



Rating Action: Moody's upgrades Banco Industrial's BFSR to D

Global Credit Research - 20 May 2010

New York, May 20, 2010 -- Moody's Investors Service upgraded the bank financial strength rating (BFSR) of Banco Industrial do Brasil S.A. (BIB) to D from D-. At the same time, Moody's upgraded BIB's long-term global local currency and foreign currency deposit ratings to Ba2 from Ba3. The rating agency also upgraded BIB's Brazilian national scale deposit ratings to A1.br and BR-1 from A3.br and BR-2, long- and short-term, respectively. The short-term global local currency and foreign currency deposit ratings of Not Prime were affirmed. The outlook on all these ratings is stable.

Moody's noted that the upgrade of BIB's BFSR to D is supported by a banking franchise that has shown a track record of modest, yet consistent, revenue generation, leading to its profitability indicators and asset quality metrics presenting low volatility over the past years. The bank's strategy of pursuing operational growth through the use of prudent standards for credit approval, backed by high asset collateralization and by the monitoring of credit seasoning with proprietary systems, has resulted in fairly predictable performance.

The rating agency highlighted that BIB's franchise remains inherently constrained by a funding structure that lacks granularity given its business orientation as a bank operating in the wholesale segment. Because of that, Moody's will continue monitoring BIB's exposure to high concentrations in deposits. Nevertheless, in 2009, management was able to increase BIB's deposit base at a gradual and consistent pace, while keeping funding expenses from expanding in an environment of tight liquidity.

The upgrade of BIB's global local currency (GLC) deposit rating to Ba2 results from the bank's improved stand-alone creditworthiness, as denoted by Moody's raising BIB's baseline credit assessment to Ba2. The rating agency stated that BIB's GLC deposit ratings do not benefit from systemic support because of the bank's small participation in the country's retail deposit market.

Moody's took its last rating action on BIB on April 3rd, 2007, when Moody's Investors Service assigned a D- bank financial strength rating to BIB. On that same date, Moody's assigned global local currency and foreign currency deposit ratings of Ba3 and Not Prime as well as Brazilian national scale ratings of A3.br and BR-2.

The principal methodologies used in rating BIB were "Bank Financial Strength Ratings: Global Methodology" and "Incorporation of Joint Default Analysis into Moody's Bank Ratings: A Refined Methodology", which can be found on 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 issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Banco Industrial do Brasil S.A. is headquartered in São Paulo, Brazil. As of December 2009, the bank had total assets of approximately R\$1.8 billion (US\$1.0 billion) and equity of R\$385 million (US\$221 million).

The following ratings of Banco Industrial were upgraded:

Bank financial strength rating: to D from D-, with stable outlook

Long-term global local-currency deposit rating: to Ba2 from Ba3, with stable outlook

Long-term foreign-currency deposit rating: to Ba2 from Ba3, with stable outlook

Brazilian national scale deposit ratings: to A1.br and BR-1 from A3.br and BR-2, with stable outlook

The following ratings of Banco Industrial were affirmed:

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

Short-term foreign-currency deposit rating: Not Prime

New York
 Alexandre Albuquerque
 Analyst
 Financial Institutions Group
 Moody's Investors Service
 JOURNALISTS: 212-553-0376

SUBSCRIBERS: 212-553-1653

New York
 M. Celina Vansetti
 Senior Vice President
 Financial Institutions Group
 Moody's Investors Service
 JOURNALISTS: 212-553-0376
 SUBSCRIBERS: 212-553-1653



© Copyright 2010, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

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. 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.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 and its affiliates 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).