

Rating Action: Banco Fibra S.A.

Moody's changes to positive outlook on Banco Fibra's ratings

New York, September 11, 2008 -- Moody's Investors Service changed to positive from stable the outlook on Banco Fibra S.A.'s (Fibra) D bank financial strength rating (BFSR), as well as on the Ba2 long-term global local-currency deposit ratings, and on the A1.br long-term national scale rating. Moody's maintains the stable outlook on Fibra's short-term global local currency deposit rating Not Prime as well as on the long and short-term foreign currency deposit ratings Ba2 and Not Prime, respectively.

Moody's said the positive outlook reflects the improvements in Fibra's financial fundamentals, and in recurring earnings generation in particular, as management repositions the bank's operations. By and large, Fibra remains focused on lending to its traditional base of small/medium size corporations and to specific consumer segments, where management believes it can achieve its targeted business scale and margins. Indications of this strategy can also be seen in the bank's improving operating efficiency.

Moody's noted that efforts towards increasing diversification and tenor of Fibra's funding sources are integral to its growth strategy and increases financial flexibility as the bank departs from a short-term wholesale-deposit base, which is traditionally vulnerable. The enhanced capitalization through both its controlling shareholders and IFC's new equity participation of 7.9% also supports growth plans. Moreover, revamped risk management and controls are likely to ensure that recent progress in asset quality indicators should prove sustainable as the portfolio grows and seasons.

Looking at the potential for higher ratings, Moody's observed that Fibra's primary challenges are the consolidation of its consumer business platform and further improvements in financial fundamentals to levels comparable to those of D+ regional bank peers. Moody's said that Fibra faces a domestic market that is increasingly competitive and could thus pressure funding conditions and business generation.

Moody's Ba2 global local-currency rating is determined from the bank's Baseline Credit Assessment of Ba2. Moody's assesses no probability of systemic support to Fibra, because of the bank's modest share of the Brazilian deposit market.

Banco Fibra is headquartered in São Paulo, Brazil. As of June 30, 2008, Fibra had R\$16 billion in assets and R\$ 562.4 million in equity, increased to around R\$800million after the capital injection in August 2008.

The following ratings were placed on positive outlook:

Bank Financial Strength rating: D

Long-term global local currency deposit rating: Ba2

Long-term national scale rating: A1.br

The outlook remains stable on the following ratings:

Short term global local currency deposit rating: Not Prime

Long and short-term foreign currency deposit ratings: Ba2 and Not Prime

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