

# Semester Report First Half 2008

# To the Banesco Community: Employees, Clients, Stockholders, and Social Partners

The first half of 2008 rendering of account shown in this financial statement is more than just a privilege. It is a qualitative breakthrough, which could easily be deemed historic and unique in Venezuela because, in addition to our employees, clients and social partners \_regular readers of our report\_ it now counts on a new large and significant audience community: over 40 thousand new Banesco stockholders, that is, over 40 thousand citizens who have trusted in the values, management and sense of country indicators which are part of our business culture, and became stockholders of this financial organization during this first half of year.

We would like to confirm in this introduction that the public call we made at the beginning of year to place 2,500 million preferred shares, aimed at promoting the incorporation of small investors as stockholders, was a total success. This certainly reveals that our name has gained a high level of trust within the Venezuelan society.

Data speak for themselves: at the first half of 2008 closing, Banesco got stronger and became the second financial institution with the highest equity within the local financial system \_Bs.F. 2,556 million\_ which represents a Bs.F. 406 million increase with respect to 2007.

The public's preference enabled the exceptional management of third-party resources (Bs.F. 30,054 million and 14.7% of the market share), customers' deposits (Bs.F. 26,155 million), and total assets for Bs.F. 30,873 million. This was the first time a financial institution reaches such number. As to liabilities, the Institution showed an increase of 46.5% in customers' deposits over the last twelve months for a total of Bs.F. 26,155 million in the first half of 2008 (first place within the system and 14.2% of share).

As we have stated it in several public interventions, Banesco has maintained and developed its orientation toward credit intermediation. We are

determined to continue acting as a crucial agent where promoting the best economy development.

During this quarter, the loan portfolio increased to Bs.F. 17,213 million, thus placing us as leaders within the Venezuelan financial system (15.2% of the market).

Including in this introduction every figure that makes each Banesco employee proud would be too extensive. I would like to emphasize the impact that Banca Comunitaria Banesco (Banesco Community Bank) has had. After two years of successful management, the Institution has by the first half of 2008 closing 17,185 micro-entrepreneurs who have reported improvements in their quality of life, their family unit, and their environment. Based on our studies, the impact has benefited over 200 thousand people, of which over 85 thousand have received all kinds of micro-credits.

Our Financial Statement as of the first half of 2008 shows a net income of Bs.F. 338 million. Needless to say, this figure reveals a dedicated and disciplined management which quarter after quarter thrives to maintain its high standards.

Once again, based on the results herein, it is worth questioning what makes it possible. There is one answer only: Banesco people; its employees and clients, in addition to over 40 thousand new stockholders, all focused on an effort to maintain a productive activity which will continue contributing to the improvement and the best quality of life of the Venezuelan society.



Juan Carlos Escotet Rodríguez  
Chairman of the Board of Directors

# Financial Highlights

(Stated in Million VEF)	First Half 2007	Second Half 2007	First Half 2008	Growth			
				I Half 2008 II Half 2007	I Half 2008 I Half 2007	I Half 2008 I Half 2007	I Half 2008 I Half 2007
				Absolute	%	Absolute	%
• Total Assets	20,347	27,700	30,873	3,173	11.5%	10,526	51.7%
• Cash and Due from Banks	4,775	6,638	7,188	550	8.3%	2,413	50.5%
• Security Investments	2,882	3,338	4,699	1,362	40.8%	1,817	63.1%
• Credit Portfolio	11,432	16,207	17,213	1,006	6.2%	5,781	50.6%
• Deposits from Clients	17,855	24,297	26,155	1,858	7.6%	8,300	46.5%
• Deposits in Current Accounts	9,401	12,858	11,163	-1,695	-13.2%	1,762	18.7%
• Savings Deposits	3,859	5,047	4,226	-821	-16.3%	367	9.5%
• Time Deposits	1,746	1,819	2,675	856	47.0%	929	53.2%
• Other Deposits	2,849	4,573	8,092	3,518	76.9%	5,243	184.0%
• Total Stockholders' Equity	1,736	2,150	2,556	406	18.9%	820	47.2%
• Trust Assets	6,680	7,003	5,835	-1,168	-16.7%	-845	-12.7%
• Debtor Accounts Due To Trust Assignments (FMH)	1,516	1,851	2,162	310	16.8%	645	42.6%
• Financial Revenues	1,052	1,365	1,912	548	40.1%	860	81.8%
• Financial Expenses	316	455	788	334	73.3%	473	149.8%
• Gross Financial Margin	736	910	1,124	214	23.5%	388	52.7%
• Financial Intermediation Margin	993	1,196	1,333	137	11.5%	341	34.3%
• Transformation Expenses	607	693	896	202	29.2%	289	47.5%
• Income Taxes	30	47	43	-4	-8.2%	13	42.7%
• Net Income	296	398	338	-60	-15.1%	42	14.0%
• Ceded Investments	5,803	2,494	1,737	-757	-30.3%	-4,066	-70.1%
• Accumulate Agriculture Portfolio	1,227	1,582	2,342	760	48.1%	1,114	90.8%
• Official Institutions Deposits	1,787	2,766	3,090	324	11.7%	1,303	73.0%
• Micro Loans	504	766	788	22	2.9%	284	56.3%
• Commercial Loans	6,202	8,730	7,392	-1,338	-15.3%	1,191	19.2%
• Credits to Consumer	2,549	3,780	5,261	1,481	39.2%	2,712	106.4%
• Vehicles	220	448	517	68	15.2%	296	134.7%
• Credit Cards	2,329	3,332	4,745	1,413	42.4%	2,416	103.7%
• Mortgage Loans	1,046	1,380	1,501	121	8.8%	455	43.5%
• Ratios							
• Loan Portfolio Provisions/Non Accrual Loans	226.8%	173.3%	133.8%				
• Non Accrual Loans/ Gross Loan Portfolio	0.7%	0.7%	1.2%				
• Net Results / Average Assets	3.1%	3.3%	2.4%				
• Net Results / Average Equity	36.1%	39.1%	28.4%				
• Liquidity	33.9%	32.0%	33.7%				

\* Operations in Venezuela



# Economy during the First Half 2008

# Economy during the First Half 2008

Some of the findings published by Banco Central de Venezuela (BCV) are as follows:

## Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) at constant prices showed a 4.8% increase during 1Q 2008 with respect to last years' same period, evidencing a slowdown in the Venezuelan economy rate of growth. This is mainly due to a decrease in consumption expenditure \_associated to a strict monetary policy which implied a moderate credit growth\_ and the reduction of gross fixed capital formation (1.8%) related to lower levels of public and private investment.

We observed a change in the product institutional structure as a result of the migration of private oil companies to the public sector (joint ventures) and the nationalization of electric and telecommunication companies. In this regard, the value added of the public sector recorded a 22.2% growth, while the private sector's decreased by 2.3%. These results are mainly determined by the institutional reclassification of nationalized companies.

Upon analyzing the behavior of the GDP per activities, we observed that the oil activity increased by 3.3%, thus braking the down-trend of the previous six quarters. This performance is related to the increase in crude oil production by the joint ventures participating in the oil fields development, which gather the old strategic Oil Belt associations and the companies that operated under the risk exploration system, which were also migrated to the Government's new association system with private companies.

As to non oil-related activities, we observed a 5.0% increase. Among the most relevant: communications (17.6%); community, social, and personal services (8.4%); trade (5.7%); transport services (5.0%); service producers of the General Government (4.5%); building (2.6%), and manufacturing (1.4%).

## Employment

As of June 2008 closing, the unemployment rate was 7.6% (960,515 unemployed), based on an active population of 12,621,362 inhabitants. This implies a .7-point decrease in comparison with

June 2007 (8.3%), as a result of the general economic activity growth and the continuity of the social programs generated by the National Government.

**The informal economy maintains the down-trend prevailing since December 2005. As of June 2008, 42.9% of the economically active population worked in the informal sector after a .9-point decrease in contrast to 2007.**

The proportion of the economically active population shows a sustained growth during the first half of year as a result of seasonal factors derived from the economic cycle and the increase in the demand for workers by the public sector. In fact, the public sector has been a determining source of employment since 2005.

## Balance of Payments

The 1Q balance of payments closed with a deficit of US\$ 3,849 million, 31.3% lower than in the same period in 2007 (US\$ 5,606 million), due to the checking account surplus increase of US\$ 3,259 million to US\$ 10,003 million, exceeded by the financial account deficit (US\$ 12,907 million).

The highest checking account surplus was the result of the increase in oil sales revenues, which generated a 137% increase of the trade balance, that is, US\$ 11,105 million. Such a positive behavior entailed a 20% increase in imports in contrast to the same period in 2007, but at a slower rate with respect to the last three quarters.

The financial account showed a quarterly deficit increase (US\$ 12,907 million) higher than in 1Q 2007 by US\$ 4,666 million, as a result of the deficit increase in other investment and direct investment accounts.

The direct investment had a US\$ 1,715 million deficit mainly related to two facts: the increase of the oil sector investment abroad, basically due to commercial debts to the affiliates thereof, and the reduction of foreign investment in the country, basically due to the repatriation of earnings by foreign-capital financial institutions, the decrease of dividends payable to stockholders of private sector companies, and payments by the Venezuelan Government to foreign partners of the oil sector for equity investment.



# Oil International Reserves

The flows in portfolio showed a moderate US\$ 45 million surplus, caused by a significant decrease of the Government's assets in marketable securities in the National Development Fund (FONDEN) and the National Treasury's investment portfolios; and by the reduction of the public sector's liabilities (maturity of sovereign bonds and repurchase of debt securities of the oil sector).

The financial flows in the balance of payments placed the country's net assets in a higher position with respect to the rest of the world, thus reaching US\$ 99,757 million in March, which exceeds by 56.4% the balance corresponding to the same period in 2007, with significant increases of the external asset positions (21.2%) and reductions lower than the country's foreign liabilities (4.5%).

## Oil

As per the OPEC, the Venezuelan average crude oil production during the first half of 2008 was 2,392 million b/d, after a reduction of 49,000 b/d in comparison with the average production in 2007 (2,343 million b/d).

**During the first half of year, the Venezuelan oil basket showed an average price of US\$/b 101.22, which corresponds to an increase of US\$ 36.48 in contrast to 2007 average price (US\$/b 64.74).**

## International Reserves

As of the first half of 2008 closing, the international reserves amounted to US\$ 34,335 million, of which US\$ 33,514 million correspond to the external assets of the Central Bank of Venezuela (BCV) and US\$ 821 million to the Macro-Economic Stabilization Fund (FEM), thus showing a US\$ 49 million growth with respect to 2007.

## CADIVI

As of the first six-month period closing, the currency flow authorized by the Foreign Currency Administration Commission (CADIVI) was US\$ 23,303 million, settling 93.6% after a growth of 21.3% with respect to the currencies authorized in the first half of 2007, and 11.4% with respect to the settled currencies. The average of daily settled currencies in the first half of 2008 was US\$ 179 million, which represents a 12.6% growth in contrast to the same period in 2007.





# CADIVI Money Market

The sectors with significant participations in the authorized currencies during the first half of year were the following: Imports 55.4%, Latin American Integration Association (ALADI) Agreement 23.4%, Credit Cards 9.8%, Foreign Investment 4.1%, Airlines 2.1%, and Private External Debt 1.2%.

