, including its corporate social responsibility policy, with the broadest powers for managing and disposing company's assets and businesses, provided that they are not matters exclusively reserved to the Meeting of Shareholders or other bodies set by the Law or the By-Laws of the Bank. The Board is responsible for the definition and course of the Institution's strategy, and also approves business principles and policies, regulating the autonomies of executive de-

cisions in order to protect the shareholders' interest and the preservation of the Institution. Additionally, the Board controls the performance of the operational and functional areas of the Bank, examines and compares business forecasts, and the results of previous years with the results of each business year. The Board holds a general meeting once a month, and special meetings can be held by request of the Chairman of the Board of Directors or three (3) members.

In accordance with the Decree with Status, Validity, and Force of Law on Institutions in the Banking Sector, the Board also has the duty and power to: i) Define the financial and credit strategy of the Institution and control its implementation; ii) Analyze and make a decision on credit risk reports, regarding proportionality and validity of granted guarantees; iii) Decide on the approval of active transactions individually exceeding the five percent (5%) of the share ca-

pital of the Institution; iv) Express its opinion, under its own responsibility, on the financial statements and the internal audit report that includes the auditor's opinion on the compliance with anti-money laundering regulations; v) Hear and decide on the content and fulfillment of the notices issued by the Superintendency of Institutions in the Banking Sector, related to provisions, remarks, recommendations or initiatives on the functioning of the Institution; vi) Comply with and enforce the provisions set by the Law, the Superintendency of Institutions in the Banking Sector, the General Meeting of Shareholders and the Board of Directors. Likewise, the Board of Directors has the powers set forth by the By-laws of the Bank.

### **Chairman of the Board of Directors**

The Chairman is subordinated to the Meeting of Shareholders and the Board of Directors; in the exercise of his/her powers, exercises the legal representation of the Institution before any public or private authority; executes contracts, agreements, and in general any kind of documents of any nature on behalf of the company; takes on any necessary task imposed on him/her by the Board of Directors; and chairs the Meetings of Shareholders and Sessions of the Board of Directors, exercising along with it the supreme management of the Bank's activities.

### **Chief Executive Officer**

The CEO is in charge of the daily management and operation of businesses and internal services of the Bank, as well as the administration, monitoring, and control of its businesses, accounting, financial statements, inventory, and accounts. In addition, the CEO has the power to monitor, control, and coordinate activities and tasks assigned to each executive department; presides executive management committees of the Bank and represents the Bank before third parties in non-judicial matters, being able to execute contracts and agreements on its behalf and representation.

### **Internal Auditor**

In accordance with the Decree with Status, Validity, and Force of Law on Institutions in the Banking Sector, the Internal Auditor is responsible for supervising that Bank's transactions and procedures are in conformity with the Law, relevant regulations, internal procedure manuals of the Institution, and accounting principles approved by the Superintendency of Institutions in the Banking Sector. Likewise, the Internal Auditor is in charge of supervising the proper functioning of the internal control systems; supervising the fulfillment of the resolutions issued by the General Meeting of Shareholders, the Board of Directors, and the Superintendency of Institutions in the Banking Sector; signing the financial statements, along with the legal representative and the main accountant; internally coordinating the analysis of the different transactions made by the Institution and, along with the Audit Committee, informing the Board of Directors about the results of the different audits conducted in order to improve processes and correct any gap that may appear.

### **Compliance Officer**

The Compliance Officer depends on and directly reports to the Board of Directors of the Bank. The Compliance Officer's purpose is to strengthen the mechanisms contributing to the surveillance of risks related to Money Laundering and Terrorist Financing (ML/TF).

His/her functions include: head the Anti-Money Laundering and Terrorist Financing Committee; coordinate, supervise and manage the AML/TF compliance program; as well as supervising the implementation of the whole regulation enacted to prevent money laundering and terrorist financing; design, along with the Anti-Money Laundering and Terrorist Financing Committee and Unit, the annual action plan for Anti-Money Laundering and Terrorist Financing.

### **The Corporate Governance of Banesco Banco Universal, C.A. stipulates the following structure:**

#### **Audit Committee**

Its purpose is to review financial statements to be evaluated by the Board of Directors and subsequently submitted to the Meeting of Shareholders for approval in order to verify that they contain all the information required and reflect the financial situation of the company in an accurate and complete manner without reserves or omissions. The Audit Committee also helps the Board of Directors with the implementation of steps aimed at preserving the integrity of the financial information of the company; collaborates with the supervision and monitoring of the internal and external audits of the Bank; approves the scope of the annual audit; and checks, along with the Board of Directors and External Auditors, all significant matters related to lawsuits, contingencies and claims.

#### **Risk Committee**

Its main function is to manage, identify, measure and mitigate risks the Bank could be exposed to, setting the risk limits in compliance with the policies established in each activity of the Bank in terms of credit, market, legal affairs, business, among others, in accordance with the domestic legislation and the best practices at international level. Additionally, the Risk Committee supports the Board of Directors and the different Credit Committees in the decision-making process and set 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 power, delegated the authority to the credit committees so that they may grant credits of any modality allowed by the law, assigning each autonomy or credit committee a given individual debt limit. Up to date, the existing committees are: Central Credit Committee, Executive Credit Committee, Delegated Credit Committee, Regional Credit Committees and individual autonomies.

### Technology Committee

Its main function is to supervise that the implementation of technologies is in line with Bank's strategies and objectives, with a comprehensive overview of the business, using resources in a responsible manner and identifying and managing risks. It also ensures the formulation of the business architecture and administration of the Bank's technology plan; optimizes and monitors the performance of processes and the provision of solutions.

### Asset-Liability Committee (ALCO)

This body is directly responsible for the market & liquidity risk management (price, rates and exchange) and for capital adequacy. It periodically analyzes the degree of exposure to risks and defines short- and medium-term financial strategies for risks taken according to the foreseeable evolution of markets. Its main objective is to manage bank's assets and liabilities from the financial, commercial and risk point of view, managing to anticipate threats and opportunities of the market in order to optimize results and achieve goals set in the financial planning.

### Anti-Money Laundering and Terrorist Financing Committee

Its objective is to control and supervise the faithful compliance with the preventive me-

## 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.

asures intended to fight Money Laundering and Terrorist Financing within the Bank. Additionally, it acts as an advising body supporting tasks under the responsibility of the Board of Directors, the CEO and the Compliance Officer regarding the fulfillment of matters related to the regulation in force on Anti-Money Laundering and Terrorist Financing.

### Ethics Committee

Its main function is to guarantee the proper reception, analysis, assessment and resolution of complaints, concerns and matters that may affect the fulfillment of regulations on ethical values established by the Code of Ethics and Conduct of the Banesco Citizen, as well as facts that affect the integrity and image of the Bank.

# REPORT OF THE SHAREHOLDERS' REPRESENTATIVE

## Banesco Banco Universal, C.A.

Six-month period ended December 31, 2017 • Caracas, February 09, 2018

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

In my capacity as Shareholders' Main Representative of Banesco Banco Universal, C.A., appointed by the General Meeting of Shareholders of the Bank, held on March 30, 2016 and ratified in the General Meeting of Shareholders of the Bank, held on March 30, 2017 and in accordance with the provisions of the By-Laws of the Bank, the Inter-Professional Standards for the practice of the Shareholder Representative and pursuant to provisions of Articles 287, 309 and 311 of the Code of Commerce, I hereby inform that I have analyzed the balance sheet as of December 31, 2017 and the related profit and loss statement and the distribution of net profits, the implementation of changes in equity and cash flows for the semester ended by then; attached to the report prepared by the Bank's independent certified accountants: Márquez, Perdomo & Asociados (members of Crowe Horwath International) issued on February 08, 2018 which must be considered for all purposes as integral part of this report.

During the semester ended on December 31, 2017, I attended the General and Special Meetings of Shareholders in my capacity as Shareholders' Representative, both of them held on September 28, 2017.

### Management's Responsibility for Financial Statements

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

the Banking Sector (SUDEBAN), which differ in some aspects from the Venezuelan Generally Accepted Accounting Principles (VEN-NIF). Likewise, the Management of Banesco Banco Universal, C.A. is responsible for establishing the internal controls it may deem necessary for such financial statements to be free from material misrepresentations due to frauds or errors, choosing and implementing proper accounting policies, and making reasonable accounting estimates according to the circumstances.

