

VENEZUELAN PRIVATE BANKS – 2000 RESULTS

The Economic Environment

The recession that has mired the Venezuelan economy since late 1998 came to an end in 2000, mainly due to the improvement of oil prices, which permitted a higher level of public spending and to a lesser extent a strengthening of private demand for goods and services. Those factors supported GDP growth of 3.2%, reflecting a dramatic improvement over the 6.1% contraction in 1999 and the economic stagnation in 1998. A relaxation of political uncertainty following the completion of constitutional reform and relegitimation of the country's elected officials also supported the economy's growth during the second half of 2000.

The year's overall GDP growth reflected a broad expansion covering most sectors of the economy, itself a product of the multiplier effect exerted by a 3.4% expansion of the oil sector. Positive variations were reported for transportation and communications (9.3%), commerce (5.1%), manufacturing (3.6%), oil (3.4%), services (3.1%), and agriculture (2.2%). Construction, on the other hand, continued to decline, suffering a 4.9% contraction.

The quickening pace of economic activity was accompanied by a modest reduction of unemployment to 13.2%, but the proportion of the work force occupied in the economy's informal sector rose to 54%. This figure weakens the benefit of declining unemployment because informal workers generally do not receive the benefits of the country's labor legislation and are subject to highly unstable income levels.

The large-scale inflow of foreign exchange from oil exports -US\$ 28.716 billion, the highest amount of oil earnings in 10 years- not only allowed the government to greatly increase spending, but also made it possible to continue anchoring the exchange rate to restrain inflation (13.2% in 2000); that in turn set the stage for a decline of interest rates. The year's average lending rate of 26.1% was more than 8 percentage points below its 1999 level, while the 14.8% average deposit rate was 6.1 percentage points lower than in the previous year. Since the lending rate dropped more than the deposit rate, the nominal spread narrowed by almost 2 percentage points, to 11.2%. The 17.9% growth of the monetary base, produced by the buildup of foreign reserves, spurred a 27.8% expansion of monetary liquidity, which made it possible for deposits from the public in the banking system to grow as well.

As oil prices remain high, Fitch expects the benign economic trends of 2000 to continue in 2001. However, Fitch remains concerned about the course of economic policy in Venezuela. Structural reforms that would widen the non-oil tax net and increase the efficiency of spending and the adoption of an exchange rate policy that would cease to disadvantage the non-oil export sector would be welcomed developments. In the event of a significant decline in oil prices, positive economic trends could be easily reversed without further policy actions.

The Legal Environment

The changes in the legislation governing the Venezuelan financial system during the year 2000 reflected the government's continued attempt to lower nominal interest rates while strengthening the system in the wake of the deep recession into which the economy had fallen in the preceding years. Toward the end of 1999 the Superintendency of Banks and Other Financial Institutions (SUDEBAN) restricted dividend payments by the financial institutions for an unspecified period, to keep the political instability from provoking excessive dividend payments and depressing capitalization levels. From that time on, dividend payments have been limited to the lower of maximum of 50% of net earnings, and 50% of retained earnings up to the date of payment. Furthermore, SUDEBAN adopted a resolution in late 2000 imposing new minimum capital requirements to which the country's financial institutions will be subject effective June 30, 2001. The new minimum capital requirements are significantly higher than the ones they replace, (see Table N° 1), and should encourage further consolidation in the system. The resolution raises the minimum capital requirements in three semi-annual stages, between its original effective date and June 30, 2002; its effects will be largely felt among smaller institutions, particularly those that are specialized and not part of an existing universal bank.

