

UNITED STATES OF AMERICA
BEFORE
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

NEW YORK STATE BANKING DEPARTMENT
NEW YORK, NEW YORK

STATE OF FLORIDA
OFFICE OF FINANCIAL REGULATION
TALLAHASSEE, FLORIDA

)
Written Agreement by and among)
)
BANCO INDUSTRIAL DE VENEZUELA, C.A.) Docket Nos. 05-012-WA/RB-FB
Caracas, Venezuela) 05-012-WA/RB-FBR
)
BANCO INDUSTRIAL DE VENEZUELA, C.A.)
NEW YORK AGENCY)
New York, New York)
)
BANCO INDUSTRIAL DE VENEZUELA, C.A.)
MIAMI AGENCY)
Miami, Florida)
)
FEDERAL RESERVE BANK)
OF ATLANTA)
Atlanta, Georgia)
)
FEDERAL RESERVE BANK)
OF NEW YORK)
New York, New York)
)
NEW YORK STATE BANKING DEPARTMENT)
New York, New York)
)
and)
)
STATE OF FLORIDA)
OFFICE OF FINANCIAL REGULATION)
Tallahassee, Florida)
)

WHEREAS, Banco Industrial de Venezuela, C.A., Caracas, Venezuela (the “Bank”), a foreign bank as defined in section 3101(7) of the International Banking Act (12 U.S.C. 3101(7)), the New York agency of the Bank, and the Miami agency of the Bank (the “Miami Agency”) (collectively, the “Agencies”) are taking steps to address deficiencies relating to management, compliance, and operational controls;

WHEREAS, it is the common goal of the Bank, the Agencies, the Federal Reserve Bank of Atlanta (the “Atlanta Reserve Bank”), the Federal Reserve Bank of New York (the “New York Reserve Bank”) (collectively, the “Reserve Banks”), the New York State Banking Department (the “Department”), and the State of Florida Office of Financial Regulation (“OFR”; together with the Reserve Banks and the Department, the “Banking Supervisors”) to ensure that the Bank and the Agencies fully address all deficiencies in their U.S. operations;

WHEREAS, on April 21st, 2005, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Luis Díaz to enter into this Written Agreement (the “Agreement”) on behalf of the Bank and the Agencies, respectively, and consenting to compliance by the Bank, the Agencies, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(4) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. 1813(u) and 1818(b)(4)), with each and every applicable provision of this Agreement; and

NOW, THEREFORE, the Bank, the Agencies, and the Banking Supervisors hereby agree as follows:

Primary Contact

1. Within 10 days of this Agreement, the Bank shall designate a senior officer in the United States who is responsible for monitoring compliance with the requirements of this Agreement, including submissions of the written policies, procedures, program, and engagement letter that are set forth in this Agreement. The officer shall serve as the primary contact for the Banking Supervisors for purposes of this Agreement.

Management Review

2. (a) Within 10 days of this Agreement, the Bank shall retain an independent consultant acceptable to the Banking Supervisors to conduct a review of the functions and performance of the Agencies' officers and the staffing needs of the Agencies required to ensure an effective control environment, and to prepare a written report of findings and recommendations. The primary purpose of the management review shall be to aid in the development of an effective management oversight structure and control environment that is suitable to the Agencies' needs and that assures that the Agencies are adequately staffed by qualified and trained personnel, particularly in the area of compliance. The management review shall, at a minimum, address, consider, and include:

- (i) An assessment of the effectiveness of the control infrastructure, corporate governance and organizational structure of each agency, including reporting lines, duties performed by each officer and employee, and the ability of that person to perform competently his or her assigned duties; and
- (ii) a plan to recruit, hire, or appoint additional or replacement personnel with the requisite ability, experience, and other qualifications required to competently perform their assigned duties, and to review the compensation necessary to attract and retain qualified compliance personnel.

(b) Within 10 days of the engagement of the independent consultant, but prior to the commencement of the management review, the Bank shall submit to the Banking Supervisors for approval an engagement letter that delineates: (i) the scope of the management review; (ii) the date of submission of the independent consultant's report, no later than 45 days after the engagement of the independent consultant; and (iii) the proposed resources from the Bank to be dedicated to the management review.

(c) The Bank shall forward a copy of the independent consultant's report to the Banking Supervisors within 5 days of its receipt.

(d) Within 30 days after receipt of the independent consultant's report, the Bank shall submit a written action plan to the Banking Supervisors that fully addresses the findings and recommendations in the independent consultant's report and describes the specific actions that the Bank's board of directors proposes to take in order to strengthen the Agencies' management.

