

Special Report

Venezuelan Banks — 2005  
Results and Prospects

**Analysts**

Franklin Santarelli, Caracas  
+011 58 212-286-3356  
franklin.santarelli@fitchvenezuela.com

Carlos Fiorillo, Caracas  
+011 58 212-286-3356  
carlos.fiorillo@fitchvenezuela.com

Peter Shaw, New York  
+1 212 908-0553  
peter.shaw@fitchratings.com

■ **Economic Environment**

After a significant decrease in economic activity during 2002 and 2003, high oil prices, a boost in public spending and lower political unrest have propelled a dramatic recovery in GDP (2004: +18%; 2005:+9%), while interest rates, the exchange-rate depreciation and inflation have significantly lowered as a consequence of an array of government controls. Lower capital flight and the increase in public spending (mostly concentrated in public consumption and subsidies to the lower income segment) have resulted in a sustained increase in monetary liquidity in the past 24 months (2004: +50%; 2005: +45%), requiring significant open-market operations from the central bank in order to control excess liquidity. The significant inflow of proceeds from oil exports (2004: USD 31,917 mln; 2005: USD 48,339 mln) and the government's strategy to lengthen its debt maturities profile resulted in an ample liquidity position and lower credit risk for the sovereign; nevertheless, government intervention over economic activity and low investments preclude further improvement in the operating environment for the private sector. The increase of imports to a historical high (2004: USD 17,318 mln; 2005: USD 25,174 mln) has been more than compensated for by the positive trend in the oil market, though this advantage can be easily affected by the inherent volatility of the oil market. While poverty ratios remain a weak point, recent increases in employment and, more over, in the formal sector employment figures suggest at least a temporary improvement in social welfare and maybe in future private consumption as long as subsidies and high public spending remain in place.

■ **Recent Events**

During November 2005, Fitch Ratings upgraded the long-term currency and local currency ratings of the Bolivarian Republic of Venezuela to 'BB-' from 'B+', while the short-term foreign currency rating was affirmed at 'B'. The Rating Outlook is Stable. The upgrade mostly reflected significant improvements in external debt liquidity ratios due to windfall oil export receipts, leaving them significantly better than Venezuela's peer 'BB' levels. Despite this positive trend, during 2005 the government continued to impose an array of controls over different economic sectors, including the financial system, to force private-sector entities to follow many of its guidelines for economic policy. After the imposition of an interest rate control regime in May 2005 and with sustained uncertainties of more measures of intervention, Fitch changed the rating Outlook for all Venezuelan banks to Negative from Stable. Furthermore, the drastic increase in loans and assets that have undermined the historically ample capitalization level was also considered.

■ Outlook

The risk profile of Venezuelan banks remains under pressure in the short term, coping with increasing deposits and a lower profitability level that could further erode capitalization ratios, in addition to continued uncertainties regarding government intervention. While the Negative Outlook for the Venezuelan banks' ratings remains in place, Fitch takes some comfort that significant foreign ownership and the leading banks' management expertise can help offset some of the concerns raised by the continuing possibility of further restrictions of the banks' operating flexibility.

- ***Public spending, record imports and some short-term government treasury operations have boosted loan demand.***

The significant increases in oil exports and, therefore, oil revenues have supported an estimated increase of about 70% in public spending in the past two years, while imports of goods and services have climbed to a historical high of about USD 25 bln, which, in turn has resulted in higher loan demand since end-2003. In addition, during 2004 and 2005, the government completed several local debt issuances denominated in U.S. dollars that have been offered to local investors, as a portion of these issues (more than USD 4 bln in total) was taken up by investors, which may have leveraged their participation using local banks. Given the very low level of the loan portfolio at end-2003 and the loan demand created, in part, by these government debt issues, gross loans increased by 244% in nominal terms (196% in real terms) during the 2003–2005 period, a pace well ahead of GDP growth. While consumer loans have maintained their relative participation in total loans (roughly 15%), the consumer portfolio has increased by more than 200% over the past two years. Additionally, the imposition of new compulsory-directed lending has resulted in a high increase in the microfinance portfolio (+439%), agribusiness (+201%) and, more recently, the mortgage loan portfolio (+167% in just one year). Even though the Venezuelan loan portfolio remains small compared with the size of the economy (around 17% of the GDP but almost double the 2003 figure) and the banks have developed significant skills to cope with credit risk, a possible downturn or at least slowdown of the economy could affect asset-quality ratios.