As part of the legislative reform process beginning with the adoption of the new Constitution, the financial authorities are now in the process of revising the legal regulations governing the financial system. The Central Bank of Venezuela Act, the General Banks and Other Financial Institutions Act, and the Insurance and Reinsurance Act are expected to be amended, and a new Microfinance Act is expected to be enacted, in the course of 2001. Some of the new provisions contained in drafts of the

**TABLE N° 1
NEW MINIMUM CAPITAL REQUIREMENTS**

Type of Institution	Current Capital		Capital Requirement	
	VEB	USD	VEB	USD
Universal banks	3.0 bln	30 mln	34.8 bln	50 mln
Commercial banks	1.2 bln	12 mln	13.920 bln	20 mln
Mortgage banks	600 mln	6 mln	6.960 mln	10 mln
Investment banks	700 mln	7 mln	8.120 mln	12 mln
Financial leasing firms	400 mln	4 mln	5.640 bln	6.6 mln
Money market funds	400 mln	4 mln	4.649 bln	6.6 mln

Note: The dollar amounts were calculated at the exchange rate prevailing at the date of each resolution's adoption: October 1983 = 100.60 VEB/USD; December 2000 = 700 VEB/USD.

General Banks and Other Financial Institutions Act are:

- a) Unification of the legislation governing the savings and loan institutions with banking legislation.
- b) Improvements in nonbanking credit information systems.
- c) Indexing of the minimum capital requirements for the operation of financial institutions.
- d) Increase of the minimum risk weighted capital level to 12%; existing norms already establish a minimum risk weighted capital ratio of 12%, although this level is not written into existing law.
- e) Updating of the maximum deposit level covered by the deposit guarantee fund to approximately USD 14,000, equivalent to nearly four times per capita GDP at the end of 2000.
- f) Legal enforceability of electronic accounting and user information systems.
- g) Regulation of electronic banking services.
- h) Broader powers for providing financial assistance to troubled banks and for intervention, nationalization and eventual liquidations of banks.
- i) Addition of a new chapter on States of Financial Emergency, which have until now been regulated by a special law.

In addition to the new capital requirements, the SUDEBAN has taken a proactive position in encouraging mergers and acquisitions in the financial system. The government approved legislative measures during the year (the "Operating Rules for Merger Procedures in the National Banking System" and the "Stimulus to Competitiveness, Equity Strengthening, and Rationalization of Transformation Expenses in the Banking System") in an attempt not only to reduce the excessive number of institutions active in the local market but also to spur further improvement of the generally poor level of efficiency

in the Venezuelan banking system by making use of economies of scale and technological innovation. This resulted in a larger number of mergers and acquisitions in 2000: 15 had been completed or announced since 1998, including mergers among institutions belonging to the same financial group and mergers with third parties, but excluding conversions to universal banking status authorized by the SUDEBAN. This trend will bring about not only continued change in the financial sector's composition but also a major reduction in the number of institutions, in both the short and medium term; when the wave of mergers now under way is completed, at least 12 out of the 89 institutions active at the end of 1999 will have disappeared (*see Table N°3 in the attached annex*). With the consolidations including transactions affecting some of the largest banks in the system, the once pronounced differences in market share between the largest banks have been significantly reduced, with little separating the differences in market share among the three largest banks in the system.

While we view many of the proposed reforms as generally positive and necessary to the continued modernization of the banking system, it is also apparent that the authorities may be relying on the reforms to regulate the system to a level of detail not normally contained in prudential regulations. Proposed measures such as those that eliminate or restrict lottery linked savings deposits and impose maximum allowable levels of fees and commissions would take decisions that are usually market driven out of the banks' hands and eliminate some of the benefits of open competition. It is also interesting to note that the draft legislation proposes to transform the current norm requiring a minimum risk-adjusted capital level of 12% into law, leaving the regulatory authorities less flexibility to adjust this requirement going forward as further refinements to risk weightings of specific asset classes may follow the future implementation of changes in BIS guidelines.