### Auditor's Responsibility

Independent certified accountants are responsible for expressing an opinion on these financial statements on the basis of their audits. They performed their audits in conformity with the International Standards on Auditing. Such standards require the compliance with ethical requirements and the execution of exams to obtain a reasonable certainty that the financial statements are free from misrepresentations of a relative importance. An audit includes procedures to obtain evidence related to amounts and disclosures shown in the financial statements.

Chosen procedures depend on the auditor's criterion and include the assessment of material distortion risks in the financial statements due to fraud or error. In assessing risks, the auditor takes into consideration the internal controls implemented by Banesco Banco Universal, C.A. to prepare and submit reliable financial statements in order to design proper audit procedures according to the circumstances, being the purpose not to make an opinion about the effectiveness of the internal control of the Bank. An audit also includes the assessment of the proper implementation of accounting policies and the

reasonableness of accounting estimates made by the management; as well as the joint presentation of financial statements. The Bank's independent certified accountants considered that the audit evidence obtained during the revision was sufficient, proper and that it provides a reasonable basis to support their opinion.

### The Responsibilities of the Shareholders' Representative

My responsibility is to make a recommendation on the financial statements based on my revision. Such revision was performed according to the scope that I deemed necessary according to the circumstances, which is substantially narrower than an audit performed according to the International Standards on Auditing, which objective is to express an opinion on the basic financial statements as a whole. Therefore, it is worth noticing that as much my revision as judgments and opinions expressed by me in this report on the financial situation of Banesco Banco Universal, C.A., as at December 31, 2017 are mainly based on the previously mentioned report prepared by the Bank's independent certified accountants: Márquez, Perdomo & Asociados (Members of Crowe Horwath International) dated on February 08, 2018.

### Recomendación

In the opinion of the independent certified accountants, the previously mentioned financial





statements reasonably show, in all essential aspects, the financial situation of Banesco Banco Universal, C.A., as at December 31, 2017; the results of its transactions and the cash flows for the semester ended by then, according to the Generally Accepted Accounting Principles established by the Superintendency of Institutions in the Banking Sector (SUDEBAN) for the Venezuelan banking system. For that reason, and based on the scope of my revision, as expressed in the above paragraph, I hereby 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 Institutions in the Banking Sector (SUDEBAN), which differ in some aspects from the Generally Accepted Accounting Principles, as explained in Note 2 to the financial statements of the independent certified accountants' report. The financial statements attached to the independent certified accountants' report were prepared for the purpose of complying with the standards and practices established by such body instead of being presented according to the Venezuelan Generally Accepted Accounting Principles (VEN-INIF).

## Other Matters to Be Informed

Based on the assessment of the portfolio of Credits, Interest and Commissions Receivable, and Other Assets as of December 31, 2017 shown in the Independent Certified Accountants' special report dated on February 08, 2018 to comply with the standards on six-mon-

thly external audit reporting, established by the Superintendency of Institutions in the Banking Sector (SUDEBAN), the following provisions as at December 31, 2017 are, in my opinion, reasonable and sufficient for the purposes they were created for, according to the standards issued by the Superintendency of Institutions in the Banking Sector (SUDEBAN):

Provision for Credit Portfolio	170.895.382.372
Provision for Yields Receivable and Others	147.637.500
Provision for Other Assets	358.951.400

Likewise, based on the assessment on the security investment portfolio and its profits collectable as of December 31, 2017, the presentation, appraisal and valuation are reasonable, and in my opinion, they do not require for a provision to be made by that date.

It is worth noticing that, as part of my assessment, I performed the revision of communications sent to and received from the Superintendency of Institutions in the Banking Sector (SUDEBAN), during the semester ending on December 31, 2017.

Regarding the above, I observed that in Official Paper No. SBIF-II-GGIBPV-GIBPV5-25861 dated November 30, 2017 the SUDEBAN informed about its considerations on communications submitted by the Bank on July 12 and August 4, 2017, with respect to the Official Paper No. SBIF-II-GGIBPV-GIBPV6-12510 dated June 23, 2017 on the occasion of the results of the General Inspection Visit paid off as of December 31, 2016; which stated, among other aspects, the following:



- No confirmation was received on the custody of the security owned by the Bank in foreign currency for US\$ 1,800,000.00, reported under the custody of the Standard Chartered Bank New York, on which SUDEBAN observed that communications were delivered as of December 31, 2016 and June 30, 2017 for US\$ 1,700,000.00. Additionally, highlighted that Banesco Fiduciario keeps a saving certificate for a nominal value of US\$ 5,756,222.20 under the custody of the aforementioned foreign bank, from which the corresponding custody certificate was not obtained. From the above, the SUDEBAN urges the Bank to carry out the required formalities in order to submit the corresponding original certificates in no longer than fifteen (15) working days; otherwise, it must proceed to create a provision on 100% of such securities. On December 26, 2017, the Bank

sent to the SUDEBAN its considerations and supporting documentation of the case, and required the appraisal and verification of the ownership, existence and availability of securities in the foreign bank.

- From the above, I was able to observe that: original confirmation sent by the Standard Chartered Bank New York to external auditors, as well as securities under custody of its own portfolio and Fideicomiso Banco for US\$ 1,800,000.00 and US\$ 5,756,222.20, respectively.
- With regard to arguments presented by the Bank, referred to the registration in the account 122.00 "security investments available for sale" of securities issued by PDVSA, with a period exceeding a year since recorded, considerations shall be communicated in a separate official paper.

From the above, I observed that the Bank holds PDVSA securities for Bs. 5,583, which are being analyzed by the SUDEBAN.

- During the cash audit performed on March 14, 2017 to materialized securities in custody of the bank entity, no verification was made on the existence of the physical document of shares from some companies and in absence thereof confirmations of custodians were found, among which Banesco Seguros, C.A., Caja Venezolana de Valores, S.A., Corporacion Suiche 7B, C.A., General de Seguros, C.A.; as well as the Corporate Registration Document of Inmobiliaria Proyecto 675271, C.A. which evidences that the Bank Entity is owner of 10,000 shares. Additionally, the Bank shall report the actions adopted to

formalize the sale of interest kept in the capital of insurance companies, SOGAMPI, clubs and other private companies.

The above allowed me to observe that some shares still lack of physical documentation, with certificates, bank statements, bonds being kept from the following companies: Banesco Seguros, C.A., Corporacion Suiche 7B, General de Seguros, C.A., Proyecto 675271, C.A., Mon-dex de Venezuela, Telares de Palo Grande, among others. Regarding the above, the Bank remarks that the issue of securities is optional or discretionary by the company, the ownership of shares being shown through the Shareholders' Book, and therefore, the Bank does not deem necessary to provide any further documentation to the documentation described above. On the other hand, it is worth noticing that I have observed the completion of the sale of SOGAMPI's shares performed on September 2017.

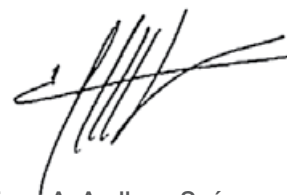
Reserves, provisions and allocations, as well as declared dividends and statutory allocations are in compliance with the provisions of regulations under this matter; therefore, the bank administrators have complied with their duties under the Law, the Articles of Incorporation, the By-Laws and the legal order in force.

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

Sector, (SUDEBAN) according to the Official Paper No. HSB-200-5355 dated September 13, 1984.

During the assessed period, I have not received any complaint by any shareholder or been informed by any of them about the existence of circumstances that, according to my opinion, weaken or potentially weaken the financial situation of the institution.

Based on the above exposition, I recommend shareholders to approve the financial statements of Banesco Banco Universal, C.A. corresponding to the semester ended December 31, 2017 which were submitted 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

We, being systematically and permanently plan-oriented towards the education and development processes, as well as towards the latest trends on knowledge management, searching for new strategies to produce knowledge to our Human Talent, have performed during this year 2017 actions leading to the technical improvement of the Banesco Citizens in order to help them perform their duties in an efficient manner, as well as delivering high quality results. Our most important initiatives have been framed under the following:

- Education activities focused on key areas of business, namely: Credit, Sales, Business Processes, Project Management, Financial Logistics, Communication and Effective Negotiation Techniques, as well as on the strengthening of Leadership-related Working Team Guidance and Management Skills through the Banesco Leader Program, Innovation, Service Orientation. Likewise, and in compliance with legal regulations, we have performed bank knowledge activities related to Specializations on Anti-Money Laundering and Terrorist Financing according to areas subject to risk, as well as actions related to Occupational Security and Safety.
- 57% of the training hours were used to strengthen the personnel's Technical Knowledge, while 26% to the Develop-



ment of Leadership Skills and Capacities, and 17% to the strengthening of the Regulatory Bank Knowledge.