- ***Mounting liquidity has resulted in more exposure to central government and central bank securities.***

Despite the significant boost in loan demand, the higher than proportional increase in deposits has resulted in a sustained growth in the investment portfolio of the Venezuelan banking system. However, the lack of investment opportunities in the underdeveloped local capital market ultimately caused more exposure to the government and the central bank. At end-2005, short-term placements in the central bank climbed to USD 6 bln, which was the equivalent to 1.4 times (x) equity, while the rest of the investment portfolio (mostly central government local and foreign currency debt) represented 4.4x equity, one of the highest levels in Latin America. The expected public spending for 2006 and the foreign-exchange controls in place since 2003 suggest another significant increase in monetary liquidity, which could translate to a higher concentration of bank balance sheets in government securities, despite a possible strong loan demand that could follow the economic growth.

- ***Controls over prices of goods and services have been increasing, while more controls could be applied.***

During the past few years, the Venezuelan monetary policy has been mostly focused on lowering inflation in the midst of a significant increase in public spending. As such, open-market operations within the financial system have been the rule since 2003. Furthermore, regulators have cooperated closely with the central government's policy aims, resulting in the imposition of controls over prices of goods and services, including foreign exchange, interest rates and, more recently, fees and commissions charged by banks. Even though inflation levels were at historically low levels (2004: +17%; 2005: +15%), these results could be different in an open-market environment. While excess liquidity and fierce competition among banks have pressured interest rates downward since 2003, the imposition of an interest rate ceiling and floors since May 2005 has boosted this trend, resulting in a tightening of operating margins that was also affected by structurally high overheads. Moreover, other possible measures to control fees and commissions are being considered and could possibly be approved during 2006, further pressuring revenue sources of Venezuelan banks even more in the midst of a tight margin environment.

- ***The high cost of the open-market operations of the central bank resulted in a new cash reserve requirement for funds managed as ceded investments.***

In February 2006, the central bank announced the imposition of cash reserve requirements for funds managed as ceded investments. These funds involve the sale to the public of rights over a portfolio of bonds issued by the government or other banks. These funds were exempt from bank reserve requirements and are recorded net of the investment portfolio. Although banks are not legally bound to honor investment funds, in practice these are viewed by the market as a liability of the institution. Starting the first week of March 2006, banks will be required to deposit at the central bank the equivalent of 5% of the ceded investment portfolio, and the requirement will be raised gradually to 15% of the portfolio over a period of 20 months. There is currently ample liquidity within the system, which suggests no major burden over the banks' treasury management, but this new requirement will, at minimum, increase the average cost of funds of Venezuelan banks going forward and, therefore, put further pressure on already shrinking profitability.

■ **Bank Performance in 2005<sup>1</sup>**

- ***Asset quality remains adequate, though loan reserves are low relative to total loans.***

Robust loan growth, adequate collection efforts and conservative chargeoffs have resulted in the lowest past due loans-to-total loans ratio since 1996 (0.9%), even when adjusting the impairment ratio for restructured loans (1.3%). Even though a 276% loan loss reserves-to-past due loans ratio at end-2005 looks adequate, loan loss provisions have lagged behind the growth of the loan portfolio. At end-2005, loan reserves to total loans decreased to 2.4%, the lowest level since the financial crisis of 1994–1995 (average 1996–2003: 7.3%). The recent growth in loans could require more conservative loan loss provision policies in order to leave the banks well placed to cope with the inherent volatility of the Venezuelan economy. However, the significant improvement in the risk-control techniques of Venezuelan banks and low related party and foreign currency lending could offset some of the concern over possible deterioration in the asset-quality ratios at least during the medium term.

