

**Banks  
Venezuela  
Credit Update**

**Banco de Venezuela  
(BdV)**

**Ratings**

	Current Rating
Banco de Venezuela	
Long-Term IDR	B+◆
Short-Term IDR	B
Local Currency Long-Term IDR	B+◆
Local Currency Short-Term IDR	B
Individual Support	D 5▲

**Rating Watch**

Evolving

**Financial Data**

Banco de Venezuela	06/30/08	12/31/07
Total Assets (VEB Mil.)	24,084,537	22,629,273
Total Equity (VEB Mil.)	2,132,156	1,916,578
Net Income (VEB Mil.)	387,548.5	699,407.5
ROAA (%)	3.32	3.33
Equity/Assets (%)	8.85	8.47

**Analysts**

Franklin Santarelli  
+1 212 908-0739  
[franklin.santarelli@fitchratings.com](mailto:franklin.santarelli@fitchratings.com)

Pedro El Khaouli  
+58 212 286-3232  
[pedro.elkhaouli@fitchratings.com](mailto:pedro.elkhaouli@fitchratings.com)

**Related Research**

- *Venezuelan Banks: Review and Outlook, Mar 11, 2008*

**Rating Rationale**

- Banco de Venezuela's (BV) ratings reflect its strong franchise, competent risk management, sound overall financial profile and the operational support of Banco Santander (Santander), its majority shareholder. BV's ratings are constrained by the negative effects of government intervention over the bank business and overall private sector activities.
- Despite the challenges of the operating environment, controlled credit and operating costs, jointly with an adequate net interest margin results in above average profitability ratios. For the 2005-2007 period, the bank's return on average assets ratio (ROAA) yield and adequate 3.3%, similar to the result posted during the first half of 2008.
- Thanks to vigorous loan demand and the bank competitive loan origination techniques, BV's loan portfolio has increased significantly, while appropriate risk control tools have yielded good although slightly deteriorating asset quality ratios. At end-June 2008 the past due to gross loans ratio increased to 1.3%, while loan loss reserves represented a tight 1.7% of the total portfolio.
- Given the significant increase in assets and relatively high cash dividends, BV's capital ratios decreased on year 2006, and since then have remained fairly stable. At end-June 2008 the equity to assets ratio stood at 8.85%, not substantially encumbered by fixed and foreclosed assets.

**Support**

Given Venezuela's sub-investment grade rating, the lack of a consistent policy regarding bank support and Fitch's view that current interference with the banking system could influence decisions shareholders may face if BV were to require financial assistance, support, although possible cannot be relied upon.

**Key Rating Drivers**

- The Outlook for the long-term issuer default rating (IDR) is Evolving. On August 2008 the government of Venezuela (LT FC IDR BB-) announced its intention to acquire BV, starting a negotiation with the current shareholder. At this point there is no meaningful information about the stage of the negotiations, nevertheless, in case the Venezuelan government succeed with its intention, BV could be benefited by the support of the government, being the strategic position of the bank for government purposes and also its significant size on the market the main drivers of such support. On the other hand a lengthy and/or unsuccessful negotiation process could hinder the bank franchise and hence financial profile triggering a downgrade on its ratings.

**Profile**

BV was Venezuela's third largest universal bank at end-June 2008 in terms of consolidated funds under management (assets + investment funds) with a 9.7% market share. At end-June 2008, Santander had a 98% stake in BV.