

# Banco Regional de Desenvolvimento do Extremo Sul (BRDE)

## Key Rating Drivers

**Ratings Driven by Shareholder Support:** Banco Regional de Desenvolvimento do Extremo Sul's (BRDE) ratings reflect Fitch Ratings' expectation of support from its shareholders—the states of Paraná, Santa Catarina, and Rio Grande do Sul—with its Shareholder Support Rating (SSR) of 'bb' aligned with Paraná's Issuer Default Rating (IDR) of 'BB' with a Stable Outlook. The bank's legal structure, public mandate, equal state ownership, and absence of dividends reinforce Fitch's view that support would be timely if needed.

**High Propensity to Support:** BRDE's shareholder states have a strong incentive to support the bank given its strategic role in regional development policy, including financing for small and medium enterprises (SME), rural producers, infrastructure, innovation and sustainability.

**Regional Development Role:** BRDE operates within the Council for Development and Integration of the South (CODESUL; *Conselho de Desenvolvimento e Integração Sul*) framework, financing productive investment across southern Brazil. Its 2025–2030 strategic plan reinforces alignment with regional priorities, strengthening its institutional relevance.

**Focused Business Model:** BRDE combines direct lending with indirect origination through cooperatives and partners, maintaining a lean structure with no subsidiaries. Its growing involvement in structuring public-private partnerships structuring and innovation financing broadens its platform without materially altering its risk profile. Fitch does not assign a Viability Rating (VR), as the business model is largely policy-driven.

**No VR Assigned:** Fitch does not assign BRDE a VR, as the bank's business model is largely determined by its policy role. BRDE's standalone financial profile is therefore not the primary driver of the ratings, although its conservative risk appetite, strong capitalization, sound asset quality, and prudent liquidity management remain important considerations in Fitch's overall credit assessment.

**Moderate Risk Profile and Strong Asset Quality:** BRDE's credit portfolio reached BRL24.1 billion in 2025 (up 12.1% year-over-year), with growth concentrated in rural producers and micro and small enterprises. Asset quality remained sound: Stage 1 exposures represented 84.8% of the portfolio, with Stage 3 at 3.2%. Flood-related renegotiations in Rio Grande do Sul (5.15% of loans) remain a monitoring point but show no broader deterioration.

**Prudent Provisioning:** Loan loss reserves totaled BRL640.5 million (or 2.6% of gross loans), with Stage 3 reserves comprising 88.8% of total provisions and Stage 3 coverage at 72.5%.

**Profitability Rebounds:** Operating profit rose 73% year-over-year, driven by lower credit costs after elevated 2024 provisioning linked to borrower reclassifications and the Rio Grande do Sul floods. Fitch views the recovery as credit-supportive, strengthening capital generation without signaling higher-risk strategies.

**Strong Capitalization:** BRDE's common equity tier 1 (CET1) ratio reached 19.9% at year-end (YE) 2025, well above its 14% internal minimum, supported by retained earnings and no dividend distributions.

**Funding Diversification Advances:** BNDES accounted for approximately 57% of total funding in 2025, materially below historical levels. The gradual reduction in BNDES dependence improves funding flexibility and reduces concentration risk. BRDE also continued to expand market access through instruments such as development credit notes, bank deposit certificates, and financial bills.

## Ratings

### Foreign Currency

|                |    |
|----------------|----|
| Long-Term IDR  | BB |
| Short-Term IDR | B  |

### Local Currency

|                |    |
|----------------|----|
| Long-Term IDR  | BB |
| Short-Term IDR | B  |

|                            |    |
|----------------------------|----|
| Shareholder Support Rating | bb |
|----------------------------|----|

### National Rating

|                            |          |
|----------------------------|----------|
| National Long-Term Rating  | AAA(bra) |
| National Short-Term Rating | F1+(bra) |

### Sovereign Risk (Brazil)

|                                |     |
|--------------------------------|-----|
| Long-Term Foreign Currency IDR | BB  |
| Long-Term Local Currency IDR   | BB  |
| Country Ceiling                | BB+ |

