

Rating Action: Moody's rates Banco Mercantil's subordinated notes Ba3

Global Credit Research - 12 Jul 2010

New York, July 12, 2010 -- Moody's Investors Service assigned a Ba3 long-term foreign currency debt rating to the US\$200 million subordinated notes issued by Banco Mercantil do Brasil S.A. (BMB). The notes are due July 2020, and will be eligible for Tier 2 equity treatment upon regulatory approval. The outlook on the rating is stable.

The rating agency noted that the subordination of the notes was taken into consideration by applying a one notch differential to BMB's Ba2 global local currency deposit rating, per Moody's notching convention. Moody's also noted that BMB's foreign currency debt ratings remain unconstrained by Brazil's Baa2 foreign currency country ceiling for bonds and notes.

The last rating action on BMB was on November 1st, 2007, when Moody's assigned long-term foreign currency debt rating of Ba2 to BMB's US\$175 million senior unsecured notes. All other ratings remained unchanged.

The principal methodologies used in rating BMB were Moody's "Bank Financial Strength Ratings: Global Methodology" and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", published in February and March 2007 and available on www.moodys.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.

BMB is headquartered in Belo Horizonte, Brazil, with assets totaling R\$8.65 billion (US\$4.86 billion) and equity of R\$704 million (US\$395 million) as of March 31, 2010.

The following rating was assigned to the US\$200 million Subordinated Notes due 2020:

Long-term foreign currency debt rating: Ba3, with stable outlook

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