

FITCH Ratings disminuye calificación de riesgo de bancos venezolanos

Fitch Ratings-New York/London/Caracas-January 22, 2003: Fitch Ratings, the international rating agency, has downgraded the ratings of Venezuelan banks as indicated below. Subsequent to mounting political pressure, intensified capital flight and severe currency depreciation in the past few weeks, Venezuela's Finance Ministry and the Central Bank agreed today to halt U.S. dollar trading for five working days. During this period, the authorities expect to decide on and put in place a formal scheme to manage the foreign exchange market.

In previous economic crises in Venezuela, foreign exchange controls remained in effect for a significant period of time (22 months in the last incidence, from 1994 to 1996) whilst only some activities and individuals were allowed to access the FX market. While exchange controls impose yet more pressure over the Venezuelan banks' performance, limiting their ability to repay U.S. dollar denominated liabilities and affecting the capacity and willingness of borrowers in the economy to repay U.S. dollar denominated loans, most banks maintain prudent foreign exchange exposure. This results from both regulatory limits on open foreign currency position and banks having generally long positions due to the exchange rate's historical volatility, which has boosted their income in previous critical periods.

In recent months, Fitch Ratings has downgraded Venezuelan banks ratings reflecting the severe deterioration in the local operating environment, the increased likelihood of a default or distressed debt exchange by the banking system's largest borrower - the government - and the increasing possibility that actions motivated by the unsettled political environment might interfere with the economy's payment chain. As Fitch has stated in previous opportunities, the banking system will continue to be exposed to a growing risk of politically motivated interference, a risk that will remain in the foreseeable future.

The lowering of the banks' long-term foreign currency rating to a level two notches below the sovereign reflects the foreign exchange restriction imposed by the government to the banks and other individuals, while the lowering of the individual and national ratings reflect the much higher risk inherent in the volatile and deteriorated operating environment, and the likelihood that any recovery could be prolonged.

Banco del Caribe

- Long-term foreign currency to 'CCC-' from 'CCC';
- Rating Outlook Negative;
- Short-term foreign currency affirmed at 'C';
- Long-term local currency affirmed at 'CCC-';
- Short-term local currency affirmed at 'C';
- Individual affirmed at 'D/E', Rating Watch Negative;
- Support affirmed at '5T';
- Long-Term National rating to 'BBB(ven)' from 'A-(ven)'.

Banco Exterior

- Long-term foreign currency to 'CCC-' from 'CCC';
- Rating Outlook Negative;
- Short-term foreign currency affirmed at 'C';
- Long-term local currency affirmed at 'CCC-';
- Short-term local currency affirmed at 'C';
- Individual to 'D/E' from 'D', Rating Watch Negative;
- Support affirmed at '5T';
- Long-Term National rating to 'BBB(ven)' from 'A-(ven)'.

Banco Mercantil

- Long-term foreign currency to 'CCC-' from 'CCC';
- Rating Outlook Negative.
- Short-term foreign currency affirmed at 'C';
- Long-term local currency affirmed at 'CCC-';
- Short-term local currency affirmed at 'C';
- Individual to 'D/E' from 'D', Rating Watch Negative;
- Support affirmed at '5T';
- Long-Term National rating to 'BBB+(ven)' from 'A(ven)'.

Banco Occidental de Descuento

- Long-term foreign currency to 'CCC-' from 'CCC';
- Rating Outlook Negative.
- Short-term foreign currency affirmed at 'C';
- Long-term local currency affirmed at 'CCC-';
- Short-term local currency affirmed at 'C';
- Individual affirmed at 'D/E', Rating Watch Negative;
- Support affirmed at '5T'.

Banco Provincial

- Long-term foreign currency to 'CCC-' from 'CCC';
- Rating Outlook Negative.
- Short-term foreign currency affirmed at 'C';
- Long-term local currency affirmed at 'CCC-';
- Short-term local currency affirmed at 'C';
- Individual to 'D/E' from 'D', Rating Watch Negative;
- Support affirmed at '5T';
- Long-Term National rating to 'BBB+(ven)' from 'A(ven)'.

Banco de Venezuela

- Long-term foreign currency to 'CCC-' from 'CCC';
- Rating Outlook Negative.
- Short-term foreign currency affirmed at 'C';
- Long-term local currency affirmed at 'CCC-';
- Short-term local currency affirmed at 'C';
- Individual to 'D/E' from 'D', Rating Watch Negative;
- Support affirmed at '5T';
- Long-Term National rating to 'BBB+(ven)' from 'A(ven)'.

Banesco Banco Universal

- Long-term foreign currency to 'CCC-' from 'CCC';
- Rating Outlook Negative.
- Short-term foreign currency affirmed at 'C';
- Individual affirmed at 'D/E' Rating Watch Negative;
- Support affirmed at '5T'.



Banco Venezolano de Crédito

- Long-term foreign currency to 'CCC-' from 'CCC';
- Rating Outlook Negative.
- Short-term foreign currency affirmed at 'C';
- Long-term local currency affirmed at 'CCC-';
- Short-term local currency affirmed at 'C';
- Individual to 'D/E' from 'D', Rating Watch Negative;
- Support affirmed at '5T'.

Corp Banca

- Long-Term National rating to 'BBB-(ven)' from 'BBB+(ven)'.

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Note to Editors: Fitch Ratings's Support and Individual Ratings for Banks: Fitch's Individual ratings assess how a bank would be viewed if it were entirely independent and could not rely on external support. Its Support ratings deal with the question of whether a bank would receive support from its owners or from the state if it were to get into difficulty. These ratings are not debt ratings but rather, respectively, an assessment of the intrinsic strength of a bank and of any level of outside support that may, or may not, be available to it. A Support rating qualified by the suffix "T" indicates significant existing or potential transfer risk of economic and/or political origin that might prevent support for foreign currency creditors.

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