## Money Market

The money supply increase as of June 2008 closing (Bs.F. 161,399 million) with respect to 2007 closing was 5.3%, while the monetary base (Bs.F. 64,658 million) increased by .7%. The relative stability in the monetary variables is related to the net income of several elements, namely: the settlement of debt instruments for US\$ 4,000 million as a result of a Government placement in April; increase in foreign currency expenses as a result of a higher settlement of foreign exchange by the BCV; a US\$ 659 million expenditure for the purchase of Electricidad de Caracas (electric utility serving the city of Caracas and surrounding areas); and placement of structured notes in the financial system.

## Interest Rate

The trend of the interest rates has been within the bounds of regulatory provisions. In February and March, the BCV issued the resolutions adopted in interest rate matters, thus increasing the minimum saving rate (from 10% to 13%) first, and then the time deposit rate (from 11% to 14%). As to credit cards, the maximum chargeable rate increased from 28% to 32%. In May, the minimum chargeable rate for saving accounts and liquid asset funds was 15%, while the time deposit rate increased to 17%, and the credit card rate to 33%.

As to the rates of absorption transactions, the 28-day was established in 13% and the 56-day in 14%.

The rates for injection transactions were established as follows: 7 days (22%), 14 days (23%), and 28 days (24%).

The average interest rate of the main six banks as of June closing was 22.38%, which remained almost unchanged in contrast to 2007 closing (+.7 points), while the 90-day fixed term deposit was established in 17.8%, thus increasing 6.6 points.

## Inflation

The pace of inflation accelerated during the first half of year as a result of factors from the previous period which caused a declining of the domestic production process, such as price controls and demand increases, increase of the parallel exchange rate, shortage of supplies, among others.

The intensification of the above described process, which caused a critical shortage of supplies, led the Government to reconsider and adjust the prices of certain controlled items.

Another factor to consider is the effect of the 30% increase in minimum salary.

The average inflation at the first half of year closing was 15.1%, of which 7.5% corresponds to the second quarter, that is, .4 points more than the first quarter. 15.8%.

The Wholesale Price Index showed an average variation of 15.8%, .7 points higher than the Consumer Price Index, and broken down in 12.5% for national products and 9.2% for imported products.

As to the inflation of the Consumer Price Index in Caracas, the average rate for the first six-





# Fiscal Situation

month period was 16.3%, with the highest variations in Health, Restaurants, and Hotels (25.3%) and Food (22.1%).

## Fiscal Situation

During 1Q 2008, the income of the Central Government increased by 33.7% in contrast to 1Q 2007, thus reaching Bs.F. 33,682 million. This increase is related to the expansion of the ordinary income, mainly associated to the oil price increase and, to a lesser degree, to the growth of the national economy, as well as the increase of the extraordinary income.

Between January and March 2008, the ordinary income increased to Bs.F. 27,870 million, exceeding by 23.4% the 1Q 2007 ordinary income due to the 79.9% increase of oil royalties and the up-trend of the Venezuelan oil basket.

**Also significant was the increase in income related to customs operation and ordinary import in contrast to the same period in 2007, 43.5% and 28.1%, respectively.**

The value added tax revenues showed a slight increase of 3.6% in the first six-month period mostly because some food items were tax exempted. The reduction of the tax base was mainly compensated by the general increase of final goods consumption and, to a lesser degree, by higher tax rates applied to alcohol and tobacco.

We observed a 123% increase in extraordinary income for a total of Bs.F. 5,811 million, of which 55.0% derived from the Financial Transactions Tax (ITF), while 44.5% corresponded to income from several transactions carried out by the National Treasury.

Expenses increased by 9.7% in contrast to the same period in 2007. 92.3% corresponded to operating expenses, and 7.7% was allocated for repayment of the Central Government's domestic debt (6.1%) and redemption of treasury bills (1.6%). The fiscal deficit amounted to Bs.F. 5,438 million, while the financial gap was Bs.F. 2,415 million.

## Financial System

The financial environment was framed by a series of events that affected the monetary aggregates:

- With the purpose of increasing savings and refraining consumption, the BCV issued two resolutions on the interest rate policy, one in February and the other in May, thus establishing cap and floor rates for lending transactions or loans payable, including the rates for the BCV absorption and injection transactions.
- Mandatory lending buckets: A new lending bucket was created for manufacturing companies. The banks must increase loans for this sector at least 10% of their total portfolio by December 2008; and 19% was established as the maximum annual interest rate for the financing of these activities.

- 17% was established as the maximum annual rate for the tourism sector.
- The lending buckets directives are effective until December 31, 2008. The bank must allocate 21% of the credit portfolio to agriculture, 10% to mortgage, 3% to micro-finances, and 3% to tourism, in addition to the above new manufacturing lending bucket.
- At 1Q end, the Ministry of Finance through the National Office of Treasury took the awards of structured notes back in order to reduce the surplus liquidity of the financial system.
- In mid-April, a combined offer of international sovereign bonds was issued. The bonds are due on 2023 and 2028, and are mainly for companies of the productive sector, with a US\$ 4,000 million placement which was absorbed by the domestic market on the first week of May.
- Financial Transactions Tax: elimination of the ITF rate to legal transactions (1.5%), which was scheduled for December 2008.

## Financial System Results

Based on June 2008 report by the Superintendency of Banks, the financial system closed the first half of year with 59 institutions, of which 49 are of private equity and 10 belong to the Government.

The Commercial and Universal Banking consist of a 3,449 agency network which represents 96% of the agencies of the financial system and 69,847 employees.

The evolution of the commercial and universal banking during the first half of year may be summarized as follows:

- Total assets were Bs.F. 238,381 million, that is, a 13.1% increase with respect to December 2007, and a 36.5% year-on-year increase.
- The productive assets increased by 12.5% during the period as a result of the 18.6% increase in investment securities for a total

# Financial System

of Bs.F. 54,770 million, and a 10.2% increase in credit portfolio, equal to Bs.F. 113,007 million. The evolution of the asset broke the financial system trend existing since 2006, where the productive assets growth was focused on the expansion of the credit portfolio.

- The above is evident in the intermediation ratio, which at the first six-month period was 61.2%, that is, .5 points lower than the previous six-month period, while the delinquency rate increased .5 points, that is, 1.7% in June 2008.
- The asset growth was limited by the availability of funds in an environment framed by a rigorous monetary policy.
- As a result of the slowing down of the national economy growth and the highest interest rates established for the financial system, the credit portfolio showed a slow expansion during the six-month period which varies as diverted. For example, trade credits showed a 2.3% growth, while the variation in credit card consumption was 21.7% against 40% recorded in the same period in 2007. As to the credit loan, it showed a 19.6% growth in the six-month period, against the 36.8% growth in the same period in 2007. The agricultural and tourism portfolios (under the Government's control) showed variations in the six-month period of 23% and 23.9%, respectively, which are lower by 7.8 and 26.2 points in contrast to the first six-month period in 2007.
- Customers' deposits increased by 11.2% during the six-month period due to the investments ceded to balance and new funds. Upon analyzing the evolution of customers' deposits and ceded investments, it is evident that the growth decreased by 7.5%.
- We observed a fund mixture restructuring, since most of the growth is the result of an

increase of instruments that lead to a higher financial cost, like time deposits, which increased by 40.0% (Bs.F. 26,880 million) in the six-month period.

- During the first half of year, deposits in checking accounts increased 7.5% by June for a total of Bs.F. 92,905 million. Thus, Bs.F. 50,732 million correspond to non-interest checking accounts (+5.5%), and the remainder (Bs.F. 42,173 million) to interest checking accounts (+10.0%). As of June 2008 closing, saving accounts balance was Bs.F. 34,973 million, which corresponds to a 2.5% decrease in contrast to December 2007.
- The restructuring of the liability and the interest rate increase caused an increase of .6 points (5.7%) in cost of funds with respect to 2007 closing. This was off set by the increase of the implied lending rate by 3.5 points, until reaching 17.4%, thus generating a wider margin of 11.7% over productive assets, which exceeds last end of year (9.9%).
- The progress was reduced to .5 points at a margin over increased assets level, as it went from 6.3% in December 2007 to 6.8% in June 2008. The progress decrease at the productive assets level is due to an increase of non-productive assets, which is related to the increase of deposits in the BCV, as it requires higher legal reserve.
- The pressure caused by the inflation generated an increase of .3 points in the restructuring expenditure as proportion of wider assets, which is equal to 5.0%.
- The return on the average assets of the commercial and universal banking was 2.6%. The return on liabilities closed the period in 31.4%, given the lowest financial leverage, taking into account the higher levels of capitalization of the overall financial institutions.



# BanESCO Banco Universal

At the closing of the first half of year, BanESCO is still the country's main financial institution, leading:

- Assets (Bs.F. 30,873 million): 13.0% of the market.
- Customers' Deposits + Ceded Investments (Bs.F. 27,892 million): 14.1% of the market.
- Customers' Deposits (Bs.F. 26,155 million): 14.2% of the market.
- Credit Portfolio (Bs.F. 17,213 million): 15.2% of the market.
- Trade Credits (Bs.F. 7,392 million): 13.4% of the market.
- Micro-Entrepreneurs Loan (Bs.F. 788 million): 17.9% of the market.
- Agricultural Credits (Bs.F. 2,342 million): 16.5% of the market.

During the active six-month period, BanESCO increased by 11.5%, holding the first position in the commercial and universal bank ranking, with a 13.0% market share, that is, 1.3 points higher than the one recorded in the same period in 2007.

The investment securities portfolio was the main boost for assets as they increased by 40.8%, at the same time as the credit portfolio increased by 6.2%.

The highest increase of investment securities has an impact on the productive assets mixture, which in December 2007 was 82.9% in credit portfolio against 17.1% in securities, while at June 2008 closing, this changed to 78.6% and 22.4%, respectively. However, it is above the bank average (67.4% and 32.6%).

- BanESCO holds the first place within the main recipients of credit portfolio, such as Trading, Credit Cards, Micro-Entrepreneurs, and Agriculture. However, as with the rest of the banks, the conditions of the economic environment affected the growth in these sectors during the first half of year. Thus, trade credits decreased by 15.3% during the half of year, while auto loans, mortgage loans, and tourism loans recorded an increase of 15.2%, 8.7%, and 14.6%, respectively. On the other hand, credit cards and agriculture showed variations of 42.4% and 48.0%, respectively, which exceeds by 2.1 and 17.3 points the variations recorded in the first half of 2007.

- Following the Government requirements, and with the purpose of diversifying and strengthen the development of productive activities, BanESCO focused its efforts on managing the lending buckets. Therefore, at the first half of year closing, microloans amounted to Bs.F. 788 million, while agricultural credits recorded Bs.F. 2,342 million in June 2008. The mortgage loans amounted to Bs.F. 1,501 million, thus holding the second place in the commercial and universal banking, which is equal to 13.0% of the market share, while tourism loans were Bs.F. 263 million. As to the manufacturing lending bucket (launched this year) recorded Bs.F. 455 million and the 2008 mandatory percentage is 10%.
- The excellent management performed to maintain the quality of the portfolio, resulted in a delinquency rate of 1.2%, which is lower than the commercial and universal banking average (1.7%), and an intermediation ratio of 65.8%, thus exceeding by 4.6 points the average of this segment.
- Customers' deposits experienced a variation of 7.6% between the six-month periods, caused by the transfer of ceded investments to balance through the rights and interests in securities, since where considered as one, customers' deposits and ceded investments increased 4.1% only.
- The first half of year closed with a more onerous fund mixture upon decrease by 13.2% of checking account balances and increase of time deposits. As of June 2008 closing, time deposits, ceded investments, and rights and interests in securities, which are the instruments that yield the highest interest rates, represented 42.8% of deposited funds, while in December 2007, they represented 30.6% only.
- Despite the decline of the asset-liability mixture, BanESCO managed to have a wider margin over increased assets, that is, from 6.60% in December 2007 to 7.38% in June 2008. However, the high levels of inflation during the period and the low growth of increased assets caused an increase in operating expenses as part of increased assets, which, in addition to the regulations over commissions, reduced the levels of return in comparison with the same period in 2007.
- During the first half of 2008, BanESCO Banco Universal recorded a net income of Bs.F. 338 million, which where considered together with liabilities of Bs.F. 2,556 million, resulted in an average return on assets of 2.4% and a return on liabilities of 28.4%.