### Outlooks

|                                          |        |
|------------------------------------------|--------|
| Long-Term Foreign Currency IDR           | Stable |
| Long-Term Local Currency IDR             | Stable |
| National Long-Term Rating                | Stable |
| Sovereign Long-Term Foreign Currency IDR | Stable |
| Sovereign Long-Term Local Currency IDR   | Stable |

## ESG and Climate

### Highest ESG Relevance Scores

|               |   |
|---------------|---|
| Environmental | 2 |
| Social        | 3 |
| Governance    | 3 |

## Applicable Criteria

[Bank Rating Criteria \(March 2025\)](#)

[Metodologia de Ratings em Escala Nacional \(December 2020\)](#)

[Metodologia de Ratings de Bancos \(March 2025\)](#)

[National Scale Rating Criteria \(December 2020\)](#)

## Related Research

[Fitch Affirms BRDE's IDRs at 'BB'; Outlook Stable \(May 2026\)](#)

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## Rating Sensitivities

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

- As BRDE's ratings are driven by the SSR, they can be downgraded if one or more of its shareholders' creditworthiness deteriorates;
- There may also be a downgrade if Fitch perceives a deterioration in the propensity of the controlling states to support BRDE.

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

- An improvement in Fitch's view of the creditworthiness of the three shareholder states.
- An improvement in Fitch's view of the three shareholders' propensity to support BRDE.
- The National Scale rating cannot be upgraded, as it is at the maximum level of the scale.

## Company Summary and Key Qualitative Factors

### Business Profile

#### *Mandate-Driven Franchise*

BRDE's franchise remains anchored in its clearly defined public-policy mandate and long-established role as a regional development bank in southern Brazil. The bank's institutional relevance is supported by its ownership structure, regional focus, and role in financing sectors that are central to the development priorities of Paraná, Santa Catarina, and Rio Grande do Sul.

BRDE is equally owned by the three southern states and operates within the development agenda set by CODESUL. Its role as a long-term financier provides a clear institutional identity, focused on agribusiness, infrastructure, innovation, sustainability, and municipal development. The bank's reach across most municipalities in southern Brazil remains an important strength, allowing it to maintain a visible role in regional investment and policy implementation.

The franchise also benefits from a straightforward organizational structure. BRDE has no subsidiaries and operates with lean governance, supporting transparency and preserving focus on its core development mandate. Loan origination combines direct lending with indirect channels, including relationships with cooperatives and equipment vendors, enabling the bank to serve rural producers and smaller businesses without relying on a costly branch network. This distribution model remains consistent with its development role and regional footprint.

#### *Strategic Alignment and Public Policy Role*

The revision of BRDE's 2025–2030 strategic plan reinforces the alignment between the bank's internal priorities and the broader regional development agenda. The updated plan places greater emphasis on productive chains, cities, innovation, and environmental sustainability, giving greater structure to BRDE's mandate and providing a clearer execution framework over the medium term.

BRDE's role has also become more visible in the implementation of state-supported programs. During 2025, the bank participated in initiatives aimed at SMEs, rural investment, exporters affected by trade disruptions, and borrowers impacted by climate-related events. This reinforces BRDE's function as an institutional channel through which state governments can operationalize targeted development policies.

The bank's work on Public-private partnerships (PPP) structuring and municipal advisory mandates further supports its public-policy relevance. These activities do not materially alter BRDE's core business model, but they deepen its relationship with public-sector stakeholders and strengthen its role in regional infrastructure development.

#### *Innovation and Institutional Modernization*

Innovation financing remains an area of strategic differentiation for BRDE within the Brazilian development banking system. In 2025, the bank financed 65 companies undertaking innovation projects, totaling BRL345.7 million, using a combination of Finep resources, partner institution funding, and its own balance sheet. This supports BRDE's relevance in segments often underserved by traditional long-term credit providers.

BRDE's innovation agenda also includes participation in venture capital structures through Fundo de Investimento em Participações (FIP) and initiatives such as BRDE Labs, which connect startups, investors, and acceleration programs. These activities remain modest relative to the bank's balance sheet, but they add depth to its development mandate and support its relevance as regional investment needs evolve.

Institutional modernization is also visible in digitalization initiatives. The digital credit platform for micro and small enterprises completed its first full year of operation in 2025, supporting a more streamlined origination process for smaller-ticket loans. Volumes remain limited, but the platform is strategically useful for broadening access, improving process efficiency, and supporting more scalable delivery channels.