Sectoral Performance¹

The recovery of economic activity had a relatively positive impact on the commercial and universal banking subsector's performance in 2000. The volume of business grew, though profitability did not, and asset quality indicators showed modest improvement. The system's gross credit portfolio expanded by 25% over its 1999 level, mainly due to a revival of credit demand from the large corporate sector, which dominated portfolio expansion. The following sectors posted the strongest growth rates: manufacturing (87%), agriculture (56%), commerce (38%), and construction (33%). Consumer loans only gained 8% in the year, and represent 20% of the system's loan portfolio. In spite of this behavior, however, the growth of lending was again exceeded by that of investments in securities, which gained 56% and came to account for 19% of total assets (up 3 percentage points), a higher level than in other emerging countries. Note that the growth of investments in government securities not only increased the banking system's asset concentration risk, but also imposed a greater rigidity in the structural maturity gap long present in the system, in view of the lengthening of these securities' maturity to 500 days or more and the meager development of the secondary market, while deposits generally are at sight or mature in no more than 90 days, with average tenors even lower. Furthermore, the more than proportional growth of deposits vs. assets once again depressed the year's index of intermediation (loan portfolio/deposits), by 7 percentage points to 54% the lowest level recorded since 1997. The lengthening of the maturity of the stock of government securities, combined with the aforementioned structural maturity gap, underline our long-standing concerns regarding liquidity in the Venezuelan banking system. With a limited secondary market for securities, and with the Central Bank not acting as a market maker for such securities, the banking system has proved vulnerable to liquidity pressures in the past, and little action has been taken to improve this situation.

The 28% expansion of monetary liquidity in the year stemmed from a 36% growth of deposits from the public, which unlike prior years was a result of a major (46%) growth of demand deposits. The latter represent 45% of total deposits. Savings and time deposits advanced by 32% and 28%, respectively, though their shares of total assets retreated slightly to 29% and 21%. Note that most

deposits in the Venezuelan financial system are of the transactional kind, since the bolivar's steady devaluation and the persistence of negative real interest rates discourage the maintenance of savings in bolivar-denominated accounts. The structure of Venezuelan banks' deposits continues to be dominated by sight and savings accounts (the latter with few effective restrictions on withdrawals), which represented about 75% of total deposits at end-2000. While deposits at major banks have proved generally stable, this anomaly of the Venezuelan banks continues to allow for the specter of potential liquidity squeezes in moments of deposit flight.

As regards asset quality, the growth of impaired loans slowed to 4% in 2000, resulting in a decline of the system's ratio of impaired loans to total loans by nearly 1 percentage point to 4.7%; the ratio benefited from credit expansion, as well as from continued charge-offs of aged impaired portfolios, particularly at the large banks. With high minimum levels of regulatory required loan loss reserves in place, the banks followed a conservative credit portfolio provisioning policy, increasing loan loss reserve coverage by 7% to 133% of impaired loans; that figure was 14 percentage points higher than in 1999. Note that Venezuelan banks regularly maintain impaired loan loss reserve coverage higher than 100% of stated levels of reported impaired loans. The relatively high reserves help shield them from the difficulty of foreclosing on security, given the inefficiencies of the legal system and the frequent drastic shifts in the level of economic activity.

Despite the rising volume of business, the narrowing of the financial spread depressed the banking system's profit margin, continuing a trend also seen in 1999. Average net interest margins (NIM) fell from 15% to 11%. As a result, most banks launched ambitious operating cost reduction programs during the year (some had already done so in 1999), which led to a 6% reduction of payroll in spite of a 5% expansion of local offices. These initiatives significantly reduced the growth of operating expenses to a mere 4%, far below the inflation rate for the period. However, this disproportionate reduction of the NIM again depressed the Cost/Income ratio by 3 percentage points to 74%. At the same time, the NIM contraction was partially offset not only by operating cost reductions, but also by higher trading and fee income. Although the latter accounted for only 5% of total revenues in 2000, this compares favorably with the 1% posted in 1998. Net earnings failed to match inflation for the period, rising only 8%. This depressed the system's ROA and ROE figures to just 2% and 18%, respectively.