# BanESCO Areas



# Human Capital

## Employees Housing Program "Tu Casa con Banesco"

In February, a page in the Intranet with questions on housing was created in order to update information about the housing conditions of Banesco employees, as part of the program "Tu Casa con Banesco" (Your Home with Banesco), whereby the Institution proposes all employee to have their own home.

In March, a group of employees were officially exempted from the credit loans they had with the Institution. The group was chosen by a drawing held in December 2007.

In April, a campaign to promote the real estate developments financed by Banesco in the interior of the country was prepared together with the Vice Presidency of Internal Communications, in order to provide information on the housing offer to employees working in the states of Portuguesa, Zulia, Anzoátegui, Aragua, and Carabobo.

The housing offer was included in the Capital Region in May, promoting 7 developments and 4 properties of the secondary market for Managers and Vice Presidents.

A visit to Parque Coropo development, located in Maracay, Aragua State, took place. Our employees looked the work and were assessed by the team of Human Capital and Credit.

In June, a Housing Fair took place in Ciudad Banesco, where over 750 employees approached the stands of guest construction companies to hear their housing offer for the Capital Region.

They also visited the Vitrina de Ventas de Coyserca development, a construction company with 4 real estate developments.

During the first half of 2008, Banesco Organización Financiera has granted its employees a total of 382 unsecured loans for Bs.F. 2,625,982.33. The goal for this year is to grant 1,500 credits, considering that 40% of the bank population owns their homes.

## Model of Competences

80% of the competence profiles designed under an organizational structure was approved through the breakout sessions between the Executive VP of Human Capital and the respective Executive Vice Presidents and Vice Presidents.

The comprehensive program "Formación en Consultoría para el Diagnóstico de Competencias" (Consultancy Training for Competence Diagnosis) was created for the Human Capital team, and it is based on the use of tools supported in the model of competences for activities of personnel recruitment and development.

The training programs related to the model of competences were designed and applied in order to achieve the progressive closing of gaps identified in several areas of the Bank.

In order to start implementing personal evaluation, the competence self-diagnosis was applied to 385 executives through an automated tool (scorecards), which allows each individual to visualize his/her competence gaps.

The 2008 Performance Evaluation process was applied, thus reinforcing the method where the general population of our Institution is evaluated as per goals achieved. A total of 11,065 employees from Banesco and Todo Ticket were included in the process.





# Social Responsibility

## Corporate Social Responsibility: Vocation and Conviction

### AVEC

In 2004, we undertook to support the Venezuelan Association for Catholic Education (AVEC) in order to contribute to the financing of several projects engaged in the prevention of drug consumption, as both direct and indirect beneficiaries are at social risk due to their situation of poverty and their location in areas where the traffic and use of these substances is evident. Therefore, between 2004 and 2007, we have given them 8.40 millions of Bolívares Fuertes under our Corporate Social Responsibility Program.

This figure will increase to Bs.F. 10.40 million in 2009, since at 2007 end we entered into an agreement with this association for the amount of Bs.F. 3 million, of which Bs.F. 1 million was already delivered during November and December 2007. In the first half of 2008, we gave them Bs.F. 1 million, and in 2009, we will give the remainder. The resources under the new agreement will benefit 23 AVEC schools.

### Trina de Medina School

We gave Bs.F. 200,000 to "Unidad Educativa Colegio Trina de Medina," located in Valencia, Carabobo State, which is a school-member of AVEC, one of our main Social Partners.

The school had infrastructure problems, for which they were unable to guarantee education to their students, mainly needy and disadvantaged children and adolescents from Barrio El Prado and the neighboring areas. The upgrade works will be completed in 10 months and have a total cost of Bs.F. 1.49 million.

### Fesnojiv

We renewed the support agreement we entered into with Fundación del Estado para el Sistema Nacional de las Orquestas Juveniles e Infantiles de Venezuela (National System of Youth and Children's Orchestras of Venezuela), one of our main Social Partners. This year, in the enforcement of this agreement, we will contribute with Bs.F. 3 million for the development of Proyecto Social Pedagógico y Artístico de Fesnojiv (Pedagogical and Artistic Social Project), which helps thousands of children and adolescents nationwide. The first half of the current year, we gave them Bs.F. 750,000.

The first agreement entered into by and between our Institution and the System of Orchestras in 2004 established the provision of resources for Bs.F. 3 million. Under the new agreement, Banesco's social investment in Fesnojiv will amount to Bs.F. 6 million. These resources are aimed to acquire musical instruments for the different headquarters and centers of the system, which receive over 200 thousand young people and children who find in music an opportunity to progress professionally.



# Banesco Voluntary Service

## Asociación de Damas Salesianas

The Asociación Civil Damas Salesianas (a non-profit association of "Salesian Ladies") hopes to consolidate its Job Training Program through the supply of equipment, betterments to the infrastructure of the facilities, and support for the payment of the center's facilitators. Banesco Banco Universal joins this initiative with a contribution of Bs.F. 295,525.

The program, which is developed by the training in two Jobs, Administrative Assistant and Accounting Analyst, is executed in the Metropolitan District, and in 2007, 200 students benefited from it. The association hopes maintaining the same number of participants this year.

Through the Job Training Program, the "Damas Salesianas" Association contributes to the improvement of the quality of life of the youth with limited financial resources and helps them integrate into the labor market.

## Fe y Alegría

**In 2007, we renewed the agreement we entered into with Fe y Alegría (Faith and Happiness) for Bs.F. 12.5 million, which will be provided within 5 years in order to constantly provide equipment and extend the institutes of higher education that this organization has in Maracaibo and Barquisimeto.**

In 2002, we created a Bs.F. 10 million trust, which we provided within 5 years to Fe y Alegría in order to extend and equip the Instituto Universitario Jesús Obrero de Catia, and to build the Instituto Universitario San Francisco in Maracaibo and the Instituto Universitario Jesús Obrero in Barquisimeto.

Today, the three university institutes are fully operating, thus giving more study possibilities to over 4,500 Venezuelan young people. In the first half of year, Banesco gave Bs.F. 4,605,931 for the construction of the second building of the Instituto San Francisco in Maracaibo.

## Universidad de Los Andes

From May 31 to June 8, the authorities of Universidad de Los Andes organized the 11th International University Book Fair (FILU), dedicated to the 450th anniversary of the city of Mérida, in

the "Mucumbarila" Convention Center. Many important figures both in and out of the academic field attended the event. FILU 2008 counted on Banesco's sponsorship for Bs.F. 40,000.

As part of the fair, Carlos Oteyza, film director of "El Reventón. Los inicios de la producción petrolera en Venezuela (1883-1943)," showed this documentary, which has been presented in other local cities. Banesco also sponsored this film with a contribution of Bs.F. 64,500.

## UCAB

We gave Universidad Católica Andrés Bello Bs.F. 53,000 aimed at supporting the creation of the lecture "Cátedra Fundacional de Memoria del Periodismo Venezolano Sofía Imber." It is a research project for the digitalization of the journalistic memory of Sofía Imber and Carlos Rangel (two of the most respected journalists of the country).

## Banesco Voluntary Service

### Fundana

The "Fiesta del Amor y la Amistad" (Love and Friendship Party), held in February, in Fundana, benefited over 80 resident children. In June, 56 voluntary employees of the Office of Real Estate, Infrastructure, and Insurance, organized the theme party "El Arte Asegurado" (The Guaranteed Art) for these 90 children.

### Fe y Alegría

In February started the Further Training Workshops aimed at the student community of the Instituto Universitario Jesús Obrero in Catia. Workshops like Basic Power Point and El Rol del Docente (Role of Teachers) were offered, thus benefiting 37 students.

The workshops Oratoria I (Oratory I), Rol del Docente (Role of Teachers), 7 Hábitos de la Gente Altamente Efectiva (7 Habits of Highly Efficient People), Ética en el Trabajo (Ethics at Work), Pintura en Madera (Wood Painting), and Técnicas de Negociación (Negotiation Techniques) were carried out in March; 82 people attended. The workshops Oratoria I (Oratory I), Ética en el Trabajo (Ethics at Work), Basic Excel, Prevención

# Banesco Voluntary Service

contra la Legitimación de Capitales (Prevention of Money Laundering), and Enfoque Basado en los Sistemas de Gestión (Focus Based on Management Systems) were carried out in April.

We entered into agreements with the directors of the Instituto Universitario Jesús Obrero (IUJO), Extensión Barquisimeto, in order to start the Further Training Project, where Barquisimeto employees carried out voluntary work as facilitators in the learning process of students. The workshops Oratoria II (Oratory II), Ética en el Trabajo (Ethics at Work), and Pintura sobre Madera (Wood Painting) were carried out in May.

As part of the project “Desarrollo de Competencias Administrativas y Gerenciales” (Development of Administrative and Managing Competences) aimed at the personnel of the Instituto Radiofónico Fe y Alegría - IRFA, the workshop Office Package was offered to 25 people.

## Venezuelan Red Cross

During the first half of year, the second stage of the Panda Project “Formación en Prevención de Desastres y Primeros Auxilios a niños con Deficiencias Auditivas” (Training in Disaster Prevention and First Aids to Hearing-Impaired Children) was carried out and included prevention workshops for 13 educational units of the Gran Caracas.

Among the units and schools helped are: Unidad Educativa Miriam de Ohep de Vélez, (45 assisted children), Unidad Educativa Especial Ann Sullivan (60 children), Unidad Educativa Especial Caracas y Hellen Keller (50 children), Colegio Instituto Estimulación de la Comunicación Oral - IEEO, and UE Juan Pablo Bonet, that assisted 200 children.





# Banesco: The Safest Banking System

## Campaigns

### Be the Owner of the Main National Bank

From March 24 to May 8, Banesco Banco Universal made two issuances of Preferred Shares, in order to strengthen its equity base by signing up new partners. This favored the small investors that counted on an investment instrument with a fixed dividend of 19.5% during the first year.

The share value was Bs.F. 10 and the minimum investment required was Bs.F. 100, recoverable in three years.

The issuance of 2,500,000,000 shares was placed in full, reaching record highs in Venezuela of over 40 thousand stockholders.

### Banesco Interest-Bearing Checking Account: ¡Nadie Tiene Nada Igual!

In order to have demand liabilities through the opening of Checking Accounts, the Banesco Interest-Bearing Checking Account Campaign was launched.

The purpose of this communication was to place the checking account as the best option to manage money with the best interest, free ATM transactions, and free checkbooks. Furthermore, customers may enjoy instant awards upon paying with their Banesco Debit Card in Banesco Points of Sale located in commercial establishments.