- ***A complex array of factors is rapidly shrinking net interest margins, and lower expected foreign-exchange gains will contribute to this pressure.***

After many years of posting double-digit spreads, Venezuelan banks are facing a drastic decline in their net interest margin (NIM), which is explained largely by the following issues: a) excess liquidity since 2003 due to higher government spending and the benefit of foreign-exchange control; b) lower yields in the government's security portfolio; c) fierce competition among market participants; and d) the recent interest rate controls in place since May 2005. Given this situation, the NIM of the sector for 2005 declined to 5.9% (including ceded investments), compared with 11% during 2003. Although Venezuelan banks have faced recurrent interest rate controls and compulsory lending during many different periods of time, fierce competition and the continuation of the foreign-exchange control will pressure spreads even more in the short and medium term, while overheads will not necessarily decrease accordingly due to significant structural burdens that affect the system, such as the heavy use of cash and a costly system of payment combined with the relative small size of the financial system. Also, a low expected devaluation will not generate the recurrent and sizable foreign-exchange gains observed in the past 10 years, suggesting a possible decrease in system profitability.

- ***Historically high capitalization levels are rapidly decreasing.***

Since the last financial crisis in 1994–1995, Venezuelan banks have posted one of the strongest capitalization ratios among Latin American countries, with an equity-to-assets ratio that averaged 13% in the 1996–2003 period and a moderate concentration in fixed and foreclosed assets (33% of equity on average for the same period); this, combined with management's capacity to adapt to the volatility of the Venezuelan operating environment, has traditionally been the principle strength of the leading Venezuelan banks. Nevertheless, the dramatic increase in deposits since 2003 has steadily eroded that strength, as the equity-to-assets ratio declined to 11% at end-2005, which was near the current regulatory minimum of 10%. In addition, if ceded investments are included, this ratio decreased to 8.5%, well below the current regulatory minimum. Given these facts, local regulators are considering the possibility of lowering the minimum capital requirements in the short term. Fitch believes this measure would not be appropriate in the midst of a

<sup>1</sup> Results at end-December 2005 for commercial and universal banks. Source: Venezuelan Bank Superintendency and Fitch Ratings.

severe increase in the system's size and the fragility of the economic activity in Venezuela. While some banks still show strong capitalization ratios, this is not the rule for the system, as 11 banks out of 33 total commercial and universal banks show adjusted capitalization ratios below the proposed 8%.

- ***Medium-sized banks and other nontraditional participants are rapidly gaining market share.***

At end-2002, banks with more than a 2.5% market share accounted for the 74% of the total system's invested funds (assets plus ceded investment), while at end-December 2005, those banks controlled about 67% of the market. The largest winners have been small and medium-sized banks, as well as the banks controlled by the government. While the largest five banks still account for 56% of total assets, the rapid growth of small and medium-sized banks, not all of them with an adequate financial profile, could require a closer regulatory approach to ensure adequate risk-control tools and good corporate governance policies on those institutions.

- ***Two decades of a tumultuous operating environment could provide adequate skills to manage complex environments.***

In the past two decades, Venezuelan banks have confronted eight economic recessions, three different foreign-exchange controls (10 years in total), six years of interest rate controls and a long history of controls over prices of goods and services. In addition, compulsory lending for the agricultural sector has been in place for Venezuelan banks for many years, while capital flights and low loan demand have affected the system's size. With this experience in managing through turbulent operating environments, Venezuelan banks have been able to operate with adequate financial profiles and good profitability ratios, sustained by generally prudent risk-management techniques and a regulatory framework that precludes related-party lending, uncontrolled offshore activities and other typical issues that have affected Latin American banks in the past. As such, Fitch expects many market participants will be able to leverage this expertise to weather current operating limitations, while further government intervention must be evaluated as and if it occurs.

