

Rating Action: Moody's reviews ratings of subsidiaries of Portuguese banks in Brazil for possible downgrade

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New York, May 10, 2010 -- Moody's Investors Service has placed on review for possible downgrade ratings of BES Investimento do Brasil S.A. (BESI Brasil), of Banif - Banco Internacional do Funchal (Brasil), S.A.'s (Banif Brasil) and of Banif Banco de Investimento (Brasil) S.A.'s (Banif Investimento). The rating actions follow the review for downgrade of all ratings of Banco Espírito Santo S.A. and of Banif - Banco Internacional do Funchal, SA's (Banif Portugal) - for further details, please refer to the press release dated May 5, 2010 "Moody's reviews all rated Portuguese banks for possible downgrade".

The ratings of BESI Brasil affected by the action were: the bank financial strength rating (BFSR) of D+, the global local-currency deposit ratings of Baa2 and P-3, the foreign-currency deposit ratings of Baa3 and P-3, the foreign-currency senior unsecured debt ratings of Baa2 and P-3 and the long-term Brazilian national scale deposit rating of Aaa.br. The short-term Brazilian national scale rating of BR-1 was affirmed.

The review for downgrade also included the following ratings of Banif Brasil and Banif Investimento: bank financial strength ratings of D-, long-term global local-currency and foreign-currency deposit ratings of Ba3, and Brazilian national scale deposit ratings of A2.br and BR-1, long- and short-term respectively. The following ratings were affirmed: short-term global local-currency and foreign-currency deposit ratings of Not Prime.

Moody's noted that its review will assess the implications of a potential downgrade in the ratings of the Portuguese banks to their subsidiaries in Brazil, particularly in respect to possible effects on their funding and exposures to Portuguese assets.

Moody's last rating action on BESI Brasil was on March 25, 2010, when Moody's Investors Service assigned long- and short-term foreign-currency debt ratings of Baa2 and Prime-3, respectively, to BESI Brasil's US\$1,000,000,000 Global Medium Term Note Program and a Baa2 long-term foreign currency debt rating to BESI Brasil's US\$500,000,000 senior unsecured notes.

Moody's last rating action on both Banif Brasil and Banif Investimento took place on October 2nd, 2009, when Moody's downgraded their long-term global local-currency and foreign currency deposit ratings to Ba3 from Ba2, and their long-term Brazilian national scale rating to A2.br from Aa3.br. At the same time, Moody's affirmed the bank financial strength rating of both banks at D- as well as their local- and foreign-currency short-term deposits ratings of Not Prime, and their short-term national scale ratings of BR-1.

The principal methodologies used in rating Brazilian banks was Moody's "Bank Financial Strength Ratings: Global Methodology" and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", which was published in February and March 2007. (It is available on www.moodys.com in the Rating Methodologies subdirectory 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 subdirectory on Moody's website.

BES Investimento do Brasil S.A. is headquartered in São Paulo, Brazil. In December 2009, the bank had total assets of approximately R\$4.1 billion (US\$2.4 billion) and equity of R\$421 million (US\$242 million).

Banif - Banco Internacional do Funchal (Brasil) S.A. is headquartered in São Paulo, Brazil. As of December 2009, the bank had total assets of approximately R\$1.5 billion (US\$854 million) and equity of R\$160 million (US\$92 million).

Banif Banco de Investimento (Brasil) S.A. is headquartered in São Paulo, Brazil. As of December 2009, the bank had total assets of approximately R\$888 million (US\$510 million) and equity of R\$125 million (US\$72 million).

The ratings placed on review for downgrade were as follows:

BES Investimento do Brasil S.A.:

Bank financial strength rating: D+;

Global local-currency deposit ratings: Baa2 and P-3;

Foreign-currency deposit ratings: Baa3 and P-3;

Foreign-currency senior unsecured debt ratings: Baa2 and P-3;

Long-term Brazilian national scale deposit rating: Aaa.br.

Banif - Banco Internacional do Funchal (Brasil) S.A.:

Bank financial strength rating: D-;

Long-term global local-currency deposit rating: Ba3;

Long-term foreign-currency deposit rating: Ba3;

Brazilian national scale deposit ratings: A2.br and BR-1.

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

Bank financial strength rating: D-;

Long-term global local-currency deposit rating: Ba3;

Long-term foreign-currency deposit rating: Ba3;

Brazilian national scale deposit ratings: A2.br and BR-1.

The following ratings were affirmed:

BES Investimento do Brasil S.A.:

Short-term Brazilian national scale deposit rating: BR-1

Banif - Banco Internacional do Funchal (Brasil) S.A.:

Short-term global local-currency deposit rating: Not Prime;

Short-term foreign-currency deposit rating: Not Prime.

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

Short-term global local-currency deposit rating: Not Prime;

Short-term foreign-currency deposit rating: Not Prime.

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