¹ Growth rates based on the unconsolidated, unadjusted for inflation figures for Commercial and Universal Banks published by SUDEBAN. Inflation in 2000: 13.2%

Lower profitability levels, asset growth, and lower capital contributions resulted in a reduction of equity growth, resulting in a equity/total assets ratio for the system of 12.86%, almost one percentage point lower than the 1999 level. Nevertheless, the change of the asset mix (with government securities growing faster than loans) benefited the risk weighted ratio, which improved to 16.84%; this improvement could be reversed during 2001 because of the expected increase in lending.

The Performance of Venezuela's Leading Banks

Large Banks

Banco Provincial (BPV): In 2000 BPV (a 52% owned subsidiary of Spain's Banco Bilbao Vizcaya Argentaria) pressed forward with the restructuring process launched the year before, which involved substantial staff cuts and strict control over operating expenses, and was evident in a rare actual drop in operating expenses. The bank intensified its risk control efforts, and finally incorporated into the universal bank the operations of Banco de Lara, a regional bank owned since the mid-80's by Inversiones BANPRO, BPV's sister company. This allowed the Bank to support its market share in the midst of the wave of mergers in the industry. Though total assets and total loans expanded, the narrowing of the financial spread, the stronger competition in the banking industry, and lower yields paid by investments in securities resulted in a decline of the NIM to 10.98 (14.68% in 1999), which more than offset the cost reductions in real terms and drove ROA down to 2.6%. However, loan growth, charge offs, and the benefits of the continued implementation of tighter risk standards yielded an improvement in the ratio of impaired loans to total loans from 5.7% to 3.9% at end-2000, while coverage of impaired loans remained robust at 147%. As was the case at most banks, capital ratios remained under pressure from balance sheet growth; should planned growth in 2001 pan out, these ratios will continue under pressure. Capital is entirely Tier I, and BPV has written down some of the goodwill associated with its acquisitions. For 2001 BPV will confront a banking market more concentrated around the major participants, which will put pressure on market share, and hence, on profitability. While not ruling out further opportunistic acquisitions, BPV will likely look to organic growth going forward. With its principal competitors still digesting significant acquisitions and the restructuring begun after BBVA's takeover well advanced, BPV should be well positioned to benefit from its strong local position if/when the local market sees a rekindling of sustained broader loan demand.

Banco Mercantil (BM): At end-December 2000, BM completed its merger with Interbank, a medium-sized bank it had acquired in mid-year. That move yielded a growth of market share to 15% of system assets (for operations in Venezuela only). BM became the country's largest financial institution when the operations of its overseas branches and agencies, and the volume of funds passing through its liquid asset fund, are factored in. The growing volume of business, plus the complementarity of operations contributed by Interbank in the areas of mortgage lending and deposits and service to middle and upper-income individuals, should allow BM to take better advantage of its operating structure and thus begin to improve its efficiency. Interbank's incorporation into BM's operations did not imply a major change in the structure and quality of the bank's balance sheet; BM's relatively low level of impaired loans and its adequate coverage remained in place. But stronger competition and a slight decrease in the loans' yield, together with the initial cost of the merger, have driven down BM's margins; nevertheless, some extraordinary gains from the sale of non-productive assets (VEB 24.5 bln.) allowed BM to improve bottom line profitability. Capital ratios were affected by the acquisition (equity/assets: 12.2%), as was the makeup of BM's capital base, as payment for the acquisition included the issue of USD 80 mln of preferred stock, creating an important Tier II element in the bank's capital base; the transaction also generated substantial goodwill (VEB 130 bln.) which will likely be written down over the generously long period allowed under Venezuelan regulation. In 2001 BM will focus on integrating the two organizational cultures following the merger and maximizing the potential for cross-selling of products to the new clientele, while continuing its efforts to minimize the loss of customers typical of all merger processes. The bank, like its peers, plans for solid loan growth, although these plans may be tempered by economic conditions.