## ■ Performances of the Leading Banks

### Banesco

During 2005, Banesco continued its expansion strategy and consolidated itself as the largest bank in

Venezuela, with a 14% market share in terms of invested funds. Its second-largest competitor managed a 12% market share. Among the largest banks, Banesco showed the highest increase in its loan portfolio (+144%), while deposits and ceded investments increased by 71%, which was also the highest increase among the largest banks. Despite this important growth in loans, Banesco still shows a loan-to-invested funds ratio below the market average (30% versus 33%). In addition, the rapid increase in the loan portfolio allowed the bank to improve its past due loans-to-total loans ratio to 1.5%<sup>2</sup>, significantly lower than its 2004 result (5.3%) but still higher than its peer group. In terms of loan loss coverage, Banesco also improved its ratio to 138%, which was below the peer average but higher than the bank's 2004 level. Of note, the loan loss reserves-to-total loans ratio declined to 2.1%, which was similar to Banesco's peer group average and the sector in general. In terms of profitability, gaining market share in the midst of an aggressive competition, interest rate controls and excess monetary liquidity has eroded the bank's NIM to 5.0%. The lower foreign-exchange gains and the increase in operating expenses have diminished the bank's return on average assets (ROAA) to 2.4%, compared with the 5.6% it reached during 2004. Of note, the significant increase in Banesco's assets has resulted in a rapid decline in the bank's capitalization ratios. Despite regulatory minimums (all of which have been fulfilled by the bank), Fitch notes that if ceded investment are included, the adjusted equity-to-investment funds ratio decreased to 7.1%, which was below the almost 9% average for its peers. Considering this tight comparative capitalization ratio and lower expected profitability for Venezuelan banks, Fitch believes a more prudent expansion strategy must be followed by the banks or, at least, future capital injections would be required to balance the new size of the bank.

### Banco Mercantil (Mercantil)

As the bank with the largest loan portfolio in Venezuela, Mercantil has leveraged its expansion in its ample and diversified client base, while its profitability has been less affected than its peers due to extraordinary gains yielded from the sale of a minority stake in Bancolombia. During 2005, the

<sup>2</sup> Venezuelan banks report past-due loans and restructured loans separately. For purposes of our analysis, Fitch combines these into "impaired loans," and coverage by loan loss reserves refers to these impaired loans, unless noted separately.

loan portfolio increased by 81%, while the loans-to-invested funds ratio increased to 49%, the highest level in the past five years and the highest among the largest banks. This increase and the reduction in the past-due portfolio allowed Mercantil to post strong asset-quality ratios, with a past due loans-to-total loans ratio of 0.7% (including restructured loans) and a coverage ratio of 710%. Total reserves to gross loans reached 2.5%. As previously mentioned, despite the reduction in the bank's NIM to 6.7%, the profits generated by the sale of the Bancolombia shares and the control of overheads allowed Mercantil to sustain its ROAA at 4.1% (adjusted by ceded investments). Nevertheless, this ratio declined to 2.1% if the nonrecurring gains from the sale of Bancolombia were excluded. A conservative cash dividend policy and improvement in the bank's profitability have allowed Mercantil to preserve its capital ratios (the equity-to-invested funds ratio declined to 9% if ceded investments were included), which are the highest among large banks. Going forward, Mercantil will face narrower spreads and the need to keep its loan loss reserves at adequate levels, suggesting a proactive cost-control policy and the enhancement of its client base in order to replace the extraordinary gains observed during 2005.

#### Banco de Venezuela (BdV)

BdV is a wholly owned subsidiary of Spain's Banco Santander Central Hispano. Supported by the broader client base that resulted from its merger with Banco Caracas in 2002 and management's objective to expand its franchise in the middle-market niche, BdV was able to increase its loan portfolio by 47%, despite significant market competition. Asset quality remains strong (adjusted past due loans to total loans of 1.0% and loan loss coverage of 204%), with total loan loss reserves of almost 2%, which was consistent with the bank's historically low loss ratio. The ratio has been sustained by BdV's corporate-oriented loan portfolio and adequate credit-risk policies. Despite lower foreign-exchange gains and narrower spreads, tight cost-control policies and a proactive fee and commission pricing strategy allowed BdV to post an ROAA of 3.1%, which was above the peer average. A comparatively lower asset increase and sustained earnings allowed the bank to maintain adequate capitalization ratios, with an equity-to-assets ratio of 10.6% (8.8% if ceded investments are included), which was higher than the peer and market averages.

