



Moody's Investors Service

Rating Action: **Moody's assigns first-time ratings to BRB -- Banco de Brasília S.A.**

Global Credit Research - 19 Mar 2010

New York, March 19, 2010 -- Moody's Investors Service has assigned first-time ratings to BRB -- Banco de Brasília S.A. (BRB): a bank financial strength rating (BFSR) of E+; global local- and foreign-currency deposit ratings of Ba3 and Not Prime, long- and short-term, respectively; and Brazilian national scale deposit ratings of A2.br and BR-1, long- and short-term, respectively. All ratings have a stable outlook.

The BFSR of E+ reflects BRB's franchise as a regional retail bank with operations concentrated in the Federal District. The bank is controlled by the government of the Federal District and most of its client base is composed of public servants employed by its main shareholder. The rating incorporates the bank's established and focused operation in lending and deposit-taking in its core market, which results in solid brand name recognition and market share within the Federal District. The bank benefits from a stable and loyal funding base, and from a granular loan book that is mainly comprised of operations with individuals.

Moody's noted that BRB is also exposed to heavy competition from the large retail banks within its regional market. The bank also lacks the large distribution networks and efficiency of its competitors, which makes it difficult to expand its activities outside its niche market. Such limitations are also incorporated into BRB's E+ BFSR, the rating agency said.

According to Moody's, its E+ is underpinned by the bank's developing corporate governance and risk controls, as well as challenges to expand BRB's retail operation. The rating is also constrained by BRB's exposure to potential lending decisions driven by political interests. In recent history, former senior management members were associated with negative news of political nature which affected BRB's financial metrics, and added volatility to the bank's performance. Moreover, Moody's noted that ratings could be affected negatively by an abrupt increase of operating costs or in deterioration of asset quality as a consequence of aggressive loan growth.

The bank's Ba3 global local-currency (GLC) deposit rating derives from a baseline credit assessment of B1 which receives one notch of uplift reflecting Moody's assessment of a certain level of support coming from its owner, the local government. The rating agency believes that support would be forthcoming to assist the bank's deposit obligations, should stress occur, because of the bank's role as payment agent for Federal District's public servants. At the same time, Moody's also assumes that BRB would receive no systemic support because of its limited market share of deposits relative to total deposits in the Brazilian system.

The principal methodologies used in rating BRB 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's.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.

BRB is headquartered in Brasília, Brazil. As of December 2009, BRB had total assets of R\$6.6 billion (US\$3.8 billion) and shareholders' equity of R\$581 million (US\$334 million).

The following ratings were assigned to BRB -- Banco de Brasília S.A.:

Bank financial strength rating: E+, stable outlook

Long-term global local-currency deposit rating: Ba3, stable outlook

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

Long-term foreign-currency deposit rating: Ba3, stable outlook

Short-term foreign-currency deposit rating: Not Prime

Long-term Brazilian national scale deposit ratings: A2.br, stable outlook

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

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