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**Summary:**  
**Banco Itau BBA S.A.**

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## Summary:

# Banco Itau BBA S.A.

**Credit Rating:** BBB-/Positive/A-3

## Rationale

The ratings on Banco Itau BBA S.A. reflect the credit quality of Banco Itau S.A. (BBB-/Positive/A-3). Itau BBA is of core importance for the Itau conglomerate as it conducts the group's wholesale operation, benefiting from Itau's solid brand name and strong business and financial profile. Itau BBA maintains a strong position in the Brazilian wholesale market, counts on an agile and qualified management team, and has been delivering consistent profitability and asset quality to its risk profile.

The Itau conglomerate is the second-largest private financial group in Brazil and in Latin America in terms of total assets. Itau Holding Financeira S.A., which is liable before the Central Bank for both operations, controls both Itau and Itau BBA. Senior management and strategies are shared between the two entities, and Itau BBA benefits from the group's strong franchise and strong business and financial stance. One of Itau BBA's strengths is its agile and sophisticated management team, which is able to meet its clients' needs through quick delivery of customized products. This was made possible by Itau's decision to maintain the former Banco BBA's operational structure and the autonomy of its executives.

According to its pro forma balance sheet (which assumes that all of the wholesale assets and liabilities were transferred to Itau BBA's balance sheet), Itau BBA accounted for 35.5% of the group's consolidated assets, 23% of the Group's Tier I capital, and 16% of its net recurrent income as of September 2007. Although we expect the weight of Itau BBA's operations in the group's consolidated assets and net income to reduce in the medium to long term given the strong prospect for retail banking in Brazil, Itau BBA will maintain its value to the conglomerate due to the strong synergy between the wholesale and retail businesses and its key role in the group's strategy to increase cross selling and maintain a diversified operation.

Itau BBA's profitability is consistent with its risk profile (ROAA reached 1.4% in September 2007) and reflects its ability to generate adequate net interest results from treasury and credit activities despite low margins that are complemented by the increase in fee-based revenues from its cash management area and its good position in investment banking.

Itau BBA presents strong asset quality indicators with its nonperforming loans-to-total loans ratio a low 0.2% in September 2007. The bank adequately manages its asset quality with rigorous credit granting and monitoring of its loan portfolio. Credit decision-making is subject to Itau's control.

## Outlook

The positive outlook reflects the outlook on Banco Itau S.A. Any change in the rating or outlook on Banco Itau should lead to a similar rating action on Itau BBA.

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