Banco de Venezuela (BdV): This institution, 93% owned by Spain's BSCH, continued to expand its volume of operation, raising its market share by 1 percentage point to 13% on a stand alone basis, (almost 20% including Banco Caracas) for assets through an aggressive policy of placements in the corporate market, the chief source of demands for the Bank's loans. This growth of credit portfolio has been achieved through the application of rigorous risk control systems, which have given BdV better asset quality level than the average for its peer group; impaired loans amounted to just 2% of gross loans and are reserved at over 150%. Though the Bank has a below-average NIM (9% for 2000), the lower cost of creating loan loss reserves stemming from higher

portfolio quality, and the low Cost/Income ratio (65%) relative to its local peers have given BdV an ROA higher than the market average and that of its peer group (3%). At the end of 2000, the Bank completed its purchase of 93% of the shares of Banco Caracas (the country's fourth-largest bank in terms of assets at the time) for 316 mln dollars. This acquisition required a capital injection by the BSCH group exceeding USD280 mln to fund the transaction; the bank reported a risk weighted capital ratio of 23.6% following the capital infusion and the subsequent acquisition. It is expected that Banco Caracas will merge into BdV before June 2002.

Banco Unión (Unibanca): The merger and subsequent conversion to a universal bank of Banco Unión and Caja Familiar EAP (the country's largest savings and loan institution) was announced in May 2000. The merger of these two institutions was completed in February 2001, creating an institution with over VEB. 3.2 bln of assets (4th in the ranking by total assets), which has an especially strong presence in credit cards, mortgage lending, and financing for medium and small firms. Its balance sheet, however, continues to be burdened by a high level of impaired loans, loan loss reserve coverage level below the market average, and a level of capitalization which is sufficient to meet regulatory requirements but not large enough to support the expected growth of banking activity in 2001. Unibanca will face strong competition from the other large banks in 2001, together with the challenges posed by the integration of two organizational cultures following a merger. The unification of operating platforms, personnel training, harmonization of the branch network, and improvement of the risk systems will all put additional pressure on operating costs.

Banco Caracas (BCS): Since BdV became its majority shareholder, BCS has been caught up in a wide-ranging restructuring program undertaken to improve asset quality, lower operating costs, and generally enhance profitability. The financial results as of the end of 2000 were adversely affected by the aggressive write-off and portfolio provisioning policy mandated by BSCH's rigorous operating standards, and by staff reductions. As a result, ROE for the year barely reached 1%.

Medium-Sized Banks

Corp Banca (CBV): Following its merger with Banco del Orinoco late in 1999, CBV focused its attention on integration of the two institutions' processes and cultures, and continuation of the operating cost reduction program, in a climate of

intensifying competition. The stronger competition in the banking market has not only raised barriers to the institution's growth, but also put pressure on its margins; NIM fell to 13.4%. The improvement of NIM is being backed by an aggressive program to cut operating costs (which dropped by 8% in nominal terms during 2000) and a growth of Other Operating Income. Having reduced the pressure of Banco del Orinoco's impaired loans, consolidated its risk control system, and received a stimulus from the moderate recovery of economic activity, CBV succeeded in containing the growth of its problem loan portfolio and actually reduced the ratio of impaired loans to gross credit portfolio by 1 percentage point to 6.1%, although this level is still above the market average. By the end of December 2000 the Bank had increased its coverage of impaired loans to 111%. It expects to continue expanding in the retail market in 2001, in order to maintain its margins.

Banesco (BBU): In spite of intense competition, BBU's aggressive pursuit of deposits from government funds and individual banking markets yielded a growth of deposits from the public approaching 60%. But in view of the institution's meager lending volume, the credit portfolio's share of total assets declined to just 31% and NIM retreated 4 percentage points to 15.45%. Despite the contraction of NIM, the higher volume of business and a reduction of operating expenses by nearly 10% in nominal terms allowed BBU to improve its ROA to the 3% region. Though the Bank's asset quality and profitability indicators improved, they are still below average for its peer group. Banesco is expected to join up with Unibanca during the second half of 2001.