- We actively observed the Law by training 280 INCES Apprentices.
- With a view to strengthening the specialized development of Banesco Citizens, this year 2017 we have summoned more than 200 collaborators to participate in highly significant Academic Diplomas on Matters such as: Bank and Finance, Innovation, Trust, BPM SOA, Big Data, Management and Monitoring, and Attorneys' Business Management, in renowned universities such as UCAB, USB and UNIMET.

All these training and education activities allowed us achieving the following results during 2017:

- More than 358,000 man-hours allocated to Training and Development

activities, 77,612 of which corresponded to in-person education and 280,768 to virtual education.

- We successfully positioned the Banesco Virtual Learning platform (AVB, in Spanish), in compliance with the strategy set for continuous training; where 80% of training were decided to be performed through the Virtual modality and 20% through the In-Person modality, thus achieving the attendance of 89,959 participants and providing 280,768 training hours.
- 4,530 employees attended to at least one in-person training activity and more than 7,700 employees have developed their Virtual Training, by taking at least one course under this modality.



## Quality of Life

During the second semester 2017, sport, recreational, cultural and volunteering activities were held as part of the Quality of Life Plan, which contributed to improve the quality of life of employees and encourage them to better use their free time by providing spaces for conciliation between the working and the personal life of the Banesco Citizen and their families.

Some of the activities performed are the following:

### Sport, recreational and alcohol, tobacco and other drugs use prevention activities

- **Toning Activities:** These activities are performed in Caracas through different styles, such as dance fitness, salsa casino, yoga, among others.
- **Continuous Training:** Performed in Caracas through disciplines such as Softball and Indoor Soccer.
- **Banesco Runners Club:** This activity provides employees with a space for wellbeing and health, with support from a specialized trainer.
- **Family Day:** During the second semester of 2017, several family days took place in Barquisimeto, Maracaibo, Valencia, Punto Fijo, Caracas, Merida and Puerto La Cruz. Under the framework of these activities, awards for Banesco employees' seniority years were also granted.

### Cultural Activities

- **Theater/Plays:** Activity held in Caracas with the performance of *A Christmas Carol* where employees participated along with their children.

- **Choir Singing Workshops:** The following are among the performances presented in Caracas: Christmas Welcome and the Choirs Meeting.

- **TED Talks:** Four talks were provided during midday hours in *Ciudad Banesco*. These talks addressed matters of interest for employees such as: Youth Development, Women Wellbeing, Nutrition, Natural Medicines, among others.

### Volunteering Activities

- Participation in the World Beach Day, celebrated in September, by contributing to protect the environment. The Banesco Volunteerism participated in this activity in the States of Carabobo and Vargas.
- Support to different activities held with our Social Partner Fundana, such as the XIII Auction, held in November.
- Internally, our volunteerism supported recreational and event protocol activities, as well as family days and theater plays.

### Contractual Benefits

#### Hospitalization, Surgery and Maternity Insurance Policy

Health of collaborators and beneficiaries is highly important for Banesco; therefore, during the second semester of the year, the management focused on providing information for the use of benefits, emergency and contingency telephones; as well as on renewing the insurance policy for the period 2017 – 2018, by increasing the amount of coverage for hospitalization, surgery and maternity in the basic and excess policies, as well as in the extreme contingency policy. Additionally, new benefits were included to cover all the beneficiaries.



### Student Card

Banesco supports the payment of commitments related to academic education of its collaborators and children under school age; therefore, as of July 2017, the amounts granted were increased, and the limit age of children beneficiaries was extended to 21 years. Also, as a benefit, this card still charges no interest.

### My First Credit Card

During the second semester of 2017, Banesco continued to encourage the granting of the First Credit Card to fixed collaborators with seniority higher than 3 months.

### Signature Loan

An amount granted to collaborators to complete the initial payment or definitive purchase of main dwelling and is amortized with service years. In the second semester of 2017 options were extended to pay registration fees, insurance premium and even appraisal expenses.

## CORPORATE SOCIAL RESPONSIBILITY

Education, health and financial inclusion remained the pillars of our social investment throughout 2017. By the end of the year, Banesco had allocated Bs. 11.75 billion to social impact projects and activities, at both the internal level for the benefit of the Banesco Citizens and the external level, which were developed jointly with our social partners and allies.

During 2017, Banesco allocated more than Bs. 10 billion to programs that cooperate with the quality of life of the Banesco Citizens and their families. The above figure accounts for 92% of the social investment during the period.

The internal level of our social investment includes the dining program provided at Ciudad Banesco, medical service and aids in extreme illness cases, among others.

Regarding the external level, Banesco built relationships with institutions promoting education and health in the population, especially in the most vulnerable strata of the society. In that context, Banesco invested 8% of its CSR budget in different projects along with its social partners.

Some of the activities carried out during the second semester of 2017 are the following:

### Training Program for Microentrepreneurs

At the close of 2017, Banesco graduated 5,658 entrepreneurs. Since 2008 to this day, we graduated more than 52,500 people. The program is provided in alliance with institutions and companies such as the Management and Technology University Institute; Fundación Social; Fe y Alegría; Corporate University SIGO (UCS), SME business and MercadoLibre.com. Likewise, this year Banesco kept strategic part-



During the last semester of the year, Banesco introduced new titles from its Banesco Publishing Fund, all of them in digital format.

nerships with the Directorate for Culture and Heritage from the Palavecino Mayor's Office, in Barquisimeto, the Social Economy Foundation from the Iribarren Mayor's Office, in the State of Lara; and the Sucre and El Hatillo Mayor's Offices. In 2017, Banesco achieved the proposed goal by graduating at least 50,000 people from the Training Program in 5 years. This program was also provided to several localities in Caracas and the States of Miranda, Lara and Nueva Esparta.

### Community Participative Budget

During 2017, Banesco took this activity to 9 communities. The first activity was held in the State of Merida, and then it was extended to the Capital District, and the States of Carabobo, Zulia, Tachira, Nueva Esparta, Lara and Anzoátegui. Winning projects relate to the fields of health, education, sports, culture, ecology, healthcare or infrastructure improvement.

### Banesco Publishing Fund

During the last semester of the year, Banesco introduced new titles from its Banesco Publishing Fund, all of them in

digital format. On December 2017, the digital book *Nuevo País de las Artes (New Country of Arts)* was released gathering the histories of 25 Venezuelan plastic artists, all born between 1975 and 1990, as well as exponents of the most varied disciplines: painting, sculpture, drawing, photography, new languages, installations, performances and even exponents of land-art. It was also released the digital book *Magallanes: Contra viento y marea. 100 años de historia, 1917-2017 (Magallanes: Against all odds. 100 Years of History, 1917-2017)* which represents a log on the voyage of the popular Navegantes del Magallanes baseball team during its first century.

The digital book *Caracas en 450. Un homenaje a Caracas en su aniversario (Caracas in 450. A Homage to Caracas in its Anniversary)* is a homage being paid to the city that has outlined our way of being and determined our relationship with the world based on its frames of reference. The fourth title released was *70 años de conversaciones con escritores de paso (70 Years of Conversations with Passing-Throu-*

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gh Writers), which is the seventh release of a series dedicated to journalism and journalists. In this opportunity a review is made through 30 memorable conversations, immortalized in different formats and through different media, with renowned writers who visited Venezuela. Also, the book *Retratos de Venezuela (Venezuela's Portraits)* was released as a result of the namesake contest held in Instagram, where Banesco social network followers participated with digital photos from a variety of themes.

## Book Fairs

More than five years ago, Banesco began to support the international book fairs mainly organized by Venezuelan universities. In the second semester of the year, Banesco participated in the International University Book Fair of Carabobo (FILUC, in Spanish) promoted by the Carabobo University, and provided spaces in Ciudad Banesco to hold the Opening Gala of the FILUC 2017; in the Book Fair of West Caracas (FLOC, in Spanish), organized by the Andres Bello Catholic University; and for the third time in the Chacao Reading Festival, organized by Cultura Chacao. During these fairs, talks were held on books edited by Banesco Banco Universal.

## Banesco Scholarship Program

During 2017, Banesco contributed with more than Bs. 182.47 million in scholarships for a group of students from the Andres Bello Catholic University (UCAB) and Margarita University (UNIMAR). In total, 167 students benefitted from this Program. Resources provided cover between 80% and 100% the tuitions of students benefitted according to their social and economic conditions. The contribution made to the UCAB was Bs.

