

Rating Action: Banif Banco de Investimento (Brasil) S.A.

Moody's assigns first-time ratings to Banif Banco de Investimentos

New York, April 17, 2008 -- Moody's Investors Service assigned a bank financial strength rating of D- (D minus) to Banif Banco de Investimentos (Brasil) S.A. (Banif BI). The rating agency also assigned Banif BI long and short term global local currency deposit ratings of Ba1 and Not Prime, respectively, and national scale ratings of Aa2.br and BR-1. At the same time, Moody's assigned Banif BI long and short term foreign currency deposit ratings of Ba2 and Not Prime. All ratings have a stable outlook.

The rating agency noted that the D- bank financial strength rating for Banif BI benefits from the bank's established investment banking franchise but is limited by relatively weak stand-alone financial fundamentals, reflecting its very short operating track record and inherently volatile earnings profile. Over the last two years, costs incurred with the implementation of a new operational structure have also pressured profitability, however this should abate as the bank grows its operations, said Moody's. Increasing competition in Banif BI's core business segments could result in narrower financial margins in the future.

The D- BFSR also reflects Banif BI's significant reliance on wholesale funding sources, particularly on certificates of deposit with related companies, as well as its limited access so far to third-party sources of funding. The rating is also indicative of the bank's modest balance sheet and adequate capital base, which was boosted temporarily last year by the sale of shares held in São Paulo's mercantile and stock exchanges.

Moody's noted that Banif BI's niche operation targets middle and upper-middle market companies. Its franchise is reinforced by a financial brokerage operation that generates a reasonable inflow of recurrent revenues in the form of transaction fees and commissions. The bank's investment banking operations are supported by a management team that has a demonstrated ability to promote business growth in line with a disciplined risk culture, said Moody's.

Banif BI's Ba1 global local currency deposit rating is based on the bank's baseline credit assessment of Ba3, which is then lifted two notches by Moody's assumption of a high probability of support from the bank's ultimate parent, the Portuguese-based Banif SGPS, SA. Moody's also noted there is a low likelihood that Banif BI would be eligible for systemic support given the bank's low participation in the Brazilian deposit market.

Established in 2005, Banif BI's headquarters are located in São Paulo, Brazil. As of December 2007, the bank had total assets of approximately R\$828 million (US\$468 million) and equity of R\$347 million (US\$196 million).

The following ratings were assigned to Banif Banco de Investimentos (Brasil) S.A.:

Bank Financial Strength Rating: D-, stable outlook

Long-term global local currency deposit rating: Ba1, stable outlook

Short-term global local currency deposit rating: Not Prime

Long term foreign currency deposit rating: Ba2, stable outlook

Short term foreign currency deposit rating: Not Prime

Brazilian National Scale Deposit Ratings: Aa2.br long-term deposit rating and BR-1 short-term deposit rating

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