

Rating Action: Moody's rates Senior Shares issued by BV Financeira -- Fundo de Investimento em Direitos Creditórios IV, a Brazilian vehicle loan securitization

Global Credit Research - 03 Aug 2010

Approximately R\$2,000 Million of Senior Shares rated

Sao Paulo, August 03, 2010 -- Moody's America Latina (Moody's) has assigned provisional ratings of (P)Aa1.br (sf) Brazilian national scale rating and of (P)Ba1 (sf) global local currency rating to the senior shares to be issued by BV Financeira -- Fundo de Investimento em Direitos Creditórios IV (BV FIDC IV or the issuer), a securitization backed by a pool of vehicle loans originated by BV Financeira S.A. -- Crédito, Financiamento e Investimento (BV Financeira).

The ratings are based on the following principal factors:

- The 20% minimum credit enhancement in form of subordination supporting the senior shares;
- The 4.5% minimum excess spread;
- Retention of excess spread within the structure while senior shares remain outstanding, which increases available credit enhancement throughout the life of the transaction;
- The overall credit characteristics of the securitized pool of vehicle loans which benefits from BV Financeira's established underwriting policy, fund eligibility criteria and concentration limits;
- The transaction structure and its legal framework, including the bankruptcy remoteness of the issuer and well-established Brazilian laws and regulations; and
- The financial strength, operational quality and ability of BV Financeira, the originator and primary servicer, to service the underlying assets.

STRUCTURE

BV FIDC IV is a closed-ended FIDC and will issue senior shares and subordinated shares. The subordinated shares will be entirely retained by the seller. The final maturity of the senior shares is 36 months after issuance. The senior shares will accrue a floating-rate interest of CDI (Brazilian Interbank Rate) times an annual spread of 110%. The senior shares will pay 6 monthly principal and interest amortization payments starting on month 31 and ending on month 36 of the transaction. No interest or principal payments will be made to the subordinated shares as long as there are senior shares outstanding. No partial redemptions of subordinated shares are allowed at any time.

In order to insure timely repayment of principal and interest payments on the senior shares on the final payment date, the trustee will reinvest cash flows arising from the vehicle loan portfolio into eligible liquid assets as the transaction approaches the scheduled amortization dates.

The transaction structure includes triggers leading to revision events. Should a revision event occur, revolving purchases of new vehicle loans are immediately stopped and a shareholders meeting is called at which point the shareholders may decide to place the fund into early liquidation. Key revision event triggers include:

- Breach of the minimum subordination level (20%);
- Breach of minimum excess spread (4.5%);
- Downgrade of the senior shares rated by Moody's below the initial Aa1.br (sf) /Ba1 (sf) rating level;

POOL CHARACTERISTICS AND SERVICING

The collateral backing the senior shares consists of a pool of vehicle loans that meet the fund's eligibility criteria including:

- i. final maturity of vehicle loans must be before final maturity date of the senior shares
- ii. maximum pool concentration per type of vehicle: motorcycle 10%, heavy vehicles 20% and sedans up to 100%;
- iii. sum of installments should not be more than BRL50,000 per obligor (companies or individuals).

All securitized loans must conform to BV Financeira's loan underwriting criteria, including the following key obligor requirements:

- i. be at least 18 years old;
- ii. maintain a clean record on the main credit bureau agencies (Serasa and SPC);
- iii. provide a two-year employment history (one-year employment history for motorcycles);
- iv. have no record of bankruptcy, repossession or foreclosure;
- v. maximum debt-to-income: 30% (all monthly debt & rent payments to monthly gross income);

Servicing of loans is performed entirely in-house by BV Financeira and benefits from established systems and processes.

Banco Bradesco S.A. (Bradesco, which Moody's rates A1 for global local currency deposits and Aaa.br on Brazilian national scale) will act as master servicer (custodiante) of the transaction as well as Payment Bank. Its responsibilities include, among other duties, verifying that all receivables purchased by the fund meet the eligibility criteria, monitoring the early amortization triggers, in addition to managing all of the issuer's daily financial and operating activities.

Votorantim Asset Management DTVM Ltda will be the trustee.

THE ORIGINATOR

BV Financeira is the fourth largest originator of vehicle loans in Brazil, ranking after Itaú Unibanco S.A, Banco Bradesco S.A and Santander, with a total loan portfolio of about BRL25.6 billion as of June 2010. It is wholly owned subsidiary of Banco Votorantim S.A. BV Financeira operates through approximately 20,000 certified car dealers mainly located in the South and Southeast regions of Brazil, and focuses primarily on used sedans and sport-utility vehicles.

BV Financeira is fully controlled by Banco Votorantim S.A. (which Moody's rates A3 for global local currency deposits and Aaa.br on Brazilian national scale).

Headquartered in Sao Paulo, BV is one of the largest banks of the Brazilian banking system, posting R\$94.8 billion in total assets and R\$8 billion in equity as of March 31, 2010. In January 2009, the group settled a strategic partnership with Banco do Brasil, a federally owned institution and largest bank in the country, which now holds 50.00% in total equity capital of Banco Votorantim. This transaction was approved by regulatory authorities in September 2009. BV is involved in multiple lines of business such as consumer finance (mostly vehicles financing), corporate banking, capital markets, brokerage, treasury, international business and asset management.

RATING METHODOLOGY

A key methodology used in rating the transaction is "Moody's Approach to Rating U.S. Auto Loan-Backed Securities," which can be found at www.moody.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 issue can also be found in the Rating Methodologies sub-directory on Moody's website.

In assigning the (P)Ba1 (sf) / (P)Aa1.br (sf) ratings to the Senior Shares, Moody's considered the key sources of credit enhancement -- subordination and excess spread -- in a stressed scenario with view on the historical performance of the auto loan assets. In addition, Moody's considered risk factors common to all auto loan transactions such as credit losses and lost cash flows due to loan prepayments and refinancings, funding cost increases and transaction expenses.

These risk factors were stressed to evaluate the impact on Senior Shareholders.

This transaction was rated on both a probabilistic simulation approach to evaluate losses under a large number of scenarios, as well as on a deterministic basis to assess how the transaction structure would perform in simultaneous stresses of the risk factors such as a combined increase in default rate, prepayments and interest rates. Moody's observes the impact on the resulting cash flows available for servicing the Senior Shares, and calculate whether the promised target return of 110% of CDI is met.

In rating the transaction, Moody's considered a base case of historical portfolio performance including credit losses of 5.5% p.a. and a prepayment rate of 15% p.a.

The break even credit loss rate is 15% per annum (or 2.7x base case annual credit losses) at which point the senior shares start to experience losses, assuming a stressed interest rate (CDI) environment of 15%, prepayment rate of 15% per annum and minimum discount rate of 145% of CDI.

Further details of Moody's analysis of BV FIDC IV can be found in the New Issue Report, to be published and available at Moody's website (<http://www.moody.com>).

RATING ACTION

The complete rating action is as follows:

BV FIDC IV -- Senior Shares -- (P)Aa1.br (sf) (National Scale) & (P)Ba1 (sf) (Global Local Currency Scale).

Sao Paulo
Johann Grieneisen
Asst Vice President - Analyst
Structured Finance Group
Moody's America Latina Ltda.
55-11-3043-7300

New York
Maria Muller
Senior Vice President
Structured Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Moody's America Latina Ltda.
Avenida Nacoes Unidas, 12.551
16th Floor, Room 1601
Sao Paulo, SP 04578-903
Brazil

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from reliable sources; however, MOODY'S does not and cannot in every instance independently verify, audit or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.