## SOCIAL NETWORKS

At the close of December 2017, our social networks comprised a community of more than 1,250,000 followers in our official Twitter, Facebook, Instagram, Google+, YouTube and LinkedIn accounts, which is equivalent to 35.99% increase in comparison with figures reported in December 2016. For Banesco, this represents a significant channel to communicate with its clients and general public, not only to transmit its messages, but also to listen to their ideas almost in real time.

During the last semester of the year, our social networks assisted 11,430 cases related to products and services; with a total of 21,897 cases solved in the year 2017. From cases taken, 53.8% corresponded to requirements made by Banesco clients, while 46.10% were enquiries on products and services.

With respect to presence on social networks, Twitter –through the @Banesco account–, remains as the users' favorite social network, with more than 670,000 followers by December 2017. Besides serving as liaison for enquiry and requirement assistance, this social network offers interesting contents on personal finance, entrepreneurship, technology, ephemeris, history, sports, business, energy and news on Banesco products, services or promotions.

On its part, Banesco totaled 257,227 followers in Facebook, while in Instagram it reached 98,992 followers. Videos loaded on the YouTube channel *Banesco en Imágenes*, registered more than 3.9 million views, besides having 8,167 subscriptions. At the close of December 2017, the Banesco Blog exceeded 6,900,000 views. This site offers, besides corporate information on products and Corporate Social Responsibility policy, exclusive content prepared by renowned journalists.



170.11 million, while the rest (Bs. 12.36 million) was allocated to UNIMAR students. Currently, students selected by both educational institutions are studying management and accounting, social communication, law, education and engineering.

## Banesco Corporate Volunteerism

Employees comprising the Banesco Volunteering group joined initiatives developed along with allies for the benefit of communities. In the last semester

of the year, Banesco, Directv and Unicasa's Volunteers carried out a Supportive Activity where they delivered food and supplies to the Fundacion Amigos del Niño con Cancer, Red de Casas Don Bosco and Asociacion Civil Hogar Bambi. Likewise, Banesco and Unicasa's Volunteers joined efforts to support the Red de Casas Don Bosco and prepared food for a Christmas dinner for young people from this NGO who are assisted by the Casa Don Bosco, located in La Candelaria parish, in Caracas.

## MARKETING AND INNOVATION

### Campaign to Encourage Use of Electronic Channels

With the purpose of encouraging self-management of clients, time saving and to support the derivation strategy deployed in our branches, Banesco encouraged, during the second semester of the year, the use of electronic channels through the slogan: *fácil no, muy fácil* (not easy, but very easy), emphasizing the advantages of our Internet Banking. This campaign was widely broadcasted through radio, television and digital media.

### Campaign Myths and Legends of Pensioners

Another important campaign developed during the period was the "Myths and Legends" campaign, which purpose was to assist and refute the idea the segment of pensioners has with respect to what they can or cannot do with their pension accounts.

This campaign was implemented in two stages. The first stage focused on sending information through SMS to clients, as well as on radio broadcasting in dates close to pension payment days. Subsequently, the second stage consisted in the launching of a TV commercial leveraged in a clever use of humor. Thus, Banesco urged pensioners not to be afraid



of losing their money if they do not withdraw it the same day this payment is deposited in their accounts. This campaign was also supported by messages sent through the social networks.

### Banesco Pago Movil App

In October, the launching of the Banesco Pago Movil app was accompanied by a massive campaign seeking to position the product by highlighting the immediacy of transactions and providing exam-

ples of services or typical uses given to this application. By asking: can you guess what service I have? And using a jingle as mechanism to facilitate understanding on the service, the Banesco Pago Movil campaign contributed to promote this new way of payment, which by the end of December reported more than 1,350,000 transactions through the application.

### Corporate Social Responsibility Campaign *El Brillo de tus ojos* by Banesco Community Banking

By means of the CSR campaign *El Brillo de tus ojos* (*The Sparkle in your Eyes*), Banesco Community Banking intended to establish relationships with small entrepreneurs in order to promote their participation in the microentrepreneur program, an activity that provides this segment with valuable financial tools and guidance towards the materialization of their projects

### Banesco Virtual Chat

As of October 2017, Banesco initiated the promotion of the Banesco Chat through social networks. This new channel offers our clients an assistance channel from Banesco.com, which allows clients or not clients to clarify doubts and concerns on products and services provided by the Bank.





## SEGMENT MANAGEMENT

Commercial management in the second semester of the year focused on continuing with the strategy on transaction migration to our electronic channels, leading to a more efficient management of financial transactions by enabling a more agile flow of collections and payments from clients.

Also, the credit offer remained to meet the financing demands of the different business segments, which ratified our leadership position regarding support to their projects in spite of the complex environment.

A promotion called *Los pensionados ganan más usando los canales electrónicos* (Pensioners earn more by using the electronic channels) was released for pensioners from the Venezuelan Institute of Social Security (IVSS, in Spanish). The purpose here was to increase the diversion of transactions to the electronic channels.

First steps were taken to incorporate this promotion into the business ecosystem of our branch network as optimization strategy in the community segment, which will be achieved in the first quarter of 2018. This aims to extend the scope of service points and the value offer for this important segment, which will strengthen our Social Responsibility program to support microentrepreneurs.

### Massive Segments

Results in the second semester of 2017 show positive evolution in client acquisition indicators, increasing by 649% with respect to the first semester. Clients were managed through the CRM tool, which has positioned itself at the top of the daily management of the Sale Force in this segment. More than 76,000 credit requests were approved, 20,000 transactions more than the first semester 2017, which led to a 180% growth in



the total portfolio when compared to the previous semester and 574% with respect to the close of 2016.

### Legal Entity Banking

#### Corporate Banking

In the second semester 2017, the Corporate Banking kept focused on establishing links between our clients and our products and services designed according to their transactional needs, seeking to facilitate the administrative work of companies, as well as to assist the credit demand focused on productive sectors.

All this has been achieved with the help of a team oriented towards better knowledge on the clients' performance in their economic sectors, by providing the financial advice that has turned Banesco into their business ally.

#### Agricultural Banking

Agricultural Banking kept focused on maintaining close relationships with the country's productive sectors, with a view to understanding their needs and being able to support effectively and timely the agricultural and agro-industry sectors. This was possible thanks to a highly motivated team with wide knowledge on food and agricultural sectors. In that context, Banesco granted 2,368 credits

to the Venezuelan agriculture and production sector.

#### Business Banking

During the second semester of 2017, Business Banking reported a 553% rise in the client acquisition business. This increase is the result of the monitoring carried out by the business teams with their client portfolios for the provision and use of Payment Methods and Services products and the commercial business (points of sale), thus facilitating transactions for the client.

The credit portfolio reported a 465% rise. Mostly, credits were granted to the manufacturing, commercial and tourism sectors.

#### Energy Banking

The specialization degree of our executives in the sector along with personalized care have been key factors for the development of clients and positioning within this segment. The Energy Banking continued to strengthen relationships with clients by continuously focusing on the credit demand in the refining and production service areas. The credit portfolio grew by 92% in the second semester and a total of 319% in 2017.

#### Public Sector Banking

During the second semester of 2017, the Public Sector Banking achieved to place revenue collection products, thus optimizing the payment processes as well as improving deposit-taking.

The Banesco Branch Network coverage at national level enabled us to continue providing services to pensioners and main payroll employees.

## BANESCO COMMUNITY BANKING

The working-class sector of the economy develops several activities which serve as main family support to a considerable number of Venezuelans. Their main financing needs relate to the purchase of raw materials or inventories; as well as the purchase of equipment to strengthen infrastructure of their businesses.

Nowadays, Banesco has 455,000 clients from the Venezuelan working-class sectors; Banesco granted more than 314,000 credits; and more than 52,000 small entrepreneurs have successfully completed the Training Program for Microentrepreneurs that we have specially created for them.

At the close of the second semester 2017, the credit portfolio allocated to community services was Bs. 4.262 billion, accounting for 20.14% of the credit portfolio of the Community Banking, which totaled Bs. 16.967 billion. The main activities that received financing in community services are: food sale, personal care, health services, educational services, among others. It is worth noticing that the aforementioned credit port-

folio shows a credit default rate of 0.08% at the close of the semester.

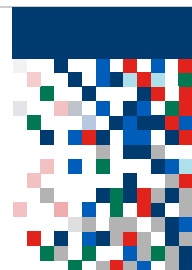
During the period assessed, Banesco provided incentives to raise deposits through several products such as the Community Account and was able to considerably increase our clients' funds in account by 1,243%.

Besides, through advice processes, Banesco encouraged the use of its electronic channels such as BanescOnline, where more than 5 million transactions were performed, and 320,000 through ATMs.