#### Banco Provincial (Provincial)

Provincial is a subsidiary of Spain's Banco Bilbao Vizcaya Argentaria. Similar to previous years, Provincial maintained a prudent expansion strategy during 2005, with total funding (including ceded investments) growing by 48%. During the year, the bank was able to increase its loan portfolio by 66%, reducing the participation of low-yield investments. With almost no change in the past-due loan portfolio, the increase in gross loans resulted in another improvement in the past due loans-to-total loans ratio to 0.6% (including restructured loans), while the adjusted loan loss coverage increased to 384%. Despite the increase in business volume, the bank's strategy to reorganize its balance sheet in order to enhance profitability and the low interest rate environment, increased funding costs (which were mostly affected by the new minimum deposit rate imposed since May 2005), eroding the bank's historical NIM from 9% in 2004 to 6% in 2005 (including ceded investments). This trend was partially compensated for by cost-control initiatives and an increase in other operating income. Nevertheless, Provincial still posted a 23% decrease in its net income, while ROAA was reduced to 2.5%, which was consistent with its peer group but lower compared with previous years. The bank's solid asset-quality ratios and adequate loan loss coverage could compensate for pressures over profitability from expected tighter margins and lower foreign-exchange gains. However, similar to Provincial's competitors, the expected increase in monetary liquidity will suggest a more prudent cash dividend policy in order to preserve adequate capital ratios.

#### Banco Occidental de Descuento (BOD)

The leadership of the bank in its home market and BOD's strategy to expand its franchise in the rest of the country has allowed it to increase its market share since 2002. However, the increase in the bank's funding has exceeded its lending activities, as it is one of the banks with the lowest loan-to-invested funds ratio (25%) among large and medium-sized banks. Despite the 23% increase in the loan portfolio, BOD's asset-quality ratios did not resemble the trend of the market, posting a past due loans-to-total loans ratio similar to its 2004 level (2.1% including restructured loans), while loan loss coverage improved to 193% and reserves to total loans declined just 200 basis points (bps) to 4.0%. These figures were higher than the market average but still adequate considering the historical volatility of the bank's past-due ratios. Profitability has been significantly affected by plunging spreads (partially

explained by BOD's expansion strategy and the higher than proportional share of the investment portfolio compared with other banks) and heavy overheads, despite the significant increase in other operating income. At end-2005, the bank's ROAA decreased to 1.5%, which was below the market average. Capitalization ratios continue their downward trend, with an equity-to-assets ratio of 10% (6% if ceded investments are included). A possible increase in the participation of loans in order to maximize balance sheet profitability will require a more prudent capitalization policy.

#### Banco del Caribe (Caribe)

Due to its new business model, Caribe had the highest increase in its funding base (deposits plus interbank funding plus ceded investments) among Fitch-rated banks in 2005. At end-2005, Caribe increased its funding base by 113%, while the loan portfolio grew almost 88%. This increase in loans more than compensated for a 45% increase in the past-due portfolio, resulting in a decrease of the past due loans-to-total loans ratio to 0.2%, while restructured loans kept their downward trend. Due to the relatively low past-due portfolio, reserves easily covered the impaired portfolio (900%). Nevertheless, the reserves-to-total loans ratio of 1.8% is tight, considering the volatility of the asset-quality ratios in Venezuela in past years. Despite the adequate cost-control policy and the positive behavior of Caribe's sizable financial subsidiaries (an offshore bank, two medium-sized insurance companies and other financial vehicles located abroad), the significant reduction in the bank's NIM resulted in a downturn in profitability, with ROAA declining to 2.8%, which was above the market average but significantly lower compared with the 2004 level. Despite the reduction in the bank's equity-to-assets ratio to 11% (7% if ceded investments are included), the additional capital commitment from Scotiabank (USD 58 mln) is significant and could support Caribe's growth in the medium term without undermining its capitalization.

