Fitch Affirms Venezolano de Credito Ratings; Outlook Revised to Stable

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Fitch Ratings-New York-18 December 2008: Today, Fitch Ratings has revised the Rating Outlook of the Venezuela-based Venezolano de Credito Banco Universal ('Venezolano') to Stable from Negative. In addition, Fitch has affirmed Venezolano's ratings as follows:

--Long-term foreign and local currency Issuer Default Ratings (IDR) at 'B+';

--Short-term foreign and local currency rating at 'B';

--Individual at 'D';

--Support at '5';

--Long-term National rating at 'A+(ven)';

--Short-term National rating at 'F1(ven)';

--Support Floor rating at 'NF'.

The Outlook for the long-term IDR is Stable. Government intervention is a major risk for Venezuelan banks, nevertheless, Venezolano conservative management, long lasting expertise, strong profitability and current capital base, provide some room of maneuver in case of further interventions.

Venezolano ratings reflect its well established franchise, good asset quality, above average profitability and overall conservative risk appetite. Venezolano's ratings are constrained by the negative effects of government intervention over the bank business.

Along years, Venezolano asset quality have compared favorably with market trends (despite its higher concentration levels), based not only on its conservative credit risk approach, but also, given its ample participation on the corporate and high net worth segment; market sector where the bank enjoys a valuable franchise. As such, the past due loan to gross loan portfolio ratio have remained below 1% in the last five years. Loan loss reserves have averaged 1.5% since year 2005, a level that might be tight considering the volatility of the operating environment. Government exposure is limited to short-term deposits at Central Bank (1.8 times equity at end-June 2008).

Despite the nature of its funding base (corporate and high net worth market) Venezolano's strong franchise have resulted in a low funding cost, somehow pressured by the interest rate control imposed by the government. This privilege has allowed the bank to preserve and enhance its margins. As such, expanded margins still controlled but increasing overheads and a very low credit cost have sustained its profitability ratios. For the 2005-2008 period its return on average assets ratio stood at 4.7%, below its previous records but still ample. Fierce competition and government controls will keep pressure over the bank's profitability.

Despite historic sizable cash dividends, a more moderate growth of its balance sheet and still high profitability have enhanced the capitalization ratios for Venezolano. At end-June 2008 total equity to assets improved to 10.2%, above the market average but below the historic records of the bank.

Venezolano is a small bank with less than 2% market share in terms of invested funds (assets + investment funds) at June-2008. Despite this fact, the bank is well positioned in the corporate and high net worth client market and also 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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