Banesco ended the period with a total of 26 Community Branches, thus consolidating our position in low-income areas, such as: La Vega, Antimano, San Martín, Petare, Catia, El Cementerio, Santa Teresa del Tuy, Maiquetia, Higuero, Guarenas, Barinas, Valencia (2), Barcelona, Puerto Cabello, Cua, Maracay, Acarigua, Palo Negro, Maturín, Barquisimeto (2), Porlamar, Maracaibo (2) and Ciudad Ojeda, with presence in 8,653 low-income neighborhoods in 16 states of the country.



**Banesco ended the period with a total of 26 Community Branches, thus consolidating our position in low-income areas, such as: La Vega, Antimano, San Martín, Petare, Catia, El Cementerio, Santa Teresa del Tuy, and others**



## ELECTRONIC CHANNELS AND BRANCHES

### Electronic and Digital Channels and Branch Network

During the second semester 2017, our clients performed more than 2.775 billion transactions through the service channels offered by Banesco, which accounts for a 63% rise with respect to 2016.

### Branch Channel

In the second semester 2017, Banesco had 340 Service Points comprising 300 Branches, 31 transaction windows, and 9 Banesco Express, through which 22 million transactions were performed.

### Internet Banking Channel

BanescOnline reported an average 2.5 million active clients per month during the second semester of 2017, which accounts for 64% of the total Bank's active clients who continuously performed during the year more than 1.736 billion transactions. Regarding financial transactions, the channel reported an increase of 86% in comparison with the same period of the previous year.



In September, the Electronic Payment, BanescOnline Fideicomiso and Credicarro portals showed a new image based on new trends and in line with the corporate image change.

For the purpose of improving our clients' experience, during the second semester 2017, adjustments were made to the transfer limits carried out through BanescOnline and Electronic Payment, beginning in the month of July when the transfer limit for Legal Entities was extended in both portals to Bs. 40 billion from Bs. 20 billion. Then, in August, the transfer limits for natural persons to the same accountholder and to third accountholders in Banesco were extended to Bs. 15 million from Bs. 2 million, and to the same accountholder and to third accountholders in Other Banks to Bs. 10 million from Bs. 2 million. In October, the transfer limits for natural persons to the same accountholder and to third accountholders in Banesco and Other Banks were extended again to Bs. 30 million and in December two new increases were made for natural persons; the first to Bs. 50 million and the second, by the end of 2017, to Bs. 200 million for natural persons in Banesco and Other Banks.

In order to improve communication with our clients, during August and November, adjustments were made to the messaging service for access recovery and transaction password activation in BanescOnline, with the purpose of encouraging self-management of clients within the portal.

### Mobile Banking Channel

During the second semester of 2017, more than 328 million transactions were made through Banesco Movil, which accounts for 99% more than the second semester of the previous year.



The Banesco Pago Movil service was released in October. This is an interbank payment service from natural persons to natural persons in real time, which totaled 500,000 affiliates and 1.3 million transactions in the last quarter of 2017. The latter is added as an additional service to the Banesco Mobile Banking which allows improving the client's experience and his interaction with the Bank by offering a novel and avant-garde service that places Banesco on a par with trends already available in Asian countries to receive and send payments via QR code.

### Telephone Banking Channel

The Banesco Telephone Customer Service Center received and managed a total of 37 million calls during the second semester of 2017, reporting a growth of 8% with respect to the same period of the previous year. From these calls, 92% was assisted in an automatized manner through the IVR (34 million calls) and only 8% (3 million calls) was assisted by telephone agents.

The new WhatsApp communication channel was released in September, starting with a pilot of 50,000 clients and progressively adding another 200,000 from the promotion and massive segments, thus achieving to provide a channel where the client may consult about products, services and BanescOnline support.

In October, the Migration to the New IVR Platform was completed with the startup of the Number and Single Option Tree,

providing assistance to clients from the massive, Platinum, Premium and Internet Banking segments.

The new communication channel Virtual Chat came into operations in October, with the total massification of the service to all Banesco clients and non-clients who access Banesco.com, thus achieving to offer another communication channel where the client may consult information in real time.

### ATMs

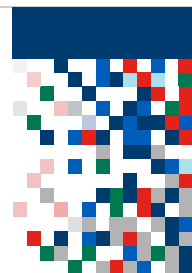
Banesco ended the year with an installed base of 1,377 ATMs throughout the national territory (841 Monofunctional and 536 Multifunctional), which processed during the second semester 2017 more than 47 million transactions, of which 40 million were withdrawals, 1.4 million were check deposits and 2.2 million cash deposits.

### Payment Methods and Services

A 4,033% rise was reported in placements of Revenue Collection Services regarding the total revenue collection volume when compared with the same period of 2016, while Supplier Payment Services reported an increase of 1,792% regarding the total volume of payments.

During this period, 12 in-person training courses were provided to strengthen and encourage the effective sale of Collection and Payment services. Additionally, a virtual course was also provided to complement and cover the most part of the sales force.





## DEBIT AND CREDIT CARDS

### Credit Card Issuance Business

The Credit Card business grew by 232% in sales by the end of the second semester of 2017 with respect to the first semester 2017. Market share of the Credit Card portfolio closed at 22.77%.

The default rate declined to 0.03% from 0.09%, or 0.06 percentage points lower with respect to the first semester 2017.

The ExtraCredito product (Purchases and Cash) increased by 111% in comparison with the first semester 2017 and 345% with respect to the year 2016, due to improvements in the amounts granted.

During the period, initiatives to grant and maintain cards were implemented with a view to supporting the needs of our clients, use preference and loyalty to the brand, thus increasing benefits by means of:

- More than 600,000 credit limit increases in the different cards, offering a higher consumption capacity.
- Proactive granting of a second card to the client (Alternative Plan) in all franchises (Visa, MasterCard and Amex), totaling 82,454 Cards.

### Debit Card Issuance Business

Banesco Debit Cards reported a rise in sales of 671% by the end of the second semester 2017 with respect to the previous semester, the Point of Sale being the most used channel by the clients, as a result of the permanent revision of top amounts for transactions in Points of Sale, reaching an acceptance level of 93.28% and keeping the service offer over the market, thus strengthening the client's preference and experience.

Regarding Pensioners, 75% of our clients already have a debit card and enjoy the comfort to move their pensions through the Points of Sale to purchase and pay services, supported by a communication and derivation campaign to offer the Debit Card when the pensioners visit the Branch counters to withdraw their benefit.

### Promotions and Alliances

Commercial alliances, besides encouraging the use of the Banesco Cards, also seek to strengthen the loyalty relationship between Banesco and the Client, by offering exclusive benefits based on the clients' preferences.

#### "Prizewinning Ticket" Promotion

More than 5,000 clients who used their Credit and Debit Cards in the month of December were awarded a prize consisting in reimbursing the amount spent in their prizewinning purchases.

#### On-Time Payment Promotion I

Clients who paid their cards on time were awarded a prize consisting in reimbursing the minimum amount to be paid in the corresponding month.

### Merchant Acquiring Business

- **Total No. of POS** (physical and virtual): 102,370 Active POS

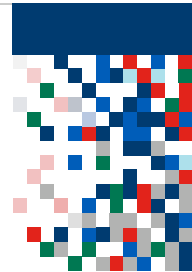
- **Transaction No.:** 1,101,099,984

The Merchant Acquiring Business reported an increase of 102.84% at the close of the second semester of 2017 with respect to the first semester of the year, leveraged by both the rise of 100.39% in debit and 119.20% in credit. Banesco leadership in the Merchant Acquiring Business is the result of an

affiliation and maintenance plan structured for different business segments, by developing the most important and sensitive sectors in the country and guaranteeing the quality of the commercial portfolio. All this understanding the current competitive environment and that relationships with clients cannot be standardized, and therefore, Banesco keeps its commitment to strengthen its vision with the client, developing strategies towards differentiation and the satisfaction of our clients' needs and expectations, by creating memorable and innovative experiences in sales and payment services.

Banesco identifies opportunities with the purpose of producing positive experiences and thus contributing to the preference and recommendation level of the Bank. Therefore, within the framework of Innovation and by encouraging the technological progress in methods of payment under new digital trends, Electronic Business + Payment Request and the new cost-efficient Multitrade model reported an increase in its virtual terminals of 157.53% during the second semester of 2017 with respect to the previous period.

Likewise, Banesco seeks to extend its scope by contributing to the transformation of the Organization's digital culture. This digital culture and awareness is a commitment Banesco has assumed to save and collaborate with the environment, by introducing Flexipos to the market, which intends to assist the affiliate and the cardholder under this digital trend.