#### Banco Exterior (Exterior)

In terms of profitability and asset quality, Exterior has historically overperformed the market, and it sustained a conservative position during 2005. With higher competition and the burden imposed by interest rate controls, Exterior successfully increased the share of the loan portfolio in its investment funds mix, achieving a loans-to-investment funds ratio of 66% (one of the highest in the system) with an

increase of 53% in its loan portfolio. This increase was mostly concentrated in its market niche, medium and small companies, which allowed the bank to preserve its ample NIM at almost 10%, significantly higher than its competitors. In addition, prudent cost control policies compensated for higher loan provisioning (in order to follow the loan portfolio increase), as the bank's ROAA stood at 4.8%, lower than its 2004 level (6.4%) but one of the highest among Fitch-rated banks. In terms of asset quality, Exterior kept its historically low past dues and conservative past-due coverage. However, loan loss reserves to total loans remains relatively low compared with international standards (1.3%). Exterior's good profitability and conservative cash dividends sustained adequate capitalization, with an equity-to-assets ratio of 12% (11% if ceded investments are included). Going forward, the bank will be facing intense competition in its market niche that could erode its margin, which is its main income source. Nevertheless, the experience of Exterior's management team could mitigate this threat.

#### Corp Banca

A very tight cost control policy (+6%), stable loan loss provisioning, a sizable increase in other operating income and the increase in the bank's size allowed Corp Banca not only to enhance its profitability ratios but also improve some of its asset-quality ratios. At end-2005, the bank increased its funding by 21%, while loans grew by 62%. These increases and the stability of the impairment figures resulted in a decrease of the past due loans-to-gross loans ratio to 1.3% (including restructured loans), less than one-half of the level recorded at end-2004. Despite this improvement, the bank's overall reserving (1.6% of total loans) appears tight, considering the volatility of the past-due ratios of the bank. Sizable cash dividends and asset growth continue to reduce Corp Banca's capital ratios with an equity-to-assets ratio of 10% (8.5% including ceded investments).

#### Venezolano de Crédito

After a significant hike in lending during 2004, Venezolano de Crédito's loan portfolio stagnated during 2005, in part as a conservative policy of the management. This trend did not result in major changes in the bank's asset-quality ratios, with a past due loans-to-gross loans ratio of 1% (including restructured loans) and adjusted loan loss coverage of 169%. However, similar to other medium-sized banks, a 1.7% ratio of loan reserves to gross loans

---

could be tight due to the historical volatility of the Venezuelan economy. Profitability remains strong due to stable margins, controlled overheads and significant other operating income, with an ROAA of

5% during 2005. In addition, prudent growth during 2005 compensated for sizable cash dividends during the year, with an equity-to-assets ratio of 10.5%. Venezolano de Crédito does not participate in the ceded investment market.

**Table 1 – Ratings for Venezuelan banks**

Bank	Individual	Support	Foreign Currency		Local Currency		Outlook	National L/Term
			L/Term	S/Term	L/Term	S/Term		
Banco Provincial	C/D	5	B+	B	B+	B	Negative	AA(ven)
Banco Mercantil	C/D	5	B+	B	B+	B	Negative	AA(ven)
Banco de Venezuela	C/D	5	B+	B	B+	B	Negative	AA(ven)
Banesco Banco Universal	D	5	B	B	—	—	Negative	A–(ven)
Banco Occidental de Descuento	D/E	5	B–	B	B–	B	Negative	BBB(ven)
Banco del Caribe	D	5	B+	B	B+	B	Negative	A+(ven)
Banco Exterior	C/D	5	B+	B	B+	B	Negative	AA–(ven)
Banco Venezolano de Crédito	D	5	B+	B	B+	B	Negative	A+(ven)
Corp Banca	—	—	—	—	—	—	—	A–(ven)
Banco Nacional de Crédito	—	—	—	—	—	—	—	BBB–(ven)