Banco Occidental de Descuento (BOD): BOD's growth in recent years has substantially depressed its profitability, driving NIM down to 10% in 2000 (vs. a 23% average in the 1996-98 period) and steadily raising operating costs generated from an aggressive policy of expansion of the branch network and services (the Cost/Income ratio was 79% for year 2000). Portfolio quality has deteriorated, as the ratio of impaired loans to gross loans rose to 6% at the end of 2001, a level slightly above the peer group average. However, the bank maintains sufficient loan loss reserve coverage (137%), thanks to the important increase in specific loan reserves mandated by the local regulators at the beginning of 2000. At the end of 2000, BOD's shareholders launched a USD 25 mln capitalization process designed to meet the SUDEBAN's new equity requirements and also allow for the institution's future growth. This resulted in an increase of more than two percentage points in its equity/assets ratio to 10.1%. In the short and medium

term BOD needs to work hard to contain the reduction of its margins and apply strong cost control programs, to achieve a level of profitability high enough to strengthen its equity base while investing in new services and products.

Banco del Caribe (BDC): In 2000 the institution continued applying its restructuring program, including a new operating platform, the development and implementation of a central risk unit, and the addition of new products with the assistance of its strategic partner, Scotiabank (owner of 27% of BDC). BDC increased its ROA to 2.7%, mainly due to a 52% reduction in the cost of creating reserves, thanks to a slowdown in the growth of loan delinquencies. That allowed the bank to offset both the 3 percentage-point decline of NIM to 13.45% and the 7 percentage-point deterioration of its Cost/Income ratio to 76.28%. Though the growth of problem loans slowed down, BDC still has an impaired loan portfolio to total credit portfolio ratio higher than that of its peer group (6%). Coverage, however, is comparable to that of competitors (150%).

Banco Exterior (BEV): Despite the reduction of margin, BEV continued to outperform its peer group in terms of profitability, asset quality, and capitalization. The decline of interest rates and growth of competition in the industry had depressed its historically high NIM, which fell 1 percentage point to 18.11% for 2000. However, the reduction of operating costs and loan loss provisions, plus the new increase of other operating income, improved its already high profitability; ROA exceeded 6%, one of the best figures in the industry. Note that BEV succeeded in reducing the deterioration of its credit card portfolio (which had been hard hit in 1999) during the year, with which not only did it further cut

its already low level of impaired loans (0.6% of total credit portfolio) but it also increased its coverage to almost 700%. In 2001 BEV will have to maintain strict control over its operating costs and continue expanding other operating income to maintain its profitability in the midst of the intense competition in the banking industry.

Banco Venezolano de Crédito (BVC): In spite of the economic recovery, BVC continued to follow its traditionally very conservative lending policy, which led to yet another nominal reduction in its credit portfolio in 2000. Lending was replaced by investments in securities (only a minority of which were in government securities, unlike the rest of the industry). The result was a new decline of NIM to 11% (down 4 percentage points from 1999). That reduction of NIM was offset by efficient operating cost controls and significant growth of other operating income, mainly in the form of exchange gains stemming from BVC's intense activity in the FOREX market and upward adjustments of fees for services. All these factors produced yet another improvement of the Bank's cost/income ratio to 56%. BVC's substantial participation in the corporate financing market, which is subject to very strong competition among the major banks, will require a stricter control of expenses and greater diversification of income in order for the institution to maintain its high level of profitability.