## COMPETITIVE INTELLIGENCE

Managing the client experience is a permanent process, which main challenge is to guarantee that all brand attributes and value promise are present in a consistent manner and provided with quality, in all services, products and channels made available by the organization. Persistence in the emotional connection of the client with the brand, products and services is required as a main idea to develop and maintain this strategy, providing the client with memorable moments when in contact.

Within this strategy and as a part of the framework for the comprehensive experience management, Banesco continued to measure and monitor the client's voice, perception and level of recommendation on our communication channels and main portfolio products. At the close of the year, through an ongoing diagnosis a total of 94 actions

were adopted, mainly focused on the continued improvement of the experience of the Banesco's client.

Thanks to the strengthening of the client knowledge, Banesco has created new behavioral sub-segments, which are based on interactions of our clients with channels, services, products, social networks, and the impact on the experience at each stage of contact. During the year 2017, Banesco enhanced the analytical capabilities and increased the client knowledge, allowing us to have the capability to analyze and understand high volumes of information and complexity, which means the refinement and accuracy of targets generated for all commercial actions and in methodological adjustments. This allowed increasing the number of potential clients to sale products such as credits, credit cards, liabilities, etc.

### Relational / Experiential Marketing

Along with efficient data quality processes, progress was made on the development of customized relational experiential marketing campaigns, during the second semester 2017. These actions contributed to gain client loyalty and build long-lasting relations with our clients, increasing the value of their relationship with the Organization.

At the close of the year, Banesco adopted customized commercial and liaison actions, reaching 3.7 million clients by continually managing the outbound marketing.



## INFORMATION TECHNOLOGY, BUSINESS PROCESSES AND OPERATIONS

Regarding Information Technology, Processes and Operations, Banesco continued with a strategy to transform actions into business opportunities for the Bank.

Banesco focuses its actions in maintaining the Organization's profitability and continuity, guaranteeing proper controls to secure our processes through lighter, more productive and profitable structures, optimizing technological solutions in core applications to ensure the stability of our platforms.

### Processes

Banesco designs efficient and inexpensive structures through the analysis of operational and business capabilities.

With the process optimization, Banesco managed to improve those processes leveraging strategic objectives, as well as the implementation of required controls that leverage operational risk mitigation strategies.

### Application Development and Maintenance

The Application Development and Maintenance area provided technological solutions in line with the strategic vision and business growth. In this sense, projects and requirements such as the effective cash management through the P2P inter-bank payment (Banesco Pago Movil), improvements to



transactions in branches and points of sales, the provision of new communication channels with the client such as WhatsApp and Virtual Chat, the implementation of a new IVR platform and the observance of regulatory initiatives.

### Technology Operations

In the second semester of 2017, as a result of the ongoing improvement of the technological platform, health IT plans and the process maturity reached, the Technological Operations area reached optimal service levels in platforms supporting the Bank's services, products and channels.

Optimization and debugging actions were implemented in the main storage and processing platforms of core services of the Bank, allowing supporting the high transaction flow during the crucial period 2017.

Permanent renewal of main architectures: processing, storage, monitoring, communications, and data hub, guaranteeing reliability and service quality offered to our clients, through the renewal and updating of the technological infrastructure of communications, storage, security and processing in productive and non-productive environments.

## COMPREHENSIVE RISK MANAGEMENT

Through the second semester of 2017, the Risk Management of the Organization was oriented to the control and mitigation of global losses, the promotion and strengthening of continuity and monitoring of key risk indicators approved by the Board of Directors within the risk-profitability levels accepted by shareholders, based on the identification of risks. Such identification is made through the permanent review and monitoring of exposures, assessment of products, both new and existent, and the accompaniment related to this analysis, as well as the ongoing updating of Risk Models, along with the continuity of actions of Communication, Measurement and Training that are included in the Risk Culture Plan, and which main objective is to provide Banesco Citizens with the required tools to manage risks in processes.

At the end of the second semester of 2017, the team of the Executive Vice President - Comprehensive Risk Management coordinated and gave

specialized training courses on Comprehensive Risk Management and Risk Management Methodology to the areas of Comprehensive Risk, Business Processes, Finance, Transactions, Branch Network, Banking, Channels, Credit, Products and Technology; as well as an information lecture on Risk Management Methodology, within the framework of the Advanced Banesco Internal Audit Program (PABAI).

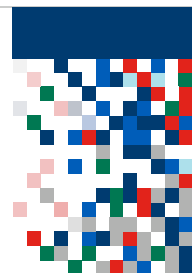
Likewise, the team of facilitators certified in Risk, belonging to the Human Resources Management, gave four (4) lectures on Comprehensive Risk to newcomers.

### Models and Methodology

During the second semester of 2017, monitoring and assessment of models and methodologies existing in Banesco Banco Universal



**Through the second semester of 2017, the Risk Management of the Organization was oriented to the control and mitigation of global losses, the promotion and strengthening of continuity and monitoring of key risk indicators approved by the Board of Directors**



for risk management were given continuity through both predictability analysis and backtesting, evidencing that the institution has predictable models and sound methodologies oriented to maintain losses under expected levels.

In the same manner, new methodologies in line with the best practices and regulations were developed and approved.

### Credit Risk

During the second semester of 2017, actions aimed at strengthening credit risk management continued to be adopted, propped on the reinforcement of criteria for credit granting and maintenance, the implementation of credit analysis training programs aimed to sales areas, for a proper decision-making, besides having highly predictable models and methodologies on credit granting and behavior, which are permanently reviewed and have allowed

us to keep a credit portfolio in levels expected by the institution.

In this sense, the Portfolio Quality Committees sessions were reinforced in its different modalities. This was complemented with the preparation and delivery of status reports for decision-making, as well as the close monitoring of due balances of the credit portfolio.

All these actions, along with the implementation of more effective collection strategies differentiated by credit modalities, maintaining a comprehensive client vision, have caused due balance indicators and default indicators below the level set by the Organization.

### Market and Liquidity Risks

In Banesco Banco Universal, these risk categories are managed by the implementation of methodologies defined in International standards and practices.

In the case of market risks, defined as the contingency derived from fluctuations of prices, exchange rate and interest rates, the Organization mainly monitors both the value at risk (VaR) and the rates sensitivity.

On the other hand, Liquidity Risk, defined as potential capital losses due to the Bank's inability or difficulty to obtain funds to meet its commitments to creditors, the Organization manages short- and medium-term liquidity indicators, asset-liability gaps, by implementing a coverage ratio that is monitored on a daily basis, besides those set by regulations.

### Operational Risk

In the case of the Operational Risk, which is understood as the possible financial impact on the Organization as a result of weaknesses, deficiencies or failures of processes, persons and internal systems; or due to external events, Banesco has maintained and strengthened the implementation of risk analysis methodologies in the different value chains, as well as in new products and/or services.

Likewise, assessments, analyses and permanent monitoring with process owners, along with the Internal Audit area, have made up an essential component to ensure that risk levels remain within the established thresholds and thus controlling Bank's exposure. In the same way, the Risk Culture for the identification and timely report of events, through a prompt report, control and management process, was strengthened.



**In the case of market risks, the Organization is followed, mainly, both the value at risk (VaR) and the sensitivity of the financial margin to the change in rates.**



# PROPOSAL TO DECREE AND PAID DIVIDENDS

## Banesco Banco Universal

Caracas, February 26, 2018

**Proposals Presented by The Board of Directors For The Consideration And Decision of The Regular General Meeting of Shareholders Called For March 22, 2018, to Decree And Pay Cash Dividends (Preferred Shares), Approved in Session No. 1,445 Dated February 21, 2018.**

### Cash Dividends

Defer cash dividends to the holders of preferred shares for the amount of TWENTY-TWO MILLION NINE HUNDRED NINETY AND EIGHT THOUSAND AND TEN BOLIVARS WITH FIFTY AND SEVEN CENTS (Bs 22,998,010.57), which will be paid to the holders of preferred shares, corresponding to the emissions 2008-I and 2008-II. This dividend covers the payment of the next three (3) periods due on 05/15/2018, 08/15/2018 and 11/15/2018, in accordance with the respective issuance prospectus. Likewise, the Board of Directors will be subject to the consideration of the Assembly so that it complies with such formalities necessary to make the payment in a timely manner.