Head Office Oversight

3. Within 60 days of this Agreement, the Bank shall submit to the Banking Supervisors a written plan to strengthen oversight of the management and operations of the Agencies. The plan shall, at a minimum, address, consider, and include:

- (a) The actions that the Bank's head office management will take to improve the Agencies' condition to a satisfactory level and maintain effective control over and supervision of the Agencies' senior management, operations, and activities, including obtaining information sufficient to assess management's compliance with applicable written plans, policies, procedures, and programs;
- (b) the responsibility of the Bank's head office management to ensure that the Agencies' policies and procedures are tailored to their operations and adequately address their activities;

- (c) a requirement that the Bank's head office management approve, at least annually, all of the Agencies' policies and procedures, including subsequent amendments;
- (d) the responsibility of the Bank's head office management to ensure that the Agencies' operations are conducted in a safe and sound manner by enforcing adherence to prudent policies and procedures and by overseeing activities of the Agencies through participation in regularly scheduled executive and management committee meetings; and
- (e) the responsibility of the Bank's head office management to monitor exceptions to approved policies and procedures.

Internal Audit

4. Within 60 days of this Agreement, the Bank and the Agencies shall jointly submit to the Banking Supervisors acceptable enhanced written internal audit policies and procedures that shall, at a minimum, address, consider, and include:

- (a) Procedures for the periodic assessment, at least annually, of the adequacy of internal controls and compliance with the Agencies' policies and procedures and with applicable laws and regulations for each audit area;
- (b) a formal written audit policy designed to provide appropriate and consistent guidance for the internal audit function;
- (c) establishment of an audit schedule, including guidelines and the designation of resources, to ensure that internal audits are completed as scheduled and that audits are performed in all areas that have been designated as warranting attention;
- (d) the timely issuance of audit reports, supported by well-documented workpapers;
- (e) procedures for management to review audit reports quarterly, respond in writing to criticisms in the audit report, and implement and monitor corrective actions that are responsive to the audit findings; and
- (f) the submission of the quarterly audit reports and management responses to the Bank's audit committee.

Credit Risk Management

5. (a) Within 30 days of this Agreement, the Bank and the Miami Agency shall jointly take appropriate action to address the asset quality concerns identified in the examination of the Miami Agency that was concluded on June 14, 2004. At a minimum, the Miami Agency shall:

- (i) Conduct a detailed analysis of all assets criticized internally or by examiners, as well as assets criticized in future internal or supervisory reviews, with such analysis taking into account, at a minimum, the borrower's current and stabilized cash flow, earnings and debt service capacity, financial performance, net worth, guarantees, future prospects, and other factors relevant to the borrower's ability to service and retire its debt; and
- (ii) with respect to each credit analyzed pursuant to paragraph 5(a)(i), prepare and implement a specific action plan, including specific time frames, to collect, charge-off, or strengthen the criticized assets.

(b) Within 30 days of the end of the next calendar quarter following this Agreement, and within 30 days of the end of each calendar quarter thereafter, the Bank and the Miami Agency shall jointly submit a written progress report to the Banking Supervisors, which shall include:

- (i) A detailed analysis of all assets criticized internally or by examiners during a calendar quarter;
- (ii) a specific action plan, including specific timeframes, to collect, charge-off, or strengthen the criticized assets referenced in paragraph 5(b)(i); and
- (iii) reviews of the loan portfolio and credit risk grades to all loans reviewed (the results of such reviews shall be retained for subsequent supervisory reviews).

Compliance Program

6. The Bank and the Agencies shall jointly submit to the Banking Supervisors an acceptable written compliance program designed to ensure compliance with all applicable federal and state laws, regulations, and supervisory requirements. The program shall, at a minimum, address, consider, and include:

- (a) The appointment of senior compliance staff responsible for coordinating and monitoring compliance at the Agencies;
- (b) comprehensive compliance policies and procedures;
- (c) a process for resolving or escalating outstanding issues;
- (d) work paper documentation standards; and
- (e) a compliance training program for staff.

The Bank and the Agencies intend to use the independent consultant referred to in paragraph 2 of this Agreement to assist the Bank and the Agencies in revising its current compliance program in accordance with the requirements of this paragraph. The Bank and the Agencies shall submit the compliance program required by this paragraph within 30 days after receipt of the independent consultant's report referred to in paragraph 2 of this Agreement.

