



## Fitch Upgrades Venezolano de Credito's National Ratings

10 Aug 2011 2:24 PM (EDT)

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Fitch Ratings-New York-10 August 2011: Fitch Ratings has upgraded Venezolano de Credito, S.A. Banco Universal's (Venezolano) national ratings as follows:

- National Long-Term Rating upgraded to 'AA-(ven)' from 'A+(ven)';
- National Short-Term Rating upgraded to 'F1+(ven)' from 'F1(ven)'.

In addition, Fitch has affirmed the following international ratings:

- Foreign Currency Issuer Default Rating (IDR) at 'B+';
- Local Currency IDR at 'B+';
- Short-Term Foreign Currency IDR at 'B';
- Short-Term Local Currency IDR at 'B';
- Individual Rating at 'D';
- Viability Rating at 'b+';
- Support Rating at '5';
- Support Floor at 'NF';

The Rating Outlook on the Long-Term IDRs is Stable.

The upgrade on Venezolano's national scale ratings recognizes the bank's resilient financial performance relative to domestic peers (privately-owned universal and commercial banks) in times of economic stress and regulatory intervention. Venezolano's key profitability, capitalization and asset quality ratios remain among the strongest of its domestic peers.

Venezolano's ratings reflect its established franchise, strong asset quality, above average profitability and overall conservative risk appetite relative to domestic peers and similarly rated international peers (commercial banks with a long-term IDR of 'B-', 'B' or 'B+').

Government intervention that pressures Venezolano's financial performance could negatively affect its ratings. There is limited upside potential to the bank's international ratings given Venezuela's current long-term IDR of 'B+'.

Like other Venezuelan banks, local regulations that cap interest rates and fee income, as well as higher operating costs related to inflation, have pressured profitability in recent years. Nevertheless, Venezolano's low credit costs and diverse revenue base have maintained the bank's key profitability ratios well above domestic peers with an ROAA of 3.6% at YE10. Venezuelan banks are not required to adjust their financial statements for inflation. However, based on complimentary information that adjusts for inflation, Venezolano's ROAA was 1.3% at YE10.

Earnings growth has kept pace with asset growth, contributing to a stable equity/total assets ratio, which reached 10.9% at the end of June 2011, compared to a system average of 8.3%. The bank's Fitch Core Capital/Weighted risks ratio reached 26% at year-end 2010, which also compares quite favorably to domestic and international peers.

At 0.68% as of the end of June 2011, Venezolano's impaired loans/gross loans ratio continued to compare favorably to a domestic peer average of 1.9% and to international peers. Loan loss reserve coverage of impaired loans declined slightly to 214% at the end of June 2011 and is on par with domestic banks. This ratio continues to compare favorably with international peers and should be viewed within the context of the bank's lower risk, predominately corporate loan portfolio.

Venezolano is a small bank (1.7% of banking system assets) that is well positioned in the corporate and high net worth client market and has been considered a refuge bank in times of stress. Established in 1925, Venezolano is owned by an array of local and international investors.

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Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)' and '[www.fitchvenezuela.com](http://www.fitchvenezuela.com)'. The issuer did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

Applicable Criteria and Related Research:

--'Global Financial Institutions Rating Criteria', July 16, 2011;

--'Short-Term Ratings Criteria for Corporate Finance', Nov. 2, 2010;

--'National Ratings Criteria', Jan. 19, 2011.

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Global Financial Institutions Rating Criteria

Short-Term Ratings Criteria for Corporate Finance

National Ratings Criteria

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