26-I-0025
July 14, 2026

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

Federative Republic of Brazil

<Affirmation>

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

Rationale

(1) Brazil, with a population of around 200 million, is the largest Latin American country that has a high agricultural productivity and one of the richest pools of natural resources in the world. The ratings are mainly supported by its high economic growth potential, stable financial sector and ample foreign exchange reserves. On the other hand, they are constrained by the high level of government debt and heavy expenditure pressures stemming from income disparity and poverty. The third Lula administration has been working on key policy priorities such as social infrastructure improvement, urban development and global warming countermeasures in addition to poverty reduction measures. The country's real GDP growth slowed to 2.3% in 2025, down 1.1 percentage points from the previous year. The fiscal balance, which has deteriorated under the impact of high interest rates, is expected to remain under severe pressure, with the general government debt-to-GDP ratio projected to rise to the 80% range, slightly higher than its current level. However, JCR expects it to improve over the medium term as fiscal consolidation progresses. Based on the above, the ratings have been kept unchanged with a Stable outlook. On a separate note, JCR has retained the "BBB" country ceiling for Brazil.

(2) Brazil's real GDP growth slowed to 2.3% in 2025 from 3.4% the year before. The main factors behind the deceleration were the stagnation of private consumption and a decline in gross fixed capital formation due to the period of elevated interest rates amid a resurgence of inflation driven by rising food prices caused by unfavorable weather conditions and currency depreciation. Meanwhile, net exports increased from the previous year as reduced exports to the United States caused by higher tariffs were offset by increased exports to China and Argentina. The central bank had kept the policy interest rate at 15.0% to curb inflation that exceeds the tolerance interval of plus or minus 1.5 percentage points of its 3% target. However, from March 2026 onward, it shifted to a rate-cutting stance as inflation slowed to around 4.0%, bringing the rate to 14.25% in June 2026. Looking ahead, not only due to uncertainty surrounding the outlook for oil prices stemming from the Middle East conflicts, but also from the perspective of keeping future inflation expectations anchored, any additional rate cuts within the year will be limited. The real GDP growth rate in 2026 is expected to be around 2%, supported by a solid labor market, although the continued high interest rate environment is likely to exert downward pressure on private consumption. The Lula administration is working to reduce the so-called "Brazil cost," which stems from the complexity of the tax system. It started a transition process toward simplifying indirect taxes in 2026.

(3) The nonperforming loan ratio in the banking sector rose to 4% at the end of 2025. This reflected weakening credit quality in small and medium-sized enterprises stemming from the prolonged high-interest-rate environment, as well as the statistical impact of the new accounting standards introduced in January 2025. The central bank estimates that approximately half of the increase in the nonperforming loan ratio can be attributed to the change in accounting standards. Banks keep their liquidity abundant and are steadily accumulating their equity capital, leaving no concern about the financial system for the time being. As to the balance of payments, despite constant trade balance surpluses, the current account continues to be in the red due to chronic service balance and primary income balance deficits. However, the current account deficit has been largely financed by solid FDI inflows. In addition, the deficit is expected to narrow in 2026, backed by an improvement in the trade balance. Brazil remains resilient to external shocks given its ample foreign exchange reserves and low foreign currency-denominated debt ratio kept at around 5%.

(4) The Lula administration is pursuing fiscal consolidation by containing the growth of expenditures based on the revised fiscal balancing measures introduced in 2024 while setting annual targets for

the central government's primary balance as a percentage of GDP. In 2025, the primary balance was contained to a deficit of 0.5% of GDP. However, the overall central government fiscal balance, including interest payments, was in a deficit of 7.5% of GDP, little changed from 7.6% in the previous year. As a result, the general government debt-to-GDP ratio deteriorated from 76.3% to 78.6% at the end of 2025. One of the reasons for the high interest payments is that, following the COVID-19 pandemic, the government relied heavily on borrowing through floating-rate bonds, making it more susceptible to the impact of the high interest rate environment in later years. The government is aiming to expand the primary surplus by advancing tax reforms starting in 2026 in addition to restraining expenditures. It also aims to stabilize interest payments over the medium to long term by gradually shifting the composition of government debt from floating-rate bonds to fixed-rate ones. The general government debt-to-GDP ratio is expected to rise to the 80% range in the short term due to the burdens of the continuing high interest rate environment. However, JCR projects that it will begin to decline as fiscal consolidation progresses.

Atsushi Masuda, Kazuki Nishiwaki

Rating

Issuer: Federative Republic of Brazil

<Affirmation>

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

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

Rating Assignment Date: July 9, 2026

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) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

The aforementioned credit ratings are unsolicited. Except in cases of a credit rating for a sovereign, JCR indicates affix "p" after a rating symbol to distinguish it from a rating with solicitation. The undisclosed information, which has material influence on the credit rating, was not obtained from the rating stakeholder.

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:	Federative Republic of Brazil
Rating Publication Date:	July 14, 2026

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) Economic Base
The likelihood of a given debt payment is highly conditional to the issuing government's ability to maintain/expand the economic base into the future with maintaining soundness of financial systems.

B) Fiscal Base
The likelihood of a given debt payment is highly correlated to fiscal balance, public debt and other factors of the issuing government's fiscal condition.

