24-I-0121
March 26, 2025

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Banco do Brasil S.A. (security code: -)

<Assignment>

Foreign Currency Long-term Issuer Rating:	BBB-
Outlook:	Stable

Rationale

(1) Banco do Brasil S.A. (BB) is a state-owned bank in the Federative Republic of Brazil, established in 1808. It is the second-largest bank in Brazil in terms of both deposits and loans. In 1964, it separated its central bank operations and is now a universal bank focusing on commercial banking, with branches throughout Brazil. The rating mainly reflects its unique status under the law, its close relationship with the Federal Government, which is underpinned by factors such as majority ownership and also holds the right to submit to the General Shareholders Meeting approval the appointment of six members to the board of directors, which consists of eight members, and its importance to the Federal Government's industrial policy, including its provision of financial functions to the key industries. There are no particular concerns about its creditworthiness as a financial institution, given its high profitability. The rating is in line with the Federative Republic of Brazil's sovereign rating (Foreign Currency Long-term Issuer Rating: BBB-/Stable).

(2) BB has close ties with the Federal Government. In terms of legal protection, it has a unique status granted by the National Financial System Act of 1964. It is an agency that acts as financial agent of the national treasury that handles Federal Government receipts and disbursements and accepts deposits and is the main entity for the execution of the Federal Government's national credit policy. The majority of its capital is still held by the Federal Government, and this has been maintained for a long time despite the privatization of state-owned corporations. BB's importance to the Federal Government's industrial policy is high. It plays an important role in providing financial support for the agricultural sector, which is the country's key industry. In recent years, the Federal Government has been expecting BB to provide loans for agriculture's response to climate change in the context of the Federal Government's multi-year plan (PPA). In addition to implementing the Federal Government's housing loan measures, BB also manages government funds such as the Constitutional Fund for the Financing of the Midwest Region. The Federal Government, as the major shareholder, holds the right to submit for General Shareholders Meeting approval the appointment of six members to BB's board of directors. These include the CEO, three members appointed by the Minister of Finance, one by the Minister of State for Management and Innovation in Public Services, and one by employees. Clear conditions prevent certain individuals from joining BB's management bodies, as outlined by relevant laws and the BB's policies. The nomination process for the board of directors follows established rules. BB prevents conflicts of interest in transactions with the Federal Government through its Bylaws and Related Party Transactions Policy. BB uses a collegiate decision model to ensure quality decision-making and prevent conflicts of interest.

(3) Brazil's five major banks, including BB, have a combined market share of around 70% in terms of deposits and lending, indicating a high degree of concentration. Each of the five has a reasonably separate customer base, making mutual competition relatively loose. Agricultural lending has been designated as a policy area for BB, which has an overwhelming market share. It has the largest branch network in Brazil, running around 4,000 outlets as of the end of 2024. Its share of lending used to be around 20%, ranking at the top in the industry. But its share has slightly declined over the decade due to reduced lending to corporations. As of the end of 2024, BB ranked second with a 16% share, with the decline in market share having stopped.

(4) BB's loan portfolio is 32.5% for agriculture, 30.1% for individuals, 31.5% for businesses, and 5.9% for foreigners. In the agricultural sector, where it has a strong market position, BB has built a solid business base by attracting a wide range of customers, from small-scale farmers to large-scale plantation owners. Its extensive branch network even in the relatively economically underdeveloped northern, northeastern and midwestern regions is also seen to be contributing to the maintenance and expansion of its agricultural lending. Its agricultural lending is characterized by its susceptibility to fluctuations in harvest yields and international commodity prices, the bank implements risk control

through sufficient collateral coverage. Loans to individuals are mainly payroll loans, which are repaid through deductions from salaries. In terms of corporate lending, it makes a large proportion of loans to big companies as it has a customer base that includes state-owned corporations. By developing branches and networks in 11 countries, including Japan, it has established a major position in trade finance, carving market shares higher than 20% in pre-shipment finance (ACC) and export bill discounts (ACE). As a group, it boasts the largest assets under management in the country through BB Asset Management. It also has a high presence in non-banking operations. It provides comprehensive financial services through a one-stop service, from national treasury operations to private banking. It is working to diversify its revenue sources. At present, it is strengthening its online banking platform and working to improve services such as account transactions, credit cards and asset management.