Compliance with Agreement

7. Within 10 calendar days after the end of each month following the date of this Agreement, the Bank and the Agencies shall jointly submit to the Banking Supervisors written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof. Such reports shall simultaneously be submitted to the Bank's board of directors for approval. Should the board of directors revise or disapprove such reports, the Bank and the Agencies shall notify the Banking Supervisors immediately. Such reports may be discontinued when the corrections required by this Agreement have been

accomplished and the Banking Supervisors have, in writing, released the Bank and the Agencies from making further reports.

Approval of Policies, Procedures, and Programs

8. The written policies, procedures, program, and engagement letter required by paragraphs 2(b), 4, and 6 of this Agreement shall be submitted to the Banking Supervisors for review and approval. Acceptable policies and procedures, and an acceptable program and engagement letter shall be submitted within the time periods set forth in this Agreement. The Bank and the Agencies shall adopt the approved policies, procedures, program, and engagement letter within 10 days of approval by the Banking Supervisors and then shall fully comply with them. During the term of this Agreement, the approved policies, procedures, program, and engagement letter shall not be amended or rescinded without the prior written approval of the Banking Supervisors.

Communications

9. All communications regarding this Agreement shall be sent to:

- (a) Mr. Robert A. O'Sullivan
Senior Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045
- (b) Mr. Robert Schenck
Vice President
Federal Reserve Bank of Atlanta
1000 Peachtree Street, N.E.
Atlanta, Georgia 30309-4470
- (c) Mr. David S. Fredsall
Acting Deputy Superintendent of Banks
Foreign and Wholesale Banks Division
State of New York Banking Department
One State Street
New York, NY 10004

- (d) Ms. Linda B. Charity
Director
Office of Financial Regulation
200 E. Gaines Street
Tallahassee, Florida 32399-0371
- (e) Mr. Luis Quiaro
President
Banco Industrial de Venezuela, C.A.
Tercera Avenida de Las Delicias de Sabana Grande
Cruce con Avenida Francisco Solano
Torre Financiera, Piso 18
Caracas, Venezuela
- (f) ~~Mr. Ildefonso Ferrer~~ Luis Quiaro ~~President~~
General Manager
Banco Industrial de Venezuela, C.A.
900 Third Avenue
14th Floor
New York, NY 10022
- (g) Ms. Sandra Mallot
General Manager
Banco Industrial de Venezuela, C.A.
1101 Brickell Avenue
Miami, FL 33131

Miscellaneous

10. The Written Agreement among the Bank, Miami Agency, and Atlanta Reserve Bank that was executed on December 12, 2000 is terminated.
11. Notwithstanding any provision of this Agreement to the contrary, the Banking Supervisors may, in their sole discretion, grant written extensions of time to the Bank and the Agencies to comply with any provision of this Agreement.
12. The provisions of this Agreement shall be binding upon the Bank, the Agencies, and their institution-affiliated parties, in their capacities as such, and their successors and assigns.
13. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended in writing by the Banking Supervisors.

14. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors of the Federal Reserve System (“Board of Governors”), the Banking Supervisors, or any other federal or state agency from taking any other action affecting the Bank, the Agencies, or any of their current or former institution-affiliated parties and their successors and assigns.

15. This Agreement is a “written agreement” for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the FDI Act (12 U.S.C. 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of this 21st day of August, 2005.

Banco Industrial de Venezuela, C.A.

By: 
Mr. Luis Quiaro
President

Banco Industrial de Venezuela, C.A
Miami Agency

By: 
Ms. Sandra Mallot
General Manager

Banco Industrial de Venezuela, C.A
New York Agency

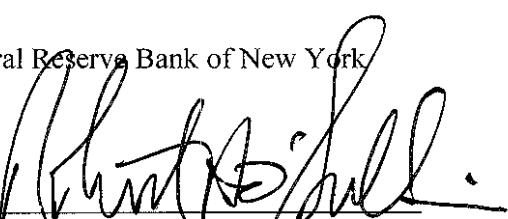
By: 
Mr. Ildofonso Ferrer
General Manager

*Luis Quiaro
President*

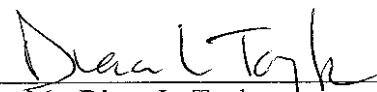
Federal Reserve Bank of Atlanta

By: 
Mr. Robert Schenck
Vice President

Federal Reserve Bank of New York

By: 
Mr. Robert A. O'Sullivan
Senior Vice President

New York State Banking Department

By: 
Ms. Diana L. Taylor
Superintendent of Banks

State of Florida Office of Financial
Regulation

By: 
Ms. Linda B. Charity
Director