**Oscar Doval**  
Executive President

Caracas, February 26, 2018

**Proposal Presented by The Board of Directors to Consideration And Decision of The Extraordinary Shareholders' Meeting Summoned For March 22, 2018, to Decree And Pay Dividend in Shares, Approved in Session No. 1,445 Dated February 21, 2018.**

### Share Dividends

If the redemption of six thousand (6,000) preferred shares is approved, in accordance with the public offering prospectus for preferred shares issues 2008-I and 2008-II, and in order to maintain the Social Capital of the Financial Institution, it will be proposed to the Extraordinary Shareholders' Meeting decree and pay a dividend in shares, for sixty thousand bolivars (Bs.60,000.00), through the issuance of six thousand (6,000) 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	Dec. 17	Jun. 17	Dec. 16	Jun. 16
<b>CASH AND DUE FROM BANKS</b>	<b>21,152,861</b>	<b>2,304,690</b>	<b>905,021</b>	<b>260,161</b>
Cash	208,834	41,961	40,489	13,537
Central Bank of Venezuela	20,365,278	2,142,325	817,811	222,772
Local Banks and Other Financial Institutions	89,832	38,367	12,694	2,748
Foreign Banks	250	72	120	36
Head Office and Branches	0	0	0	0
Pending Cash Items	488,667	81,966	33,906	21,069
(Provision for Bank Accounts)	0	0	0	0
<b>INVESTMENTS SECURITIES</b>	<b>746,667</b>	<b>176,723</b>	<b>189,015</b>	<b>154,581</b>
Investments in Central Bank	10,805	14,834	19,910	50,333
Investments in Trading Securities	0	0	0	0
Investments in Securities Available for Sale	61,034	62,413	64,699	16,929
Investments in Securities Held to-maturity	59,287	59,896	62,795	45,663
Limited Availability Investments	549	527	505	483
Other Security Investments	614,992	39,054	41,105	41,174
(Provision for Security Investments)	0	0	0	0
<b>LOAN PORTFOLIO</b>	<b>7,424,455</b>	<b>2,106,521</b>	<b>952,466</b>	<b>509,247</b>
Outstanding Credits	7,594,765	2,159,360	975,502	521,671
Restructured Credits	62	91	72	37
Past Due Credits	523	1,050	1,340	905
Credits in Litigation	0	33	0	1
Provision for Credit Portfolio	-170,895	-54,013	-24,448	-13,368
<b>INTEREST AND COMMISSIONS RECEIVABLE</b>	<b>108,926</b>	<b>30,322</b>	<b>17,966</b>	<b>9,598</b>
Interest receivable from cash and due from banks	0	0	0	0
Interest receivable from security investments	15,933	3,426	2,520	2,164
Interest receivable from credit portfolio	88,292	24,196	13,875	6,522
Commissions Receivable	4,849	2,936	1,870	1,185
Interest Receivable on Other Accounts Receivable	0	0	0	0
Provision for Interest Receivable and Other	-148	-236	-299	-273
<b>INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND BRANCHES</b>	<b>209</b>	<b>19</b>	<b>20</b>	<b>16</b>
Investments in subsidiaries and affiliates	209	19	20	16
Investments in branches	0	0	0	0
Provision for investments in subsidiaries, affiliates and branches	0	0	0	0
<b>PROPERTY RECEIVED IN LIEU OF PAYMENT</b>	<b>159</b>	<b>217</b>	<b>284</b>	<b>97</b>
<b>PROPERTY IN USE</b>	<b>388,879</b>	<b>152,653</b>	<b>28,872</b>	<b>22,675</b>
<b>OTHER ASSETS</b>	<b>965,932</b>	<b>89,823</b>	<b>56,403</b>	<b>25,689</b>
<b>TOTAL ASSETS</b>	<b>30,788,088</b>	<b>4,860,969</b>	<b>2,150,046</b>	<b>982,065</b>

# BALANCE SHEET

Stated in Million VEF

LIABILITIES	Dec. 17	Jun. 17	Dec. 16	Jun. 16
DEPOSITS FROM CLIENTS	28,094,374	4,329,539	1,918,802	859,762
Deposits in Current Accounts	26,215,774	3,946,846	1,723,375	752,409
Non-Remunerated Checking Accounts	17,718,663	2,353,936	957,727	377,290
Remunerated Checking Accounts	8,391,389	1,401,961	622,399	285,533
Current accounts under exchange agreement n° 20	29	32	78	68
Demand Deposits and Certificates	105,693	190,917	143,171	89,519
Other Demand Obligations	138,084	44,961	11,334	7,137
Obligations for Money Desk Operations	0	0	0	0
Savings Deposits	1,737,296	336,137	182,924	99,364
Time Deposits	3,220	1,595	1,170	852
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	13	10	13	6
OTHER FINANCING OBTAINED	710,841	77,136	32,072	12,344
Liabilities with local financial institutions up to one year	710,841	77,082	31,658	11,901
Liabilities with local financial institutions more than one year	0	0	0	0
Liabilities with foreign financial institutions up to one year	0	55	415	443
Liabilities with foreign financial institutions more than one year	0	0	0	0
Other Liabilities up to one year	0	0	0	0
Other Liabilities more than one year	0	0	0	0
OTHER FINANCIAL OBLIGATIONS	0	0	18	3
INTEREST AND COMMISSIONS PAYABLE	44	32	86	383
Expenses payable due to deposits from clients	44	32	84	368
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	0	2	15
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	1,120,543	161,537	97,054	43,592
SUBORDINATED DEBT	0	0	0	0
OTHER LIABILITIES	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>29,925,816</b>	<b>4,568,254</b>	<b>2,048,046</b>	<b>916,089</b>
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	80,000	0	0	0
CAPITAL RESERVES	1,368	1,358	1,347	1,337
EQUITY ADJUSTMENTS	216,995	126,271	6,342	6,342
ACCUMULATED INCOME	562,543	163,586	93,737	58,438
NON-REALIZED GAIN OR (LOSS) ON AVAILABLE FOR SALE SECURITY INVESTMENTS	151	285	-642	-1,357
(TREASURY STOCK)	-35	-35	-35	-35
TOTAL LIABILITIES	862,273	292,715	102,000	65,976
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>30,788,088</b>	<b>4,860,969</b>	<b>2,150,046</b>	<b>982,065</b>
CONTINGENT DEBTOR ACCOUNTS	1,164,959	616,923	144,895	105,089
TRUST ASSETS	118,141	66,725	34,701	28,125
OTHER TRUST ASSIGNMENTS	2,869	1,970	500	201
DEBTOR ACCOUNTS DUE TO TRUST ASSIGNMENTS (HOUSING MUTUAL FUND)	77,860	42,899	30,916	23,105
OTHER DEBTOR ACCOUNTS (HOUSING MUTUAL FUND)	19	19	20	19
OTHER DEBTOR MEMORANDUM ACCOUNTS	73,368,387	14,715,464	7,028,929	3,412,045
OTHER DEBTOR BOOK ACCOUNTS	31	30	30	29

