

Issuer Comment: Banco Bradesco S.A.

Moody's says Bradesco's planned acquisition of Banco Ibi has no rating implications

Moody's Investors Service said that Bradesco's announcement that it has entered into an agreement to purchase 100% of the shares of Banco Ibi S.A, has no rating implications for Moody's B- bank financial strength and A1 local currency deposit ratings assigned to Bradesco.

The deal is structured as an all stock transaction, valued at R\$1.4 billion, which will give Ibi's shareholders a 1.6% ownership of Bradesco. Upon completion of the acquisition, which is subject to shareholders and regulatory approval, Banco Ibi and its subsidiaries will become wholly owned subsidiaries of Bradesco.

Moody's noted that the acquisition is not likely to alter Bradesco's financial flexibility or its financial metrics, which are characterized by solid earnings generation and adequate capital ratios.

Banco Ibi's assets and loan portfolio are small relative to Bradesco's total assets of R\$482 billion, nevertheless, the acquisition is likely to add to Bradesco's already broad base of credit card holders. This is because Banco Ibi is primarily a private label credit card issuer, serving its sister company, retail chain C&A Modas Ltda, aside from a sizable number of branded cards. Through a partnership agreement, Bradesco will detain exclusive rights to service customers of C&A and to cross sell other financial services for a period of 20 years. Bradesco's management estimates that Ibi could boost its credit card revenues by roughly 17%.

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