### Pay On Time and Travel Around the World

In order to encourage natural persons having credits with the Bank, the Promoción Premio al Pago Puntual (Prompt Payment Award Promotion) was launched for Credit Cards, Multicrédito 48 horas (48-hour Multi-Credit), Microcredits, and Payroll Credit.

This promotion, effective to August 31, invites clients to make prompt payments in order to have the opportunity to participate in the monthly drawing of a trip package for two to 4 destinations of your choice.

## Closer to Our Customers

In March started the campaign "Banesco lo llevas contigo" (Banesco Any Time, Anywhere), which gives life to our logo as a universal sign that pulsate with every project, every need, and every dream of all our customers, wherever they might be.

This campaign is intended to bring our brand closer to clients in their everyday life, and personal and professional growth, while their count on Banesco at all times and from anywhere.

## Banesco: The Safest Banking System

To highlight the efforts and achievements in systems and certifications related to the security level of Banesco Electronic Channels, toward increasing preference by the clients, the campaign "Banca Electrónica Banesco la distancia más corta entre usted y el sistema más seguro de la Banca" (Banesco E-Bank - The shortest distance between you and the safest Banking system) was launched.

This campaign also highlighted information such as: new 24-hour security systems; we are the only McAfee SECURE Certified bank in the country, for both its Internet Banking and its Web page.

The clients will receive text messages with information on the transactions carried out in their accounts; the security in Points of Sale and ATMs has been reinforced; as well as the exercise of a policy of constant improvement and implementation of processes, which will offer more security to our clients.

## Expansion at Top Speed

Our aim is to offer the best service to our clients, and one way to do it is by appropriately locating our banking service points in all modalities. As of the first half of 2008, we started doing business in:

• Distrito Capital	Multiplaza El Paraíso
• Guárico	Calabozo
• Lara	C. Empresarial París
• Portuguesa	C.C. Llano Mall

# Electronic Channels

## Shopping Malls

This six-month period, the aim was to maintain a significant brand presence in high-traffic areas by extending our participation in 15 new shopping malls with innovative locations that generate a higher visual effect at a lower cost.

As of the first half of year we were present in 54 shopping malls (46% in Gran Caracas and 54% in the east and west regions).

## Banesco is Present

Our brand, products, and services are always present at the most important events of interest for our clients.

## Automotive Segment

First Expo Círculo Automotriz Automarket Caracas 2008, where we promoted our products CrediCarro on the Internet and Credivehículo (auto loans), we were awarded the "Banco de Mejor Atención al Público" - Bank with the Best Customer Service). We also offered an integral service with Banesco Seguros (Banesco Insurance).

## Energy Segment

XIX Exposición Latinoamericana de Petróleo (19th Latin American Oil Exhibition) held in Maracaibo, where we offered different product and service options for this segment.

## National Reference Events

Vuelta al Táchira (Táchira Tour), Procesión de la Divina Pastora (Divina Pastora Procession), XI Convención Nacional de la Vivienda y Hábitat (6th National Convention on Housing and Habitat), events where we presented an interesting and diverse product and service offer.

## Sports

XXV Triatlón Hebraica (Thriatlon) Contra Reloj Bike Pro, carried out in Avenida Río de Janeiro in Caracas, where we had brand presence and ratified our interest in supporting sports.

## ISO 9001:2000 Certificate - Service Quality Guarantee

As part of the commitment to maintain the excellent quality we offer our clients, the Vice Presidency of Marketing Intelligence certified the programs of Audits of Service, Mystery Client, and Business Clients, in order to guarantee the information and follow up that we need to improve and support all the areas of service.

## Improvements in internal processes

- Enable quality assurance development and implementation.
- Control processes and aim for continuous improvement.
- Are mainly based in the client's opinion, needs, and expectations, to increase the efficiency and quality of the results or emerging products.

The ISO certificate is a guarantee that a company designs, creates, and provides its services or products following a management method in agreement with the highest International standards.

## Electronic Channels

Banesco.com and BanescoOnline received the International Security Accreditation "Hacker Safe", awarded by McAfee to the sites with the highest levels of security against Internet attacks. Banesco was the only accredited bank in Venezuela.

Effective immediately, McAfee will carry out daily checks to our sites, based on better security practices, in order to identify new enhancement opportunities that will help us take timely and effective actions, thus guaranteeing the security of our clients.

## Electronic Channel in Figures

At the first half of 2008 closing, transactions through electronic channels showed a relative increase of 64.0% with respect to the previous year \_from 38.9 million to 63.9 million average transactions per month.



# Electronic Channels

The participation of electronic transactions represented 86.9%, which is an improvement of 6.5 percentage points with respect to 2007.

## BanescOnline

June 2008 closed with 1.3 million affiliated clients, that is, 244,292 clients joined the channel during the period. This represents 23.24% increase in comparison with December 2007. The base of affiliated clients recorded an average of 30 transactions per month.

The average of monthly transactions carried out through this channel was 38.4 million, which represents a 104.3% increase with respect to 2007. As to the volume managed in 2008, the monthly average was Bs.F. 3.7 million \_45.5% with respect to 2007.

During the six-month period, this channel was enhanced with new functionalities to increase the security and efficiency levels thereof; among others: implementation of the custom image security mechanism "Diferidos II", through which transactions are verified by confronting the client's particular behavior \_last connection Message, and Queries and Payments to Movistar.

## Call Center (CAT)

As of the first half of 2008, the center received in average 4 million calls per month, of which 1

million are managed by the call center agents, with service levels over 89% and a participation of the IVR robot of 74%.

As to authorizations, the general TDC (Credit Card) approval level for the first half of year (national and international) was 83.40%.

## Points of Sale, ATM, Self-Service Banking and Check Book Issuing Machines

Banesco milestones at June closing were, as follows:

- 46,536 points of sale and a monthly average of 7.5 millions of transactions for a moderate growth of 20.9% with respect to the first half of the year 2007.
- 1,318 Automated Teller Machines, through which a monthly average of over 7.8 millions of transactions were carried out in 2008 \_11.0% more than in the prior year. In addition, we remain transaction leaders as acquirers of Suiche 7B and Conexus networks.
- 316 self-service banking equipment and 282 check book issuing machines for a joint volume of transactions of 2.7 million operations during the first half of the year \_a 110% growth.



# Virtual Banking

## Virtual Banking Internet Banking

- The Message Placement Application (ACM) was implemented as the technology enabler for communicating with internal/external customers through text messages and e-mails from different contact channels. Todo Ticket (All Ticket) areas were also incorporated to send messages relating to balance credit notifications via SMS and SIR WEB for sending messages and notification on profile creation and changes in requirements' status via e-mail. To date, approximately 25,000 and 50,000 messages have been sent via SMS and e-mail, respectively. Also, ACM has been used to support the phishing prevention campaign during the Preferred Shares Issue by sending 165,924 e-mails. Messages sent through ACM have allowed clearing conventional channels and promoting the use of electronic channels.
- New functionalities have been incorporated to the communication component (Parser XML; the transaction integration component with miseries/Visual Banker in XML format) to allow the processing of simple transactions with concurrences required by Banesco Saguaros for massive policy consultations at the collection offices. This will allow the same Banesco Seguros (Banesco Insurance) transaction to be simultaneously carried out by more than one person.

## Other Channels and Special Projects

The Banesco Preferred Shared internet service was incorporated, which allowed Internet Banking customers to subscribe 1,208 requests for securities, while clearing branch offices. Also, the possibility of performing request annulment and modification processes was provided, in order to increase self-management processes via Internet.

## Special Services, Clearing House

As of this period, upon migration and stabilization of the Check Processing Platform from VDPS 3.2.1 to AiDPS 4 under SQL, our work was focused on solving the issues identified in the other components of the Clearing House platform, specifically the components for managing Electronic Clearing House. After the passing to production of the improvements and optimization identified,

this has managed to reduce platform log-in events by more than 75% during the first half of the year, thus representing a permanent and significant progress in service stability.

## Support and Maintenance

Actions to strengthen the Internet channel security while contributing to Loss Prevention:

- Security Website that allows customers obtaining updated information on Data Security. Which allows or customers to obtain updated information on Data Security.
- Implementation of improvements for strengthening the security of BanescOnline transfers.
- The transfer of Applications to SWF: Transfer of 11 applications to the Accenture Delivery Center in Argentina was accomplished by lining up with the Bank's IT transformation strategy. Joint operation with BanescOnline was initiated. New Internet Banking Functionalities, namely:
  - CADIVI Allowance Consultation Services via SMS
  - Credit Card Limit Consultation Services via SMS
  - Credit Card Balance Consultation Services via SMS

## Payment Forms and Services Cash Management Services

During the first half of the year, transactions and amounts have increased by 18.2% and 63.2%, respectively, when compared to the prior-year period regarding Payroll Payment, Supplier Payment, and Direct Billing through the Data Exchange Platform (EDI).

Through joint operation by our executives and Specialized Banking, 679 new clients have been captured at June 2008 closing, and a client portfolio review and purge to providing customized treatment and better service standards has been provided.

At June 2008, the client portfolio accounted for 6,337 customers, 82.8% of which corresponds to the Payroll service, 7.7% to Supplier Payment and the remaining 9.5% to Direct Billing.

# Specialty Segments

## Collection Services

Collected amounts showed an increase of 67.1% at closing at Bs.F. 1,641 million, when compared to the same period in 2007 (Bs.F. 981 million). Transactions did not fall behind, showing an increase of 36.7% with respect to the June 2007 closing \_698,831 transactions.

During the first half of the year 2008, transaction amounts went from Bs.F. 1,921 to Bs.F. 2,349 \_a 22.3% increase.

## New Developments

- Past-due Credit Installment Collection services were incorporated upon payment receipt on the Exchange Platform (EDI), which improved collections and effective collection percentages in a significant manner.
- A validation process establishing a minimum fixed amount for payroll commission was implemented upon EDI module recording. In case of requesting the exemption of such commission, the Commission Exemption Authorization process should be followed in accordance with the standards provided in the respective manual. This will allow significantly improving income receivable on payroll commissions.

## Debit Card Issuing Business

- Banesco has consolidated its leadership in Debit Card POS Sales with a market share of 21.9% at May 2008 closing, overtaking his closest competitor by 5.31 point, the most remarkable difference during the year. In addition, Banesco has grown 2.53 points above the total debit card business market with respect to that reported during the previous month. Such leadership relies on the service level strategies that encourage the use of debit cards, such as keeping optimum transaction approval levels at points of sales.

## Credit Card Issuing Business

- During the first half of the year, Banesco has shown an increase of 77.84% in sales,

when compared to the prior year period, and has remained a credit card sales leader in Venezuela with a market share of 27.04%, overtaking its closest competitor by 12.47 points. When compared to December 2007 closing, we have gained a market share increase of 1.51 points, based on the applied business strategies.

- In order to contribute to greater penetration in the juridical sector, during the first half of the year 2008, Banesco experienced the highest increase in its financial market sales. The best-positioned product was the TDC Empresarial (Corporate Credit Card), which has grown among large corporations and in small and medium-size businesses.
- As part of the ongoing search for improving service quality and offer comprehensive customer service, Banesco has created a Special Account Strategic Management for purposes of providing legal customers with credit card request processes through employee payroll, while offering advantages with respect to the regular requirements and time for assessment and delivery. In the TDC Jurídicas (Juridical CC) segment, two CC Business Executives were incorporated to support the entire sales network in the placement of juridical products.
- To encourage timely payment among customers, we launched the campaign "Pague Puntual y Déle la Vuelta al Mundo con Banesco," ("Pay on Time and Travel Around the World") including the leading product in the Venezuelan Market, \_ Banesco Credit Card and alternatives to maintain our customers credit records.