C) External Positions
The likelihood of a given debt payment is highly correlated to the liquidity positions which change along with the international balance of payments and the international investment position.

D) Social and Political Bases and Economic Policy

The likelihood of a given debt payment is highly conditional to the social and political stability, effectiveness of economic and monetary policies as well as international economics.

E) Related Parties' Stance of Support/ Assistance for the Government

The likelihood of a given debt payment is affected by the stance of the credit enhancement provider and other related parties with regard to their stance of support/ assistance for the issuing government.

F) 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 issuing government's will, and/ or its rank relative to other debts of the same government in the order of seniority in principal/ interest payment which is determined by design as financial product or by international practice, 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) Informational and explanatory materials published by the rating stakeholders with regard to the economy and fiscal management policy, etc. of the issuing government

  B) Statistics and reports published by an independent organization with regard to the economy and fiscal status, etc. of the issuing government

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 publication by the issuer, some independent media, 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 does not receive 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) Economic Base

The credit rating is subject to alteration if there is an improvement or deterioration of the issuer's economy or financial systems, 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 large.

B) Fiscal Base

The credit rating is subject to alteration if the issuer increases/ decreases its fiscal deficit/ surplus and its public debt and thereby makes given debt payment liability less/ more bearable. 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.

C) External Positions

The credit rating is subject to alteration if there is a change in the issuer's international balance of payments and international investment position and thereby an improvement/ deterioration of its liquidity positions. 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.

D) Social and Political Bases and Economic Policy

The credit rating is subject to alteration if there is a change in the issuer's social and political conditions or economic/ monetary policies, etc. and thereby an improvement/ deterioration of its economy and fiscal positions. 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) Related Parties' Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the credit enhancement provider or other related parties with regard to their stance of support/ assistance for the issuing government and thereby an improvement/ deterioration of its economy, fiscal positions and liquidity positions. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

F) Order of Seniority in Debt Payment

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, due to improvement/ deterioration of the issuer's fiscal condition and/or will. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

G) International Economies

The credit rating is subject to alteration if there is a change in the international economies, commodity or foreign exchange markets, etc. and thereby, through international balance of payments, an improvement/ deterioration in the issuer's fiscal balance or debt payment capacity. 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 domestic unrest, war, natural disaster, etc. which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's economy, fiscal positions, 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

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- 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) Economic Base

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 economy or financial systems, 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 economy or financial systems on some drastic change in environments, etc.

B) Fiscal Base

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 fiscal conditions in terms of annual balance or public debt. 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 fiscal condition on some drastic change in its economy.

C) External Positions

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 reflecting improvement or deterioration of the international balance of payments and the international investment position. 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 the country's economic/ fiscal conditions and financing activities, etc.

D) Social and Political Bases and Economic Policies

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 social and political bases and economic/ monetary policies. 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 country's situation changes drastically, making the issuer's social and political bases and economic/monetary policies significantly improved or deteriorated.

E) International Economics

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 prospects of the international economies or commodity/ foreign exchange markets, etc. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets 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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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Federative Republic of Brazil	Issuer(Long-term)(FC)	June 8, 2007	BBB-	Stable
Federative Republic of Brazil	Issuer(Long-term)(FC)	February 16, 2009	BBB-	Stable
Federative Republic of Brazil	Issuer(Long-term)(FC)	February 1, 2011	BBB	Stable
Federative Republic of Brazil	Issuer(Long-term)(FC)	November 15, 2012	BBB	Stable
Federative Republic of Brazil	Issuer(Long-term)(FC)	December 13, 2013	BBB	Stable
Federative Republic of Brazil	Issuer(Long-term)(FC)	March 12, 2015	BBB	Negative
Federative Republic of Brazil	Issuer(Long-term)(FC)	June 9, 2016	BBB-	Stable
Federative Republic of Brazil	Issuer(Long-term)(FC)	February 2, 2018	BBB-	Stable
Federative Republic of Brazil	Issuer(Long-term)(FC)	November 12, 2019	BBB-	Stable
Federative Republic of Brazil	Issuer(Long-term)(FC)	November 9, 2020	BBB-	Stable
Federative Republic of Brazil	Issuer(Long-term)(FC)	June 15, 2022	BBB-	Stable
Federative Republic of Brazil	Issuer(Long-term)(FC)	December 20, 2023	BBB-	Stable
Federative Republic of Brazil	Issuer(Long-term)(FC)	May 16, 2025	BBB-	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	June 8, 2007	BBB	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	February 16, 2009	BBB	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	February 1, 2011	BBB+	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	November 15, 2012	BBB+	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	December 13, 2013	BBB+	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	March 12, 2015	BBB+	Negative
Federative Republic of Brazil	Issuer(Long-term)(LC)	June 9, 2016	BBB	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	February 2, 2018	BBB	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	November 12, 2019	BBB	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	November 9, 2020	BBB	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	June 15, 2022	BBB	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	December 20, 2023	BBB	Stable
Federative Republic of Brazil	Issuer(Long-term)(LC)	May 16, 2025	BBB	Stable

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.

杉浦輝一

Kiichi Sugiura
General Manager of International Department

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