

Rating Action: Moody's upgrades Banco Industrial's BFSR to D

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New York, May 20, 2010 -- Moody's Investors Service upgraded the bank financial strength rating (BFSR) of Banco Industrial do Brasil S.A. (BIB) to D from D-. At the same time, Moody's upgraded BIB's long-term global local currency and foreign currency deposit ratings to Ba2 from Ba3. The rating agency also upgraded BIB's Brazilian national scale deposit ratings to A1.br and BR-1 from A3.br and BR-2, long- and short-term, respectively. The short-term global local currency and foreign currency deposit ratings of Not Prime were affirmed. The outlook on all these ratings is stable.

Moody's noted that the upgrade of BIB's BFSR to D is supported by a banking franchise that has shown a track record of modest, yet consistent, revenue generation, leading to its profitability indicators and asset quality metrics presenting low volatility over the past years. The bank's strategy of pursuing operational growth through the use of prudent standards for credit approval, backed by high asset collateralization and by the monitoring of credit seasoning with proprietary systems, has resulted in fairly predictable performance.

The rating agency highlighted that BIB's franchise remains inherently constrained by a funding structure that lacks granularity given its business orientation as a bank operating in the wholesale segment. Because of that, Moody's will continue monitoring BIB's exposure to high concentrations in deposits. Nevertheless, in 2009, management was able to increase BIB's deposit base at a gradual and consistent pace, while keeping funding expenses from expanding in an environment of tight liquidity.

The upgrade of BIB's global local currency (GLC) deposit rating to Ba2 results from the bank's improved stand-alone creditworthiness, as denoted by Moody's raising BIB's baseline credit assessment to Ba2. The rating agency stated that BIB's GLC deposit ratings do not benefit from systemic support because of the bank's small participation in the country's retail deposit market.

Moody's took its last rating action on BIB on April 3rd, 2007, when Moody's Investors Service assigned a D- bank financial strength rating to BIB. On that same date, Moody's assigned global local currency and foreign currency deposit ratings of Ba3 and Not Prime as well as Brazilian national scale ratings of A3.br and BR-2.

The principal methodologies used in rating BIB were "Bank Financial Strength Ratings: Global Methodology" and "Incorporation of Joint Default Analysis into Moody's Bank Ratings: A Refined Methodology", which can be found on www.moody's.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Banco Industrial do Brasil S.A. is headquartered in São Paulo, Brazil. As of December 2009, the bank had total assets of approximately R\$1.8 billion (US\$1.0 billion) and equity of R\$385 million (US\$221 million).

The following ratings of Banco Industrial were upgraded:

Bank financial strength rating: to D from D-, with stable outlook

Long-term global local-currency deposit rating: to Ba2 from Ba3, with stable outlook

Long-term foreign-currency deposit rating: to Ba2 from Ba3, with stable outlook

Brazilian national scale deposit ratings: to A1.br and BR-1 from A3.br and BR-2, with stable outlook

The following ratings of Banco Industrial were affirmed:

Short-term global local-currency deposit rating: Not Prime

Short-term foreign-currency deposit rating: Not Prime

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