## Specialty Segments Banesco Community Bank

During his second year of inception, Banca Comunitaria has consolidated as the Banesco micro-financial initiative that meets the financial needs of low-income communities. Designed under the premise of a profitable social responsibility business, Banca Comunitaria Banesco has managed to contribute to the better life quality of a significant number of people.

# Specialty Segments

At June 30, 2008, 42,965 customers have opened a Cuenta Comunitaria (Community Account), 18,469 and 5,416 Préstamos para Trabajar and Préstamos Personales (Working and Personal Loans) have been granted, respectively, and 26,172 customers have subscribed to Paso a Paso Ahorro (Step-by-Step Savings) and 259 have acquired a Póliza de Vida Integral (Comprehensive Life Policy).

Banca Comunitaria's most popular product is Préstamo Personal; the other 18,469 microloans granted are in the amount of Bs.F. 97.7 million, with a late interest rate of barely 2.02%. The Préstamo Personal segment reached 5,416 people, for a total cleared amount of Bs.F. 2.3 million. It should be noted that, as of May 2007, this offer has been suspended because the product is undergoing a transformation.

Cuenta Comunitaria is one of the most valuable products among customers to promote banking with simple proceedings and eliminating minimum deposit amounts for account opening. During the first half of the year, new accounts have reached an accumulated total of 42,965 accounts, with a total balance of Bs.F. 7.8 million. Likewise, 12,752 customers have subscribed to the Ahorro Paso a Paso Program, with an accumulated account balance of Bs.F. 1.8 million.

The main purpose of Banca Comunitaria goes beyond the mere sale of products. By enabling access to financial services to low-income communities, we have implemented a change in paradigms, as evidenced in the valuation of the benefits from access to financial services and in the adoption of much more efficient saving mechanisms, such as Ahorro Paso a Paso. Specifically, regarding access to financial services, 46% of Préstamos para Trabajar correspond to microloans granted for the first time, while 23% of such customers opened a bank account for the first time in their lives.

As for the expansion of the customer service network, the number of areas served increased with the inauguration of two new agencies: Puerto Cabello and Higuerote, for a total of 12 Agencias Comunitarias (Community Agencies) in addition to the existing ones in La Vega, Antimano, San Martín, Guarenas, Petare, Valles del Tuy, La Isabelica (Valencia), Catia, El Cementerio and Los Roques Island. We are now serving 1,075 low-income neighborhoods in those areas and their surrounding suburbs. Aligned with the purpose of offering a customized service for loan request from micro-entrepreneurs and to allow our customers to carry out their withdrawal deposit, and consultation operations at their own communities, we have increased the number of customer service channels through the establishing of new commercial alliance partners. Currently, we have 180 customer service centers in low-income communities with Banesco presence, distributed over 43 Barras de Atención (Service Counters) operated by Banca Comunitaria personnel, and 137 PosWebs at the commercial allies.

On the other hand, regarding the impact of microloans in life quality, a survey conducted by renowned consulting firms shows that through the granting of 18,469 microloans until 06.30.08, the monthly sales and income of our customers have increased by an average 74% and 38%, respectively. 87% of their children \_over 37 thousand children are





attending elementary school. In addition, 39% of our micro-entrepreneur customers have generated one or more than one work position, and have made two homestead renovations during the previous year. 88% has gained access to fixed telephony, 38% to cable television, 19% to internet connection, and 23% to any private health service.

19% pays municipal taxes and 16% files income tax returns, and 14% participates in sponsorships and education activities at their communities. To complement our customer service offer, from January this year, Banca Comunitaria jointly with the VP of External Communications and Social Affairs and the VP of Human Capital, have worked together in the design of a comprehensive program to strengthening micro-entrepreneurs, which is aimed at providing our customers with administrative, managerial and technological tools that allow optimizing their businesses' performance.

The program pilot is to be developed during the second half of the year, at Agencia Comunitaria San Martín, and we hope that all Agencias Comunitarias will follow. Our credit product offer entails a building and educational component through which micro-entrepreneurs may optimize quality life and business performance.

To develop this program, we have created alliances with renowned social development organizations that will be in charge of carrying out the different project stages (Desarrollo Humano, Fortalecimiento Empresarial, y Asistencia Técnica y Fortalecimiento Tecnológico) (Human Development, Corporate Strengthening and Technical Assistance and Technological Enhancement) Alliance partners in this pilot initiative include INVECAPI, UCAB (Dpto. de Servicio Comunitario (Community Service Department) of the School of Economics, UCAB), Microsoft and Foco Sustentable. In addition, Banesco Voluntary Service will also partake.

Through this project, we will foster loyalty from our customers, who will then benefit from the development of comprehensive educational programs.

Also, during the first half of the year, we have established strategic alliances to increase our scope and operational range. Through mass consumption retailers located in low-income communities, we intend to attract new customers and foster the development of shopkeeper and wholesalers at

such communities. In addition, we are working to diversify transactions that might be carried out by our customers at Barras de Atención.

The main purpose is to continue broadening and expanding our service offer to achieve a massive access to financial services and foster the strengthening of Banca Comunitaria as an integral proposal that meets the financial needs of low-income population.

## Energy Banking

The diversification scheme of Banca de Energía's borrowing portfolio prevailed, reaching 32% in the oil sector, 33% in the hydrocarbon and related services sector, and 35% in the iron-steel/energy sector. Concentrations were reduced and the portfolio composition was diversified.

The portfolio growth prevailed, reaching a net balance of Bs.F. 2,027 million at June closing, when compared to Bs.F. 1,624 million at December 2007 closing. The energy client borrowing portfolio was substantially increased regarding customers of the energy sector, and including the service collection process, wherein a growth over 78% with respect to the prior year was observed, thus consolidating our position as leading collector agent and strengthening our performance, specifically in the fertilizers' area.

The growth of the lending portfolio was that expected, thus totaling Bs.F. 1,145 million in June. In the energy sector, we have increased our presence in the process of financing large hydro-electrical projects through the main operating concerns. We have continued the process of recruiting specialized personnel for the different regions of the country through the capture of the human capital necessary to leverage our expansion.

## Private Banking

### Organizational Model

Between January and February, a new organizational model entailing large modifications to the personnel structure and functions was implemented. In connection therewith, the position of Business Manager was created, which will be responsible for new business/client capture. Likewise, business units known as Triadas de Negocios (Business Triads) were created, which consist of one Operating Assistant, one Account Executive and



# Loans

one Business Manager, under a social approach focused on customer service and results.

## Capital Market

With the advice of the Vice-Presidency of Quality and Processes, a survey was conducted to redefine the functions and structure of the Capital Market Management. As a result of this redesign, which will be implemented during the second half of the year 2008, we expect to provide better service and advice to capital market customers.

## Premium Segment

During the first half of the year 2008, Premium Segment increased its participation in the agency network regarding liabilities, from 18% in June 2007 to 20% in June 2008.

In line with the Organization strategy of improving quality service of a greater number of customers, nowadays, 210 advisors serve 47,361 customers at national level. This customized service has helped placing a greater number of products among customers, reaching an index of 5.69. The credit card holding percentage for this group of customers is 76%, 96% of which issues invoices, 26% takes advantage of its financing limit, and 33% utilizes its CADIVI allowance.

Regarding customer migration to the use of electronic channels through Banesco Online, this share ranges from 40% in June 2007 to 49% in June 2008, thus making the service channel even much more profitable. Segment customers have proactively participated in the purchase of Banesco preferred shares by registering Bs.F. 28 million.

The commitment of the Premium Vice-Presidency to the education of business advisors has prevailed with outstanding results. 75% of the general headcount has been promoted to higher positions, which represents human capital savings through decrease of the training needs of new recruitments.

## Trust Funds

At June closing, the Trust Fund portfolio amounted to Bs.F. 5,834 million, showing an asset decrease of Bs.F. 1,168 million during the first-half of the year, which represents a reduction of 16.7% due to a trust fund release for Bs.F. 1,641 million in January, which has successfully complied with its original purpose.

40% of the funds correspond to Collective Trusts (Bs.F. 2,302 million), 26% to Administration Trust (Bs.F. 1,527 million), 18% to Guarantee Trusts (Bs.F. 1,071 million), and 12% to Investment Trusts amounting to Bs.F. 708 million. Also, Combined Trusts make up 4% of the total portfolio with Bs.F. 227 million.

During the first half of 2008, 142 new trust funds were created, while existing businesses reached a total of 7,050 plans, 4,944 of which are Administrative Trust Funds, 1,088 Collective Trust Funds, 972 Investment Trust Funds, and 45 Guarantee Trust Funds.

For total financial assets, trust fund assets amounted to Bs.F. 100,424 million at closing, thus representing a Bs.F. 20,201 million increase during the first half of the year. Banesco, as Trustee, was second in the private bank listing with a share of 17.7%. Regarding total trust market share, Banesco is fourth with 6.1%.

## Loans Mortgage Loans

At the closing of 2008 first half, Banesco, the leader in funding capture from the Mandatory Housing Savings Fund (FAOV) counted on a loan portfolio made up with FAOV resources of Bs.F. 2,141 million, and represented by 65,400 current loans.

During the first half of the year, 6,714 loans were granted for a total amount of Bs.F. 372 million, benefiting approximately 34 thousand people. Likewise, 2,509 Direct Demand Subsidies were granted amounting to Bs.F. 62,271 million. Regarding the granting of Mortgage Loans through own funding, during the first half of the year 2008, Bs.F. 520 million were granted for the construction of 4,783 homesteads locally.

We have kept the service pace from prior periods by focusing on real estate developments in the housing, hotel and shopping center market. We are among the leading banks of the funding system and have gained a high level of acceptance among our customers, since our times of response and remarkable elements regarding service quality are the best of the local market, which makes of Banesco a brand-recognition leader in the Venezuelan financial system.

# Credit



## Micro-Entrepreneurs Loan

At June 30, 2008, the balance of Banesco microloans amounted to Bs.F. 788 million, serving an increasingly higher number of entrepreneurs, which have found in us the strategic support necessary to finance their activities. Based on the above, Banesco has strongly positioned itself as the top bank in the local ranking, being the financial institution that invests the most in this economic caption, by channeling at closing of the first half of the year 2008, 4.8% of its portfolio, which is beyond the legally established levels.

## Tourism Loans

We have continued providing financial support to all tourism projects presented by our customers, thus stamping in all cases the economic priority required, since it represents a significant factor for the development of the national economy and has high impact for being a work position and welfare generator among the population. We strive to become the best reference regarding tourism loans of the financial system, for the versatility of our products and services.

## Manufacturing Loans

Funding granted to this sector has been channeled through the different loan modalities available in our Organization. For the June 2008 closing, we have made all necessary human capital adjustments and inductions to obtain a year-end manufacturing portfolio of Bs.F. 1,641 million, which is the minimum level required by Law for such type of loans.

## Auto Loan

At June closing, the auto portfolio amounts to Bs.F. 516 million, thus reflecting a growth of 16% (Bs.F. 68 million).

During the first half of the year, 3,465 loans in the amount of Bs.F. 142 million were granted and channeled through 4,948 requests filed through the Credicarro internet tool.