(5) BB's net interest margin (NIM) has been at high levels, generally standing in the higher 3% to higher 4% range. The bank is able to secure high profitability in the agricultural sector. Most of its loans practically carry floating interest rates, with little mismatch with the funding side. So the NIM is stable even amid fluctuation of market interest rates. In 2024, its operating profit stayed flat as higher credit costs resulting from increased delinquent loans offset expanded revenues brought by increased lending and improved loan margins. JCR believes that the high net interest margin will continue to support BB's performance.

(6) BB’s non-performing loan ratio has stayed at around 3% for many years. The ratio of credit costs to outstanding loans is relatively high, at around the level of 3-4%, but this is kept within a range that can be covered by the ample NIM. In 2024, BB’s non-performing loan ratio was on an upward trend due to the increase in interest rates on loans to companies and the delinquency of loans to agriculture caused by the bad weather. The policy interest rate has continued to rise since the beginning of 2025. It is necessary to be aware of the possible deterioration in assets quality and credit costs. Securities investment accounts for about 24% of the bank’s total assets. The bank mainly invests in government bonds. It is strengthening its ALM management to ensure that interest rate risk does not become excessive.

(7) BB’s liquidity situation reflects the characteristics of its business. Its loan-to-deposit ratio at the end of 2024 was high at around 120%. This is because it is allowed to raise additional funds by issuing three-year Agribusiness Letters of Credit (LCA), which are eligible for tax incentives, in order to implement lending to the agricultural sector. If this is excluded, its loan-to-deposit ratio would be around 100%. In addition, it raises funds through borrowing from domestic and overseas financial institutions and issuing bonds, with repayment periods diversified. If it becomes difficult to raise funds through LCA, etc., it is expected that the central bank will provide liquidity backup to the bank. The capital adequacy ratio at the end of 2024 was 13.75%, 1.7 percentage points lower than that at the end of previous year, due to an increase in risk assets resulting from an expansion in the balance of loans. Although it is expected that loan expansion will continue, JCR believes that the bank will maintain a level that exceeds the required capital of 11.5% to some extent through measures such as accumulating profits and issuing capital securities.

Atsushi Masuda, Shinya Iwasaki

Rating

Issuer: Banco do Brasil S.A.

<Assignment>

Foreign Currency Long-term Issuer Rating: BBB- Outlook: Stable

Rating Assignment Date: March 25, 2025

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Outline of the rating methodology is shown as "Sovereign and Public Sector Entities" (October 1, 2021) and "Banks" (October 1, 2021) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Banco do Brasil S.A.
Rating Publication Date:	March 26, 2025

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Legal Protection and Support Provided by the Government

The likelihood of a given debt payment is highly conditional to the issuer's legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement, and other forms of the government's supporting policy, framework and the strength thereof.

B) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

C) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

D) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

A) Audited financial statements presented by the rating stakeholders

B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, verification by a government agency and alike, the publication by the issuer, some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Legal Protection and Support Provided by the Government
The credit rating is subject to alteration if there is a change in the issuer's legal support by the government, personnel or capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Business Bases
The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

C) Financial Grounds and Asset Quality
The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption

capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

D) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement

The credit rating is subject to alteration if there is a change in the creditworthiness of the government, etc. that constitute the framework of credit enhancement. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change on such framework is exceptionally large.

G) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12 Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

https://www.jcr.co.jp/en/service/company/regu/nrsro/

13 Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Legal Protection and Government Support

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. The resultant change of the credit rating is most likely by one notch, as JCR stipulates, but possibly as much as a few notches if the change in the government's supporting policy is significant.

B) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

C) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

D) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

E) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the creditworthiness of the government, etc. that constitute the framework of credit enhancement. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches should the creditworthiness of said government, etc. change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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Attachment

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Kiichi Sugiura, have responsibility to this Rating Action and to the best of my knowledge:

A) No part of the credit rating was influenced by any other business activities.

B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.

C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

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General Manager of International Department

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