# BALANCE SHEET

Stated in Million VEF

STATEMENTS OF EARNINGS	Dec. 17	Jun. 17	Dec. 16	Jun. 16
<b>FINANCIAL REVENUES</b>	<b>717,017</b>	<b>204,726</b>	<b>111,577</b>	<b>62,204</b>
Revenues from Cash and Cash Equivalents	2	0	2	4
Revenues from Security Investments	19,929	6,566	7,170	6,631
Revenues from Credit Portfolio	697,051	198,135	104,382	55,542
Revenues from Other Accounts Receivable	36	25	23	27
Revenues from Investments in Subsidiaries, Affiliates and Branches	0	0	0	0
Revenues from Head Office and Branches	0	0	0	0
Other Financial Revenues	0	0	0	0
<b>FINANCIAL EXPENSES</b>	<b>52,832</b>	<b>16,852</b>	<b>13,934</b>	<b>12,141</b>
Expenses Due to Deposits from Clients	52,831	16,839	13,754	11,925
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	1	12	179	216
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
<b>GROSS FINANCIAL MARGIN</b>	<b>664,185</b>	<b>187,875</b>	<b>97,644</b>	<b>50,063</b>
Income from Recovered Financial Assets	1,893	1,014	544	374
Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	118,904	32,142	13,483	4,116
Provision for Loan Portfolio and Other Accounts Receivable, Losses	118,904	32,142	13,483	4,116
Provision for Cash and Due from Banks	0	0	0	0
<b>NET FINANCIAL MARGIN</b>	<b>547,174</b>	<b>156,746</b>	<b>84,705</b>	<b>46,321</b>
Other Operating Income	412,217	70,881	34,507	14,834
Other Operating Expenses	97,082	18,860	10,678	4,836
<b>FINANCIAL INTERMEDIATION MARGIN</b>	<b>862,309</b>	<b>208,767</b>	<b>108,534</b>	<b>56,320</b>
<b>TRANSFORMATION EXPENSES</b>	<b>279,230</b>	<b>100,367</b>	<b>48,659</b>	<b>29,941</b>
Personnel Expenses	75,455	38,980	16,224	8,474
Administrative and General Expenses	169,234	45,977	25,608	15,856
Contributions to Deposit Guarantee and Bank Protection Fund	31,013	13,822	6,061	5,015
Contributions to Superintendency of Banks and Other Financial Institutions	3,527	1,589	766	596
<b>GROSS OPERATING MARGIN</b>	<b>583,079</b>	<b>108,400</b>	<b>59,874</b>	<b>26,379</b>
Income from Adjudicated Goods	17,007	10	985	7
Income from Special Programs	0	0	0	0
Income from Sundry Accounts	51	1,753	168	31
Expenses Due to Realizable Property	113	94	70	10
Expenses for Depreciation, Amortization and Devaluation of Miscellaneous Goods	0	0	0	0
Expenses Due to Sundry Accounts	71,910	15,970	9,121	4,188
<b>NET OPERATING MARGIN</b>	<b>528,115</b>	<b>94,099</b>	<b>51,836</b>	<b>22,220</b>
Extraordinary Income	0	0	0	0
Extraordinary Expenses	449	129	120	65
<b>GROSS INCOME BEFORE TAXES</b>	<b>527,665</b>	<b>93,970</b>	<b>51,716</b>	<b>22,154</b>
Income Taxes	128,686	24,100	16,373	8,199
<b>NET INCOME</b>	<b>398,979</b>	<b>69,870</b>	<b>35,344</b>	<b>13,955</b>
<b>APPLICATION OF NET INCOME</b>				
Legal Reserve	0	0	0	0
Statutory Utilities	0	0	0	0
Other Capital Reserves	6	6	6	6
<b>Accumulated Income</b>	<b>398,973</b>	<b>69,864</b>	<b>35,337</b>	<b>13,949</b>
LOSEP Contribution	5,649	1,015	556	241
<b>Other Accounts</b>				
Third-Party Investments	0	0	0	0
Monthly Agriculture Credit Portfolio	301,861	86,797	14,921	2,740
Accumulated Agriculture Credit Portfolio	1,037,365	280,461	96,502	73,335
Public Sector Deposits	576,375	117,475	49,033	42,953
Micro-Credits	166,721	37,540	22,810	19,425
Credits to the Segment of Tourism in accordance to law in force	55,331	23,776	23,947	14,935
Mortgages according to the Special Law for the Protection of the Housing Loan Debtor	8,146	7,575	7,468	6,527
Capital Adequacy Ratio	11,08%	13,60%	10,98%	12,38%
Manufacturing Loans	554,757	95,413	43,660	19,869

# BALANCE SHEET

Stated in Million VEF

	Dec. 17	Jun. 17	Dec. 16	Jun. 16
<b>TRUSTS</b>	<b>115,365</b>	<b>65,697</b>	<b>32,896</b>	<b>27,085</b>
HERITAGE TRUST	21,024	26,496	6,613	7,992
Individuals	290	223	217	287
Corporative Entities	19,823	8,438	5,690	2,684
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	139	136	102	98
Decentralized Entities and Other Entities with Special Regime	772	17,699	604	4,924
<b>GUARANTEE TRUSTS</b>	<b>2,462</b>	<b>2,463</b>	<b>2,462</b>	<b>2,462</b>
Individuals	0	0	0	0
Corporative Entities	11	11	10	10
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	12	12	12	12
Decentralized Entities and Other Entities with Special Regime	2,439	2,439	2,439	2,439
<b>MANAGEMENT TRUSTS</b>	<b>91,879</b>	<b>36,739</b>	<b>23,821</b>	<b>16,630</b>
Individuals	2	2	9	5
Corporative Entities	26,120	12,681	8,331	5,909
Central Administration	4,277	2,218	1,531	982
Public, State, Municipal and Central Administrations	3,517	1,288	1,243	901
Decentralized Entities and Other Entities with Special Regime	57,963	20,550	12,708	8,833
<b>FEATURES MIXED TRUSTS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Individuals	0	0	0	0
Corporative Entities	0	0	0	0
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	0	0	0	0
Decentralized Entities and Other Entities with Special Regime	0	0	0	0
<b>OTHER TRUSTS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Individuals	0	0	0	0
Corporative Entities	0	0	0	0
Central Administration	0	0	0	0
Public, State, Municipal and Central Administrations	0	0	0	0
Decentralized Entities and Other Entities with Special Regime	0	0	0	0

# SOCIAL BALANCE ACCUMULATED 1998 • 2017

Stated in VEF

DESCRIPTION	2017	Accumulated 1998 - Dec. 2017
<b>SOCIAL INVESTMENT</b>		
<b>Application Banesco Resources</b>	<b>11,867,095,092</b>	<b>14,966,461,208</b>
Fe y Alegría	49,756,989	97,743,717
Microentrepreneurs Training Program	131,261,409	239,399,146
Simón Bolívar Music Foundation	5,000,000	21,630,224
Association of Venezuelan Catholic Education (AVEC)	9,240,000	26,774,789
Social Undertaking Project with the IESA	—	92,999,443
Universities and Other Institutions	225,715,230	306,712,802
Banesco Life-Long Scholarships	(60,000)	2,540,128
Other Education Institutes and Organizations	300,000	10,822,205
Venezuelan Foundation against Child Paralysis	11,287,505	21,361,439
Other Health and Medical Care Organizations	78,548,072	127,926,069
FUNDANA	74,517,247	79,703,879
Civil Association Don Bosco Houses Network	22,500,883	41,781,704
Salesian Ladies Civil Association	9,000,000	14,170,239
Attendance to the childhood and people with special necessities	71,406,200	82,373,828
Toys donation to the communities	—	3,416,673
Editorial Projects	43,677,840	98,898,818
Other Contributions	19,239,893	50,211,666
Solidarity (Capital and Regional)	—	6,138,558
Events for the Community	102,927,104	151,174,756
Investment in works in Colinas de Bello Monte	—	2,306,376
Mayoralties, Regional Governments and other State Organizations	—	14,170,881
Community Participative Budget	28,109,540	36,660,726
<b>Non-Contractual Social Benefits for Banesco Employees</b>	<b>10,984,088,805</b>	<b>13,433,326,754</b>
Dining Subvention	8,055,669,696	9,618,184,191
Medical Service	94,782,055	141,818,388
Parking Subsidy	12,889,163	57,732,432
Medical Assistance for Extreme Diseases	255,899,625	349,894,851
Unsecured Loans for Housing	781,342	71,013,776
Transportation between offices	70,910,000	98,157,768
Housing sales between employees	(73,109)	131,107
Collective Agreement	2,493,230,035	3,096,394,241
<b>Corporate Volunteering Contribution</b>	<b>578,376</b>	<b>4,216,387</b>
Training and volunteer training	(0)	1,637,465
Special Projects	—	30,479
Additional training workshops	—	6,006
Cost Volunteer Man/Hours	578,376	2,542,438
Amount executed from the Volunteer Logistics budget	—	—
<b>Aplication of Article 96 (LOCTISEP)</b>	<b>—</b>	<b>33,612,457</b>
Association of Venezuelan Catholic Education (AVEC)	—	4,434,352
Children Museum	—	300,000
FUNDANA	—	110,000
Alliance for Venezuela Free of Drugs	—	100,000
ABC PRODEIN (School Santa María City, Petare, CISAMA)	—	276,000
Educational Foundation Canaima Schools	—	571,950
Civil Association Don Bosco Houses Network	—	2,853,406
Education (Campaign against drugs and sports events)	—	24,966,749
<b>SOCIAL INVESTMENT</b>	<b>11,867,095,092</b>	<b>15,000,073,665</b>



## President

Juan Carlos Escotet R.

## Directors

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

José Grasso Vecchio  
Emilio Durán Ceballos  
María Josefina Fernández M.



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**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.

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**HONG KONG** Standard Chartered Bank, Commerzbank Ag.

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**ITALY** Unicredit Group.

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### MAIN OFFICES

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

**TELEPHONE BANKING:** 0500BANCO24 - 0500 226.26.24

**MASTER PHONE:** (58212) 501.71.11

[www.banesco.com](http://www.banesco.com)