# Legal Risk

## Strategic Management

During the first half of the year 2008, with the participation of all areas, a new management and execution strategy was consolidated in the Bank's project portfolio or Program aimed at increasing effective execution levels through the improvement of planning and proper effort dimensioning processes prior to project execution. This initiative seeks to capitalize the experience gained in the Monetary Conversion Program that was successfully carried out in 2007.

**Also, during the first half of the year, we initiated the process of communication and implementation of the new governance model aimed at strengthening and articulating all decision levels to ensure a more effective business administration focused on large strategy objectives.**

By leveraging all aforementioned efforts, during this period, we have continued to deploy the Bank management and follow-up scheme within the Balanced Scorecard framework, which provides for an ideal mechanism to linking bank strategies with operations.

## Operational Risk

Tool for Operational Risk Management (ORM) aimed at enhancing the risk management process in Banesco. The Tool for Operational Risk Management was implemented during the first half of 2008, for the main purpose of facilitating the implementation of the Operational Risk Management Model in the Bank through an automated tool guaranteeing the completeness, availability and reliability of information, thus supporting a decision-making that allows for the achievement of strategic goals and aggregated value.

The Tool for Operational Risk Management is based on the best risk management practices and allows to:

- Analyze operational risk in a comprehensive manner throughout the Bank.
- Manage in a centralized manner all the information related to Operational Risk Management and record loss events.

- Reduce the time for gathering and analysis of the information in the stages of the Operational Risk Management process.

- Monitor the implementation of management strategies and behavior of risk indicators.

## Legal Risk

The analysis of legal risks gains more importance every day from the operational risk perspective since banking business is exposed to legal risks due to constant demands of regulators and the number of agreements entered into with customers, suppliers, employees and stockholders.

In compliance with strategic planning, during the first half of 2008, the Risk Management Executive Vice-presidency, through the Operational Risk Vice-presidency developed certain activities aimed at creating a risk culture with emphasis on legal risks, as well as the identification, assessment and mitigation of operational risks.

By means of these activities, the Bank enhances the continuous improvement of its processes through the preventive identification of operational risks, which allows for enhancing the products and services offered to customers.

## International

The first phase of the new organizational structure of the Foreign Banks Push Division Management was completed in this half of the year, which is aimed at supporting sales areas based on the achievement of Bank's strategic goals.

The policies for opening letters of credits were considered in order to meet market demands, agreeing in a more dynamic and periodically-adjusted scheme.

## Business Solutions

### Enhancement of the Business Process Core Capacity

Effective February 2008 and in order to increase the supply and direct service towards the provision of innovative solutions for different Bank's business,



# Business Solutions

Banesco counts on a new work structure and scheme in its Quality and Process unit.

- The transformation of Quality and Process into the new Business Process Unit is encompassed within the transformation initiative undertaken by the Bank in its operation model.
- During the transformation process, a competence analysis was performed on personnel and new positions were created offering specialization as a growth opportunity in the Bank.
- We continue adding value by participating in the project portfolio, where our team forms active part in 93 cluster projects corresponding to 2008 portfolio and 27 internal and external solutions, maintaining the project's deviation indicator below 5%.
- As a result from the transformation process and the aforementioned achievements, Quality and Process has the challenge of consolidating Banesco's leadership in processes' performance.

## Administration

The Administration Vice-presidency, following the guidelines of the Board of Directors in connection with the improvement of the quality of our services to external and internal customers, designed and implemented a corporate mechanism for purchase process namely "Procurement Committee", the purpose of which is to act as coordinated team evaluating the design of operations for the acquisition of supplies and services to assist in purchase self-management areas to optimize their value to the Bank. This process considers three main analysis themes, such as legal, financial and operational aspects of the bidder company, as well as administrative aspects related to quality, service and price of the product in addition to the enhancement of strategic alliances and reciprocity with our main suppliers in order to obtain an aggregate value for the Bank.

The Procurement Committee is comprised of representative areas, namely Legal, Administration, Finances, Trade Credit, Operational Risk, Maintenance and Infrastructure and Electronic Channels.

## Operations

### Custody Operations and Other Services

**Operations with Government Entities**  
Active participation of Tax Management staff in all internal and external tests with SENIAT's personnel, for the implementation of the national tax collection scheme named Swiche 8184, which would allow for making on-line transfers directly to the Venezuelan Tax Administration (SENIAT), upon receiving any type of tax paid at the bank by a customer. This process is currently batched, which implies a higher control risk, due to the process to send the collection data for the day, with a subsequent verification scheme. It is estimated that pilot tests will start effective July 2008.

#### Custody

During the first half of 2008, Banesco Banco Universal was leader in Monetary Redenomination regarding the exchange of old notes by depositing at the Central Bank of Venezuela Bs.F. 4,131,763,924, representing 87% of the total amount collected by Banesco, and 20% of the money supply in circulation as of December 31, 2007, which is a percentage higher than the market share maintained in customers' deposits.

## Information Security and Business Continuity

Continuing with our commitment of enhancing security of all critical channels, products and processes, with a preventive approach, certain initiatives have been incorporated in this first half for the main purpose of safeguarding the assets of the Bank and our customers in an exhaustive and continuous manner.



Likewise, the basis and mechanisms have been implemented to obtain a coordinated and centralized prevention management allowing the Bank to proactively, expedite and efficiently respond to events that may represent any security risk in the Bank's different channels and products guaranteeing an effective response to our customers.

Additionally, we started a campaign to increase public awareness on security matters addressed to our customers through our security site at Banesco.com and through advertising campaigns ratifying our position as the "The safest Banking".

In connection with Business Continuity, the projects aligned with test, validation and consolidation strategies for business operation processes were started, guaranteeing continuity in case of specific events.

## Financial Systems and Information Management

### Stockholders

The Technology Area was based on the development of an innovative solution to support the process of Issue of Bank's Preferred Shares. These technological tools allowed for the incorporation of sales through Electronic Kiosks, the WEB channel, call center and all our agencies complying with all controls required for such important goal.

### Risk Management

The Credit Risk Area has a tool supporting the integral assessment of credit risk developed by using the latest technologies for data gathering processes from our main systems, supporting decision-making in the risk and credit area. Likewise, the area has a new module to monitor Loss Events in the Tool for Operational Risk Management, which provides for a new technological influence to manage operational risk in an optimal manner.

## Finances

During the first half of 2008, the new version of the SIAF application (Administration and Finances Integrated System) was released under the SAP platform, which would allow for supporting the Finances area in controlling the budget execution.

## Products and Services

In this first half, we supported, through technological solutions, the introduction of My e-account for individuals, sight deposits for customers to make use of their money as desired with the best interest rates, promotional rates for mass products (48h Multi-credits, Extra-credits, Micro-credits, Payroll Credit) and incorporation of Tax Collections from Chacao Mayorality.

## Credits

We implemented a program to enhance our technological tools supporting Automatic Collections, Customers' Assessment through a parameterized Scoring for mortgage loans and CrediCarro (auto loans) via Internet, Customers Rating integrating their productive assets and Web Commercial Credit WorkFlow.

## TDC Automation and Collection Management

During the six-month period just ended, different applications and solutions supporting all the requirements and works for redesign, improvement and robustness of different systems were implemented, optimizing processes through the application of comprehensive automated tools, reducing costs, meeting business goals and increasing the portfolio. This provides more control and security in the business process, enhancing the rules and offering more satisfaction to our customers, also complying with all regulations, both from the corresponding government entities and the different credit card franchises.



# Balance Sheets

As of June 30, 2008 and December 31, 2007

# Balance Sheets

Banesco Banco Universal, C.A

As of June 30, 2008 and December 31, 2007

(Stated in million VEF)

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Jun - 08	Jun - 08	Dec- 07	Dec- 07
<b>ASSETS</b>				
• CASH AND DUE FROM BANKS	7,188	7,243	6,638	6,686
Cash	567	567	485	485
Central Bank of Venezuela	5,649	5,649	5,684	5,684
Local Banks and Other Financial Institutions	64	64	54	54
Foreign Banks	78	133	19	67
Notes Receivable	830	830	397	397
Provision for Bank Accounts	0	0	0	0
• SECURITY INVESTMENTS	4,699	4,849	3,338	3,519
Investments in Central Bank	1,143	1,143	550	550
Security investments for negotiation	0	0	0	0
Available for sale security investments	494	557	576	641
Security investments held until maturity	2,908	2,996	2,075	2,191
Limited Availability Investments	153	153	136	136
Other Security Investments	1	1	1	1
Provision for Security Investments	0	0	0	0
• CREDIT PORTFOLIO	17,213	17,238	16,207	16,243
Outstanding Credits	17,255	17,281	16,266	16,302
Restructured Credits	25	25	27	27
Past Due Credits	196	196	114	114
Credits in Litigation	6	6	3	3
Provision for Credit Portfolio	-269	-270	-203	-204
• INTEREST AND COMMISSIONS RECEIVABLE	376	382	247	251
Interest receivable from cash and equivalents	0	0	0	0
Interest receivable from security investments	77	82	52	55
Interest receivable from credit portfolio	256	256	176	177
Commissions Receivable	55	55	33	33
Provision for Interest Receivable and Other	-11	-11	-14	-14
• INVESTMENTS IN SUBSIDIARY COMPANIES, AFFILIATES AND BRANCHES	166	5	161	5
Investments in subsidiary companies and affiliates	5	5	5	5
Investments in branches	161	0	156	0
Provision for investments in subsidiary companies, affiliates and branches	0	0	0	0
• PROPERTY RECEIVED IN LIEU OF PAYMENT	1	1	2	2
• PROPERTY IN USE	764	764	664	664
• OTHER ASSETS	466	466	445	445
• TOTAL ASSETS	30,873	30,949	27,700	27,814

# Balance Sheets

Banesco Banco Universal, C.A.  
As of June 30, 2008 and December 31, 2007  
(Stated in million VEF)

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Jun - 08	Jun - 08	Dec- 07	Dec- 07
<b>LIABILITIES</b>				
DEPOSITS FROM CLIENTS	26,155	26,241	24,297	24,464
Deposits in Current Accounts	11,163	11,163	12,858	12,858
Non-Remunerated Checking Accounts	5,654	5,654	6,295	6,295
Remunerated Checking Accounts	5,509	5,509	6,562	6,562
Other Demand Liabilities	578	578	671	671
Savings Deposits	4,226	4,255	5,047	5,087
Time Deposits	2,675	2,732	1,819	1,946
Securities Issued by the Institution	0	0	0	0
Restricted Deposits from Clients	0	0	0	0
Right of Ownership and Participation on Security Investments	7,513	7,513	3,902	3,902
OBLIGATIONS WITH BCV	0	0	0	0
DEPOSITS FROM CLIENTS AND OBLIGATIONS WITH BANAP	2	2	2	2
OTHER FINANCING OBTAINED	1,314	1,303	523	470
Liabilities with local financial institutions up to one year	1,113	1,111	166	166
Liabilities with foreign financial institutions over one year	200	192	356	303
Liabilities for other financing over than one year	1	1	1	1
OTHER FINANCIAL OBLIGATIONS	82	82	78	78
INTEREST AND COMMISSIONS PAYABLE	94	94	43	43
Expenses payable due to deposits from clients	86	86	42	43
Expenses payable due to deposits from clients and liabilities with BANAP	0	0	0	0
Expenses payable due to other financing obtained	8	8	0	0
ACCRUALS AND OTHER LIABILITIES	670	670	607	607
<b>TOTAL LIABILITIES</b>	<b>28,317</b>	<b>28,393</b>	<b>25,551</b>	<b>25,664</b>
<b>STOCKHOLDERS' EQUITY</b>				
CAPITAL STOCK	892	892	642	642
Capital Paid-in	892	892	642	642
Capital Reserves	467	467	399	399
Accumulated Income	1,244	1,244	1,128	1,128
Non-Realized Gain or (Loss) on Available for Sale Security Investments	-11	-11	16	16
Treasury Stock	-35	-35	-35	-35
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>2,556</b>	<b>2,556</b>	<b>2,150</b>	<b>2,150</b>
<b>TOYAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>30,873</b>	<b>30,949</b>	<b>27,700</b>	<b>27,814</b>
Contingent Debtor Accounts	849	920	1,089	1,171
Trust Assets	5,835	5,835	7,003	7,003
Other Trusts Assignments	107	107	103	103
Debtor Accounts Due to Trust Assignments (FMH)	2,161	2,161	1,851	1,851
Other Debtor Accounts from FMH	6	6	6	6
Other Debtor Memorandum Accounts	51,896	51,900	39,878	39,882
Other Debtor Book Accounts	51	51	49	49