Rating Outlook

In the face of continued uncertainty that has deflated national confidence levels over recent times, bank results have stagnated as loan growth has been tepid, and concentrated largely in lower margin growth of lending to the top end of the country's private sector. While this has had the effect of

**TABLE N° 2
FITCH RATINGS**

Bank	Individual	Support	Foreign Currency		Local Currency		Outlook	National Rating
			L/Term	S/Term	L/Term	S/Term		
Provincial	C	3T	BB-	B	B+	B	Stable	vAA+
Mercantil	C	4T	BB-	B	-	-	Stable	vAA+
Venezuela	C	3T	BB-	B	-	-	Stable	-
Banco Unión (UNIBANCA)	D/E	4T	B	B	-	-	Evolving	-
Caracas	D	4T	B+	B	-	-	Positive	vA+
Corp Banca	-	-	-	-	-	-	-	vA+
Occidental de Descuento	C/D	4T	B+	B	-	-	Stable	-
Caribe	D	4T	BB-	B	-	-	Stable	vAA-
Exterior	C	4T	B+	B	-	-	Stable	-
Venezolano de Crédito	C	4T	BB-	B	-	-	Stable	-

producing apparent improvement in systemic loan quality indicators, it does not bode favorably for bank profitability. Fitch expects that margin pressure will continue in 2001, influenced by intense competition in the banking sector, government pressure to narrow the financial spread, and muted loan demand from higher margin retail and middle market sectors of the economy. That trend could be partially offset, however, by the expected effects of the operating cost reduction plans and a better implementation of service commission collection policies. We do not anticipate any changes to our ratings in the short-term.

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**TABLE N° 3
BANK MERGERS (1998-2000)**

Banks	Status	Assets* (VEB bln)	Resulting Entity/Notes
Bancarios (EAP) / Maracay (EAP) / Caja Popular (EAP) / La Industrial (EAP) / El Porvenir (EAP)	C	n.a.	Caja Familia (EAP)
Caja Familia (EAP) / La Primera (EAP)	C	n.a.	Caja Familia later merged with Banco Unión
Banco Caracas (BU) / FIVENEZ (BU)	C	1.309.112	Banco Caracas (BU)
Corp Banca (BU) / Corp Hipotecario (BH) / Corp Banco de Inversión (BI) / Corp Leasing (AR) / FAL Corp Banca (FAL) / Banco del Orinoco (BC)	C	803.777	Corp Banca (BU)
Del Sur (EAP) / Mérida (EAP)	C	n.a.	Del Sur later merged with Oriental
Del Sur (EAP) / Oriental (EAP)	C	372.547	Del Sur (EAP)
Banco Provincial (BU) / Banco de Occidente (BU)	C	n.a.	Provincial later merged with Lara
Banco Provincial (BU) / Banco Popular (BU)	C	n.a.	Provincial later merged with Lara
Banco Provincial (BU) / Banco de Lara (BU)	C	3.339.610	Banco Provincial (BU)
Interbank (BU) / Venezolana (EAP)	C	n.a.	Interbank Later merged with Mercantil
Banco Mercantil (BU) / Interbank (BU)	C	2.885.203	Banco Mercantil (BU)
Fondo Común (EAP) / Del Centro (EAP)	C	n.a.	Fondo Común later merged with Banco República
Fondo Comun (EAP) / Banco República (BU)	C	618.734	Fondo Común (BU)
Banco Noroco (BC) / Valencia (EAP)	C	135.635	Norvalbank (BC)
Banco Unión (BU) / Caja Familia (EAP)	C	2.246.485	Unibanca (BU)

BU= Universal Bank; EAP= Saving & Loan Institution; FAL= Money Market Funds C= Completed
Does not incorporate FAL's and operations outside Venezuela.