**Table 2 – Financial indicators for Venezuelan banks**

	Assets (VEB bln)		Assets (USD mln.)		Equity (VEB bln.)		Equity/Assets (%)		NPL/Total Loans (%)		LLR Coverage (%)	
	Dec-05	Dec-04	Dec-05	Dec-04	Dec-05	Dec-04	Dec-05	Dec-04	Dec-05	Dec-04	Dec-05	Dec-04
Banco de Venezuela	11,001.006	8,502.129	5,117	4,428	1,164.339	976.350	10,58	11,48	0,61	1,22	317	174
Banco Mercantil	10,850.747	8,218.411	5,047	4,280	1,200.200	1,018.487	11,06	12,39	0,35	1,10	710	311
Banesco	10,784.025	7,928.283	5,016	4,129	1,201.895	957.467	11,15	12,08	0,43	1,21	494	400
BBV Banco Provincial	10,068.459	7,874.295	4,683	4,101	1,076.121	896.699	10,69	11,39	0,49	0,86	438	366
Occidental	5,365.359	3,805.800	2,496	1,982	543.874	441.514	10,14	11,60	1,86	2,22	214	190
Caribe	2,675.092	1,523.793	1,244	794	293.496	206.985	10,97	13,58	0,20	0,26	902	1,309
Exterior	2,367.676	1,540.057	1,101	802	293.284	203.277	12,39	13,20	0,22	0,15	609	857
Corp Banca	2,316.116	2,009.187	1,077	1,046	238.406	249.292	10,29	12,41	0,60	0,92	265	264
Venezolano de Crédito	1,718.719	1,628.817	799	848	180.784	192.592	10,52	11,82	0,51	0,54	336	307
<b>Commercial and Universal Banks</b>	<b>85,721,800</b>	<b>56,272,866</b>	<b>39,871</b>	<b>29,309</b>	<b>9,414,466</b>	<b>7,029,797</b>	<b>10,98</b>	<b>12,49</b>	<b>0,89</b>	<b>1,65</b>	<b>276</b>	<b>224</b>

	Net Income (VEB bln)		Net Int. Rev./Assets* (%)		ROA* (%)		ROE (%)		Cost-Income (%)		Cost/avg. Assets* (%)	
	Dec-05	Dec-04	Dec-05	Dec-04	Dec-05	Dec-04	Dec-05	Dec-04	Dec-05	Dec-04	Dec-05	Dec-04
Banco de Venezuela	355.955	384.502	6,14	8,30	3,09	4,89	33,26	45,26	58,18	54,52	5,44	6,97
Banco Mercantil	471.874	355.733	6,73	9,03	4,14	4,68	42,54	39,69	56,31	61,10	6,58	7,60
Banesco	319.522	438.394	5,04	6,93	2,37	5,62	29,59	54,73	67,26	50,46	5,31	6,13
BBV Banco Provincial	272.933	355.966	6,33	8,89	2,54	4,85	27,67	44,22	67,26	58,11	6,05	6,93
Occidental	113.593	130.764	4,26	7,28	1,54	2,63	23,06	32,69	73,11	62,32	5,25	5,52
Caribe	87.374	102.453	5,56	8,87	2,79	5,76	34,92	57,66	67,85	60,21	6,54	9,02
Exterior	114.248	107.313	9,75	11,43	4,75	6,40	46,02	62,29	42,97	41,68	4,78	5,46
Corp Banca	136.203	101.574	6,18	8,11	5,31	5,03	55,86	49,51	51,06	56,29	5,90	7,07
Venezolano de Crédito	83.067	78.869	8,90	9,17	4,96	5,39	44,50	44,55	53,43	52,57	7,31	6,82
<b>Commercial and Universal Banks</b>	<b>2,596,946</b>	<b>2,598,238</b>	<b>5,89</b>	<b>8,40</b>	<b>2,93</b>	<b>4,72</b>	<b>31,58</b>	<b>42,63</b>	<b>61,49</b>	<b>56,02</b>	<b>5,63</b>	<b>6,92</b>

Consolidated Figures.

Average Inflation: FY05: 16.2%; FY04:22.1%  
Exchange Rate: Dec-05: 2,150; Dic-04: 1,920

\* Adjusted by investment funds

Copyright © 2006 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004.

Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. All of the information contained herein is based on information obtained from issuers, other obligors, underwriters, and other sources which Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of any such information. As a result, the information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed, suspended, or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from USD1,000 to USD750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from USD10,000 to USD1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.