# Statements of Earnings

As of June 30, 2008 and December 31, 2007

Stated in million VEF

	Operations in Venezuela	Consolidated with Foreign Branches	Operations in Venezuela	Consolidated with Foreign Branches
	Jun - 08	Jun - 08	Dec- 07	Dec- 07
• FINANCIAL REVENUES	1,912	1,921	1,365	1,376
• Revenues from Cash and Cash Equivalents	1	1	2	3
• Revenues from Security Investments	124	132	91	100
• Revenues from Credit Portfolio	1,759	1,759	1,243	1,244
• Revenues from Other Accounts Receivable	28	28	28	28
• Other Financial Revenues	0	0	0	2
• FINANCIAL EXPENSES	788	790	455	457
• Expenses Due to Deposits from Clients	752	754	438	440
• Expenses Due to Deposits from Clients and Obligations with BANAP	0	0	0	0
• Expenses Due to Other Financing Obtained	30	29	4	4
• Expenses Due to Other Financial Obligations	4	4	0	0
• Other Financial Expenses	2	2	13	13
• GROSS FINANCIAL MARGIN	1,124	1,132	910	919
• Income from Recovered Financial Assets	22	22	18	18
• Expenses Due to Uncollectibility of Credits and Other Accounts Receivable	120	120	76	76
• NET FINANCIAL MARGIN	1,026	1,034	852	861
• Other Operating Income	408	400	458	453
• Other Operating Expenses	100	101	115	118
• FINANCIAL INTERMEDIATION MARGIN	1,333	1,333	1,196	1,196
• TRANSFORMATION EXPENSES	896	896	693	694
• Personnel Expenses	401	401	321	321
• Administrative and General Expenses	426	426	315	315
• Contributions to Deposit Guarantee and Bank Protection Fund	52	52	41	41
• Contributions to Superintendency of Banks and Other Financial Institutions	16	16	16	16
• GROSS OPERATING MARGIN	438	437	502	502
• Income from Adjudicated Goods	2	2	9	9
• Income from Sundry Accounts	14	15	4	4
• Expenses Due to Realizable Property	1	1	1	1
• Expenses Due to Dundry Accounts	64	64	65	65
• NET OPERATING MARGIN	389	389	450	450
• Extraordinary Income	0	0	0	0
• Extraordinary Expenses	9	9	5	5
• GROSS INCOME BEFORE TAXES	381	381	445	445
• Income Taxes	43	43	47	47
• NET INCOME	338	338	398	398
• APPLICATION OF NET INCOME				
• Legal Reserve	68	68	40	40
• Statutory Utilities	1	1	1	1
• ACCUMULATED INCOME	266	266	353	353
• LOSEP Contribution	3	3	4	4
• OTHER ACCOUNTS				
• Third-Party Investments		1,737		2,494
• Monthly Agriculture Credit Portfolio		330		192
• Accumulated Agriculture Credit Portfolio		2,342		1,582
• Public Sector Deposits		3,090		2,766
• Micro-Credits		788		766
• Credits to the Segment of Tourism in accordance to law in force		263		271
• Mortgages according to the Special Law for the Protection of the Housing Loan Debtor		1,150		1,050
• Financial Soundness Ratio (%)		8.7		8.0



# Principal Financial Indicators

Banesco Banco Universal, C.A

Principal Financial Indicators (%)	Jun-08	Jun-07
Equity + Operative Management / Total Assets	8.70	8.96
Non-Productive Assets / Equity + Operative Management	311.58	302.62
Loan Portfolio Provisions / Gross Loan Portfolio	1.54	1.54
Non Accrual Loans / Gross Loan Portfolio	1.15	0.68
Personnel Expenses + Operative Expenses / Average Productive Assets *	8.15	8.05
Personnel Expenses + Operative Expenses / Financial Income *	43.95	51.98
Net Results / Average Assets *	2.41	3.08
Net Results / Average Equity *	28.37	36.13
Availability / Customer Funds	27.48	26.74
Availability + Investment in Securities / Customer Funds	33.74	33.87

\* Annual Percentages

# Corporate Governance

# Corporate Governance

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

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

As of June 30, 2008, article 5 of the Bank's bylaws, approved at Extraordinary Stockholders' Meeting held August 6, 2007, reads as follows:

... “The capital stock of “BANESCO BANCO UNIVERSAL, C.A.” amounts to SIX HUNDRED AND FORTY-ONE THOUSAND FOUR HUNDRED AND NINETY-NINE MILLION THREE HUNDRED AND TWENTY-SEVEN THOUSAND BOLIVARS (Bs. 641,499,327,000.00) comprised of six thousand four hundred and fourteen million nine hundred and ninety-three thousand two hundred seventy (6,414,993,270) common non-bearable shares at a par value of One hundred Bolivars (Bs. 100.00) each. Such capital stock has been fully registered and paid in the percentage evidenced in the Stockholders' Book. Preferred shares that prior compliance with legal formalities might be issued by the Bank shall only be placed through public offering and shall have the following rights and characteristics: a) receive a preferred and cumulative dividend with charge to income, the amount, payment time, characteristics and other modalities of which shall be determined by the Stockholders' Meeting or Board of Directors, if appointed by the Meeting; b) they shall only have vote right at Bank's Stockholders' Meetings for the approval of the financial statements, statutory amendments modifying their rights and for appointing the Controllers and deputies and deciding on their remuneration, and c) in case of Bank's liquidation, they shall only have redemption right to the extent of their nominal value plus dividends accumulated to the date of the liquidation”.

However, on March 31, 2008, a Regular Stockholders' Meeting was held whereby it was decreed a dividend in common shares for the

amount of Bs.F. 158,500,673, to increase the capital stock to the amount of Bs.F. 800,000,000.00 comprised of 8,000,000,000 common shares at a par value of Bs.F. 10 each.

Subsequently, on April 14 and May 15, 2008, Banesco Banco Universal, C.A. issued, through public offering, 2,500,000,000 preferred shares, as approved at the Extraordinary Stockholders' Meeting on August 6, 2007. This procedure was authorized by the Superintendency of Banks and Other Financial Institutions and the Venezuelan Securities and Exchange Commissions.

By virtue thereof, Banesco Banco Universal, C.A. asked the Superintendency of Banks and Other Financial Institutions: (i) Authorization for distributing the share dividend declared in the aforementioned Stockholders' Meeting held March 31, 2008; and (ii) Amend Article 5 regarding capital stock, which after the aforementioned authorization, shall read as follows:

“The capital stock of BANESCO BANCO UNIVERSAL, C.A. amounts to one thousand and fifty million Bolívars Fuertes (Bs.F. 1,050,000,000.00) comprised of eight thousand million (8,000,000,000) common non-bearable shares at a par value of ten cents of Bolívars Fuertes (Bs.F. 10) each and two thousand five hundred million (2,500,000,000) preferred non-bearable shares at a par value of ten cents of Bolívars Fuertes (Bs.F. 10) each. Such capital stock has been fully registered and paid in the percentage evidenced in the Stockholders' Book. Preferred shares shall be issued for an amount up to five hundred million Bolívars Fuertes (Bs.F. 500,000,000) that prior compliance with legal formalities might be issued by the Bank shall only be placed through public offering and shall have the following rights and characteristics: a) receive a preferred and cumulative dividend with charge to income, the amount, payment time, characteristics and other modalities of which shall be determined by the Stockholders' Meeting or Board of Directors, if appointed by the Meeting; b) they shall only have vote right at Bank's Stockholders' Meetings for the approval of the financial statements, statutory amendments modifying their rights and for appointing the Controllers and deputies and deciding on their remuneration, and c) in case of Bank's liquidation, they shall only have redemption right to the extent of their nominal value plus dividends accumulated to the date of the liquidation.”

# Corporate Governance

BANESCO BANCO UNIVERSAL, C.A. maintains a governance structure comprised of the Stockholders' Meeting, Board of Directors, Chairman of the Board of Directors, Compliance Officer for Prevention of Money Laundering, Internal Comptroller, as well as Credit, Risk and Audit Committees. The Audit Committee was created as established by Recommendations of Corporate Governance issued by the Venezuelan Securities and Exchange Commissions through resolution number 19-1-2005, dated February 2, 2005 published in Official Gazette of the Bolivarian Republic of Venezuela N° 38129 dated February 17, 2005.

## Stockholders' Meetings

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

## Board of Directors

The Board of Directors of Banesco Banco Universal, C.A. is comprised of qualified people with broad experience in different areas of the banking business, of acknowledged solvency and sound reputation as a guarantee of the good performance of their duties. The main role of the Board is the management and general administration of the businesses and operations carried out by the Bank, including corporate social responsibility policies. The performance of the Board of Directors is vital to define and strategically manage the Bank, thus equally directing business policies. Furthermore, the Board controls the performance of operating and functional areas of the Bank; it evaluates and compares business projections, as well as the results from previous years with the results of each year. Based on the agreement reached at the Regular Stockholders' Meeting held on March 30, 2007, the Board of Directors went

from being comprised of no less than nine members and no more than thirteen members and it is currently comprised of nine Directors.

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

- **Audit Committee:** The duty of the committee consists in knowing the financial statements to be considered by the Board of Directors and approved by the Stockholders' Meeting in order to verify that they comprise all the information required and show, completely and accurately, with no reserves or omissions, the financial situation of the Bank. Likewise, the Audit Committee assists the Board of Directors with the implementation of measures aimed at preserving the accuracy of the financial information of the Bank and collaborates with the supervision and follow-up of the Bank's internal and external audit. Among other issues, it recommends the Board of Directors to appoint an adequate firm of Independent Auditors; it reviews and approves the scope of the annual audit and the fees to be paid to such firm, as well as its independence. Together with the Board of Directors and the Independent Auditors, the Committee reviews all significant topics regarding litigations, contingencies, claims and valuations and it also points out the recommendations deemed necessary in the Management Letter. An Independent Director participates in such Committee.
- **Risk Committee:** This Committee is mainly engaged in fixing risk limits for each of the activities carried out by the Bank in order to achieve the performance of a healthy comprehensive management of operational, market, legal and business risks, among others, as provided by the internal legislation and international best practices.