TABLE N° 4
LARGEST VENEZUELAN BANKS
(Results for the year ended 31st December 2000)

	Assets (VEB bln)		Equity (VEB bln.)		Loan Portfolio (VEB bln)		Equity/Assets (%)		NPL/Total Loans (%)		LLR Coverage (%)	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
BBV Banco Provincial ^a	3.339,6	2.436,2	390,8	330,9	1.430,4	1.177,7	11,70	13,58	3,85	5,73	146,90	157,17
Banco Mercantil*	3.201,7	2.141,8	352,5	267,5	1.702,9	1.185,9	11,01	12,49	3,90	4,40	145,00	137,30
Banco de Venezuela	2.501,3	1.690,4	445,485	187,732	1.028,2	763,7	17,80	11,10	2,00	2,30	155,40	166,50
Banco Unión (Unibanca) ^a	1.488,3	1.144,6	89,1	75,3	536,5	470,1	5,99	6,57	4,91	6,68	138,21	113,63
Banco Caracas	1.309,1	1.000,6	129,4	106,7	629,8	617,9	9,88	10,67	6,02	5,49	96,35	110,15
Corp Banca	945,0	827,9	90,3	96,1	511,3	482,6	9,60	11,60	4,60	5,50	111,20	94,10
Banco del Caribe	586,4	527,5	90,8	80,2	317,0	293,8	15,48	15,20	5,99	6,75	150,27	135,68
Banesco	693,9	470,9	70,2	54,4	213,4	184,1	10,11	11,56	7,40	8,62	153,91	119,47
Banco Occidental de Descuento	632,7	456,5	64,1	36,7	211,9	199,5	10,13	8,03	6,14	4,66	137,25	133,32
Banco Exterior	467,5	309,7	68,0	58,9	276,5	192,4	14,54	17,91	0,61	0,91	692,71	536,13
Banco Venezolano de Crédito ^a	386,0	211,3	81,0	69,1	179,5	181,2	20,98	22,19	1,66	1,19	224,86	267,93
System Average	18.794,0	14.139,6	2.364,8	1.877,5	7.880,1	6.219,9	12,86	13,71	4,69	5,67	132,95	119,32

	Net Income (VEB bln)		Net Int. Rev./Assets (%)		ROA (%)		ROE (%)		Cost-Income (%)		Cost/avg. Assets (%)	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
BBV Banco Provincial	74,6	85,9	10,98	14,68	2,58	3,65	20,67	30,95	78,57	74,52	10,57	12,97
Banco Mercantil*	69,8	50,9	12,60	14,00	3,00	2,50	23,90	20,40	78,50	73,00	11,68	11,97
Banco de Venezuela	61,6	56,4	8,83	12,80	2,90	3,70	19,50	30,90	65,10	62,80	7,80	10,70
Banco Unión (Unibanca) ^a	10,8	6,1	9,37	14,02	0,82	0,61	13,14	8,48	82,62	81,75	11,18	14,14
Banco Caracas	13,1	26,3	11,42	16,11	1,14	3,33	11,13	30,53	77,48	68,33	10,53	12,61
Corp Banca	26,0	15,5	13,30	13,40	2,90	1,80	27,90	18,30	76,40	77,60	13,30	14,80
Banco del Caribe	14,9	12,8	13,45	16,67	2,67	2,51	17,39	18,32	76,28	69,11	14,27	13,78
Banesco	18,6	14,3	15,45	19,24	3,20	3,22	29,90	25,90	66,34	81,05	12,18	17,55
Banco Occidental de Descuento	10,0	9,3	10,10	13,61	1,83	2,36	19,78	28,31	79,31	62,26	8,67	9,14
Banco Exterior	24,1	16,8	18,11	19,36	6,21	6,00	38,03	34,55	52,33	55,14	10,57	15,34
Banco Venezolano de Crédito	29,0	21,2	11,21	15,46	8,32	7,01	38,66	34,43	55,14	60,12	10,62	11,31
System Average	430,1	397,8	11,11	14,84	20,51	3,00	19,47	22,40	74,05	71,30	10,68	12,74

Consolidated Figures.

^a Unconsolidated Figures

* FY2000 figures adjusted to equalize de effects of Interbank´s merger.

Inflation: 1999 20,0% 2000 13,2%

Exchange Rate: 1999: 648.75; 2000 699.75