

Fitch Downgrades BRB's Long-Term IDR to 'CCC', Maintains on RWN and Withdraws the SSR

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Fitch Ratings has downgraded Banco de Brasília S.A.'s (BRB) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) to 'CCC' from 'B-', to 'ccc' from 'b-' and Long-Term National Rating to CCC(bra)' from 'BBB+(bra) '. Fitch has also maintained all the ratings on Rating Watch Negative (RWN). At the same time, Fitch has withdrawn the Shareholder Support Rating (SSR; previously 'b-') and has assigned a Government Support Rating (GSR) of "ns - No Support". A full list of rating actions is below

Fitch has downgraded BRB's ratings primarily due to a material weakening in the bank's governance and internal risk controls following the Central Bank of Brazil's suspension of two executive directors. These governance setbacks, alongside ongoing investigations into allegedly fraudulent credit portfolios acquired by BRB from Banco Master S.A. (Master)—which was placed into Extrajudicial liquidation on November 18, 2025—have materially heightened failure risk and revealed severe deficiencies in oversight and risk management practices. These actions reflect elevated failure risk stemming from the investigations into the allegedly fraudulent portfolios acquired from Banco Master, which may have a potentially material impact on BRB's balance sheet, capitalization and franchise.

The RWN on all ratings reflects uncertainties regarding the ultimate size and financial impact of the alleged fraud. BRB's Board has approved the hiring of a specialized external audit firm to investigate the matters raised by the authorities and to help ascertain the scope of the issues. .

Fitch has withdrawn the BRB's SSR. The size and uncertain loss potential associated with the exposures under investigation, together with ongoing supervisory and legal proceedings that also involve the controlling shareholder, increase the complexity, cost and political sensitivity of any prospective support action. These factors create uncertainty around the timing, scope and coordination of potential extraordinary support.

KEY RATING DRIVERS

VR, IDRs, National Ratings

VR Driven: Following the withdraw of the bank's SSR, BRB's Long-Term IDRs and National Ratings are now derived from the bank's Viability Rating (VR), rather than external support. The downgrade of BRB's VR to 'ccc' reflects Fitch's view that failure risk has increased materially, although the bank remains operational and is currently meeting its obligations. Investigations initiated by the Brazilian Central Bank (BCB), the Federal Police (PF) and the securities regulator (CVM) are ongoing and relate to sizeable credit portfolios acquired by BRB from

Master.

ESG - Exposure to Governance Impacts: Fitch has revised BRB's ESG Relevance score for Governance Structure to '5' from '3'. to reflect weakened board effectiveness, risk-control escalation, and oversight practices.

Information disclosed so far by the authorities indicates that elements of these portfolios may lack economic substance or may not be fully supported by verifiable underlying cash flows. BRB has publicly acknowledged having identified issues in part of these exposures and has reported that certain assets were substituted, although the terms and process of such substitutions are still being examined by investigators. In response, the CEO and CFO were suspended by court order and later removed by the board, and the bank has hired an external audit firm to conduct an independent review of the exposures. Fitch considers these developments to be consistent with significant shortcomings in governance, internal controls and risk oversight.

Financial Profile Uncertainties: The ultimate asset-quality and capital impact of the exposures under investigation remains uncertain. However, given BRB's modest capital buffers and prior structural capitalization challenges, Fitch believes that the potential for material losses cannot be ruled out. This uncertainty, combined with governance weaknesses and elevated reputation risk, significantly weakens BRB's standalone credit profile and is consistent with a 'ccc' VR.

Franchise Under Pressure: Market behavior following the public disclosures suggests heightened risk aversion toward BRB. Secondary trading has shown wider spreads on selected instruments and increased selling flows, especially through investment platforms. Although operations continue normally and customer service remains uninterrupted, Fitch views the bank as more exposed to confidence sensitivity, potential funding-cost pressures and tenor shortening — dynamics consistent with a 'ccc' standalone profile.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Further material deterioration in BRB's capital ratios, without a credible capital plan.
- Evidence of significant and sustained funding and liquidity stress, including strong deposit outflows or restricted access to wholesale markets.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Given the "CCC" category ratings, positive rating action would require a combination of:

- A clear and independently validated assessment of the potential losses related to the publicly mentioned acquisition of fictitious / illegitimate assets from the market, indicating that the potential losses are easily absorbable by BRB's most recent financial situation.
- A credible and timely recapitalization plan, with details on the amount, tenors, instruments and approvals.
- Evidence that BRB's funding profile have stabilized, with funding costs and spreads normalizing.
- Tangible improvements in governance, risk management and transparency as investigations conclude and remediation measures are implemented .

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

GSR

The GSR of "No Support" (ns) indicates that there is no reasonable expectation of support being provided.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

GSR

BRB's GSR of 'ns' is sensitive to changes in Fitch's assessment about the ability and/or propensity of the sovereign to provide timely support to the bank, and would only be likely to occur with a significant increase in the bank's systemic importance.

VR ADJUSTMENTS

The Viability Rating has been assigned below the implied Viability Rating due to the following adjustment reason: Weakest Link - Capitalization & Leverage (negative).

The Business Profile score has been assigned below the implied score due to the following adjustment reason: Management and Governance (negative).

The Asset Quality score has been assigned below the implied score due to the following adjustment reason: Underwriting Standards and Growth (negative).

The Earnings & Profitability score has been assigned below the implied score due to the following adjustment reason: Historical and Future Metrics (negative).

ESG CONSIDERATIONS

Fitch has revised BRB's ESG Relevance score for Governance Structure to '5' from '3'. to reflect weakened board effectiveness, risk-control escalation, and oversight practices. These issues compound the bank's existing ESG Relevance Score of '4' for Financial Transparency, due to problems in the presentation of financial statements in the past that raise concerns about their governance, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS		
ENTITY	RATING	PRIOR

BRB - Banco de Brasília S.A.	LT IDR	CCC ♦	Downgrade	B- ♦
	ST IDR	C ♦	Downgrade	B ♦
	LC LT IDR	CCC ♦	Downgrade	B- ♦
	LC ST IDR	C ♦	Downgrade	B ♦
	Natl LT	CCC(bra) ♦	Downgrade	BBB+(bra) ♦
	Natl ST	C(bra) ♦	Downgrade	F2(bra) ♦
	Viability	ccc ♦	Downgrade	b- ♦
	Shareholder Support	WD	Withdrawn	b- ♦
	Government Support	ns	New Rating	

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Applicable Criteria

Bank Rating Criteria (pub.21-Mar-2025)(includes rating assumption sensitivity)

Metodologia de Ratings de Bancos (pub.21-Mar-2025)

Metodologia de Ratings em Escala Nacional (pub.22-Dec-2020)

National Scale Rating Criteria (pub.22-Dec-2020)

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