Furthermore, the Risk Committee acts as the advisor of both the Board of Directors and the diverse Credit Committees in the decision making process and it sets the guidelines and policies to be followed in order to preserve the established risk profile.



# Corporate Governance

- **Credit Committee:** The Board of Directors, reserving the execution of this right, has decided to delegate the right to grant credits to certain committees, establishing the amounts and all the terms and conditions. Thus, in order to comply with the diverse autonomies and the delegation of rights, the Executive Credit Committee, the Metropolitan Credit Committees, the Regional Credit Committees and the individual autonomies were created.

Within the boundaries of their rights, these autonomies are in charge of the consideration and approval of the various credit requests and it also informs the Board of Directors about the results of their transactions. Likewise, there must be a compliance with the different risk policies that have already been established.

## Chairman of the Board of Directors

The Chairman of the Board of Directors is subordinated to the Stockholders' Meeting and the Board of Directors and he presides over their deliberations. Furthermore, he represents the institution and, on its behalf, he grants contracts, agreements, settlements and, in general, all kinds of documents of any nature. To summarize, the Chairman of the Board of Directors performs all those transactions demanded by the Board. The Chairman and the Board of Directors represent the supreme performance of the activities carried out by the Bank before any public or private entity.

## Secretary

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

## Internal Controller

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

## Compliance Officer

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

# Corporate Governance

## Banesco Banco Universal, C.A.

**Chairman of the Board of Directors**  
Juan Carlos Escotet Rodríguez

**Vicepresident of the Board of Directors**  
Luis Xavier Luján Puigbó

### Directors

María Josefina Fernández Maroño  
Nelson Becerra Méndez  
Gonzalo Clemente Rincón  
Fernando Crespo Suárez  
Salvador Cores González  
Miguel Ángel Marciano Cartea  
Carlos Acosta López

### Statutory Auditors

Main Auditors:  
Gordy Palmero Luján  
Igor Williams de Castro

Substitute Auditors:  
Berta Maita Rodríguez  
Mariela Alcalá

### Secretary

Marco Tulio Ortega Vargas

### Judicial Representative

Marco Tulio Ortega Vargas

## Report on the Extent of Compliance with the Principles for the Good Corporate Governance as of July, 2008

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

- **Efficiency:** Aimed at generating the maximum value using the minimum of the available resources.

- **Equality:** Strict respect to the equality right of treatment with stockholders, workers and suppliers, as well as any other person related to the Bank.

- **Respect towards the economic and political rights of the stockholders.**

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

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

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

# BANESCO, N°1 IN GOOD NEWS

## SOCIAL BALANCE - FIRST HALF 2008

SOCIAL INVESTMENT	First Half 2008	Accumulated 1998-June 2008
<b>APPLICATION OF RESOURCES THIRD PARTIES AND BANESCO</b>	<b>12,641,486</b>	<b>84,560,062</b>
Fe y Alegría Foundation	4,605,929	18,051,279
Venezuelan Network of Youths and Children's Orchestras Venezuelan	750,000	4,092,969
Venezuelan Association for the Catholic Education (AVEC)	1,421,456	3,709,716
Universities and University Institutes	104,000	4,578,676
BanESCO Life-long Scholarships	9,050	547,387
Educational Institutes and Organizations	124,039	744,206
Venezuelan Foundation against Child Paralysis	6,000	493,919
Venezuelan Red Cross	-	341,262
Health Institutes and Organizations	61,263	641,000
FUNDANA Foundation	-	1,144,114
Don Bosco Housing Program	-	530,159
Association of Salesian Ladies	295,525	829,441
Attendance to the childhood and people with special necessities	236,761	1,568,716
Donation of Christmas Toys to the Community	55,916	2,316,590
Editorial Projects	75,808	3,439,040
Donation of Computer Equipment	3,725	401,310
Other Contributions	100,000	5,521,798
Solidarity (Capital and Regional)	-	1,792,017
Words for Venezuela	-	3,307,401
Investments in works in Colinas de Bello Monte	288,933	1,771,335
Church Social Work	81,418	883,129
Governorships, Governments and Other Organisms of the State	155,000	822,947
Social Benefits Noncontractual for BanESCO Employees	4,256,094	26,702,622
Contribution Corporative Voluntary Service	10,569	115,703
Application of Article 96 of the LOCTISEP	288,887	17,755,838
Venezuelan Association for the Catholic Education (AVEC)	-	4,434,352
Children's Museum	-	300,000
FUNDANA Foundation	-	110,000
Alliance for a Venezuela without Drugs	-	100,000
ABC Prodein (Santamaría City Petare -CISAMA)	-	276,000
Educational Foundation Canaima Schools	-	571,950
Don Bosco Housing Program	-	508,217
Education, Antidrug Campaigns and Sports	288,887	11,455,319
<b>TOTAL SOCIAL INVESTMENT</b>	<b>12,930,373</b>	<b>102,315,900</b>
<b>CONTRACTED COMMITMENTS</b>		
Fe y Alegría Foundation	5,519,058	5,519,058
Don Bosco Housing Program	407,175	407,175
<b>TOTAL CONTRACTED COMMITMENTS</b>	<b>5,926,233</b>	<b>5,926,233</b>
<b>GENERAL TOTAL SOCIAL INVESTMENT AND CONTRACTED COMMITMENTS</b>	<b>18,856,606</b>	<b>108,242,134</b>

With this Social Balance Sheet, we intend to demonstrate our customers that BanESCO plans to transcend the barriers of philanthropy or welfarism. Together with our Social Partners, workers, providers, clients and our more than 40 thousand stockholders, we will continue to build a response that contributes to the formation of a commitment culture with the country from the private industry. This community comprised of more than 100 thousand citizens, dreams about offering opportunities of inclusion to highlight the entrepreneur spirit of the Venezuelan people.

A continuous effort is required; therefore, we establish partnerships with our Social Partners in order to guarantee the medium and long-term financing. Non-profit organizations have developed, though successful experiences, effective tools to achieve goals that BanESCO is honored to support. Among such organizations are: Fe y Alegría, Asociación Civil Red de Casas Don Bosco, Fundación de Amigos del Niño que Amerita Protección, Universidad Católica Andrés Bello, Asociación de Damas Salesianas, Museo de los Niños, Cruz Roja Venezolana, Fundación Venezolana Contra la Parálisis Infantil, Sociedad Anticancerosa de Venezuela, Asociación Venezolana de Educación Católica, Asociación Civil Instituto Apoye, Fundación del Estado para el Sistema Nacional de Orquestas Juveniles e Infantiles de Venezuela, Asociación Civil Venezuela Sin Límites, Asociación Civil Siempre Amigos and Fundación Científica Los Roques.

Subscribing international standards that have been quickly developing over the last years, we are in the process of applying more advanced rules and evaluation methods, that will allow us to be in constant evolution in the accounting. The transparency and certification of external auditors bring us closer to quality.

Furthermore, we continue to be committed to offer our personnel non-contractual benefits that go beyond the provisions of the current legislation because we understand that the Social Responsibility starts at home.

#### DIRECTORS:

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Miguel Ángel Marciano  
María Josefina Fernández  
Nelson Becerra Méndez

Gonzalo Clemente Rincón  
Fernando Crespo Suárez  
Salvador Cores González  
Carlos Acosta López



Stated in VEF



At least up to December 31, 2008 it will stay the circulation of both families of currencies (Bs. and Bs.F) [www.reconversionbcv.org.ve](http://www.reconversionbcv.org.ve)

# International Area

## International Banking Products

### International Checking Account Plan

Non-Active Commercial Account

### Commercial Checking Account Plan

Active Account

### Personal Checking Account Plan

### International Savings Account Plan

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

Letters of Credit for Imports  
anywhere in the world.

Confirmation of Letters of Credit for Exports.

Money Orders anywhere in the world.

International Financing Operations.

Documentary Collections.

## International Treasury

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## International Offices

Affiliated Banks

Banesco S.A., Panamá (former Banesco

Internacional Bank Inc.)

Banesco International Bank Corp., Puerto Rico

Branches

Banesco Banco Universal C.A., Panamá Branch

Representative Office

Banesco Banco Universal C.A., Bogotá, Colombia

International Mailing Address

Banesco Banco Universal C.A.

8424 NW, 56 Street, Suite CCS00283,

Miami, Florida 33166, U.S.A.

## Main Offices

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Caracas - Venezuela

Telephone Banking: 0500BANCO24 - 0500 226.26.24

Master Phone: (58212) - 501.71.11

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



# Main Correspondent Banks

ARGENTINA • Banco de la Provincia de Buenos Aires, Banco de la Nación Argentina, Banco Supervielle, Banco Credicoop, Grupo Macro, Banco Patagonia, Deutsche Bank, HSBC Bank.

AUSTRIA • Bank Austria Creditanstalt A.G., RZB A.G.

BELGIUM • Dexia Bank, CIB Fortis Bank.

BOLIVIA • Banco Económico, Banco Do Brasil, Banco de la Nación Argentina.

BRASIL • Banco Bradesco, BICBANCO, Banco Do Brasil, Banco Itau Unibanco Holding, HSBC Bank, Banco ABC Brasil, Banco Safra, Banco Santander, Deutsche Bank.

CANADA • Toronto Dominion Bank.  
CHILE • Banco Estado, Banco Santander, Bci Banco de Crédito e Inversiones, Banco Do Brasil, Banco de Chile

CHINA • Standard Chartered Bank, HSBC Bank, Deutsche Bank A.G., Bank of China, The Industrial and Commercial Bank of China.

COLOMBIA • Banco de Bogotá, Bancolombia, Bancoldex, Banco de Occidente.

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

DENMARK • Danske Bank.

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

ECUADOR • Banco del Pichincha, Banco del Pacífico, Produbanco, Banco de Guayaquil.

EL SALVADOR • Banco Cuscatlán, Banco Agrícola, HSBC Bank.

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

FINLAND • Nordea Bank.

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

GERMANY • Commerzbank A.G., Standard Chartered Bank GmbH, HVB A.G., Deutsche Bank, Dresdner Bank A.G.

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

HOLLAND • Commerzbank A.G.

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

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

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

ISRAEL • Bank Leumi, Bank Hapoalim B.M., Israel Discount Bank

ITALY • Banca Nazionale del Lavoro, Unicredit Group, Intesa San Paolo S.P.A.

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

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

MALAYSIA • Bumiputra Commerce Bank Berhad, Standard Chartered Bank., HSBC Bank

MALTA • FimBank

MEXICO • Banamex, S.A., HSBC Bank, Banco Santander, Banco del Bajío, Banco Regional, Banorte.

NICARAGUA • Banpro, Bancentro.

NORWAY • Nordea Bank.

PANAMA • BLADDEX, HSBC Bank, Multibank., Credicoorp Bank.

PARAGUAY • Banco Do Brasil, Banco de la Nación Argentina.

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

PORTUGAL • Banco Espírito Santo S.A., Banco Banif, Millennium BCP.

PUERTO RICO • Banco Popular de Puerto Rico.

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

SPAIN • Banco Sabadell, Grupo Banco Popular, La Caixa.

SWEDEN • Nordea Bank, Svenska Handelsbanken.

SWITZERLAND • Commerzbank Ag., BNP Paribas.

URUGUAY • Banco de la Nación Argentina, Banco Credit Uruguay.

U.S.A. • Standard Chartered Bank, JP Morgan Chase Bank, Wachovia Bank, Citibank N.A., HSBC Bank, Deutsche Bank A.G., Commerzbank A.G.