### Risk Profile

#### *Moderate Risk Profile*

BRDE's risk profile remains moderate and consistent with that of a regional development bank focused on long-term lending within a concentrated geographic footprint. Credit risk is shaped by exposure to agribusiness, agro-industrial cooperatives, micro and small enterprises, infrastructure, and municipalities across southern Brazil and Mato Grosso do Sul.

The portfolio reflects the institution's development mandate, combining larger exposures to established counterparties with a broad base of smaller operations originated through indirect channels. Fitch views this risk profile as supported by structured underwriting, project monitoring, and the bank's long-standing experience in sectors central to its operating region.

### ***Portfolio Composition and Sectoral Exposure***

The loan book remains closely linked to the economic structure of southern Brazil, with agribusiness and related production chains representing a central component of risk exposure. In 2025, BRDE allocated BRL2.8 billion to agribusiness activities, including lending to rural producers, agro-industrial cooperatives, and companies connected to the sector. This concentration is consistent with the bank's mandate and regional expertise.

Sectoral distribution of new lending remained broadly stable in 2025. Agriculture accounted for BRL1.9 billion of new approvals, followed by commerce and services with BRL1.8 billion, industry with BRL1.3 billion, and infrastructure with BRL664 million. This mix indicates continued exposure to productive sectors rather than short-term consumption-related lending, which is consistent with BRDE's development role.

Large companies accounted for the largest share of new lending volumes, totaling BRL2.3 billion, with agro-industrial cooperatives representing a meaningful component. Although these exposures can increase single-name concentration on a legal basis, many cooperatives operate as aggregators of broader production chains involving a large base of rural members, partly softening the economic concentration of risk.

### ***Granularity Through Smaller Borrowers and Indirect Lending***

BRDE also maintains significant penetration among smaller borrowers. In 2025, rural producers accounted for 75.8% of the number of financing operations, while micro and small enterprises represented a further 22.3%. This provides operational granularity, even though exposure by value remains more concentrated in larger clients.

Indirect lending remains an important part of the distribution and risk-management model. BRDE works through 68 partner institutions, including credit cooperatives, agro-industrial production cooperatives, and machinery and equipment manufacturers. Indirect operations totaled BRL1.8 billion in 2025, with 70.1% directed to rural producers and 25.4% to micro and small enterprises. This channel supports capillarity and borrower access while allowing the bank to leverage local distribution networks and credit knowledge.

### ***Underwriting and Monitoring Discipline***

BRDE's credit process remains structured and is an important support for the risk profile. Financing requests are subject to eligibility screening, technical, financial, legal, and socio-environmental analysis, credit committee approval, disbursement controls linked to project execution, and post-disbursement monitoring.

Direct operations involve analysis by BRDE's own teams, while indirect channels rely partly on partner institutions for origination and monitoring. However, the broader framework remains governed by BRDE's operational policies. In Fitch's view, this supports a balanced approach, enabling the bank to expand borrower reach without materially changing its institutional credit culture.

### ***Growth and Risk Appetite***

BRDE's credit portfolio increased 12.1% in 2025, reaching BRL24.1 billion, after stronger expansion in the prior year. New approvals totaled BRL5.6 billion, down 5.5% from 2024 but still within the range observed in recent years. Fitch does not view current growth dynamics as indicative of a material shift in risk appetite. These trends suggest continuity in lending execution, supported by stable origination volumes and the long-term nature of the portfolio.

Growth was more pronounced in some borrower segments. Credit to rural producers rose 43.5% year on year, with most of the increase directed to small producers and family agriculture under the National Program for Strengthening Family Agriculture. Lending to micro and small enterprises also increased, supported in part by the Santa Catarina State Support Program for Micro and Small Enterprises. By contrast, lending to municipalities and medium-sized companies declined.

Because the loan book is largely composed of long-term financing, growth should be assessed less through short-term origination changes and more through underwriting consistency, repayment performance, and portfolio seasoning. On this basis, 2025 appears to reflect continuity rather than a material recalibration of risk appetite.

### ***Regional Concentration***

Geographic concentration remains a structural feature of BRDE's risk profile. The bank operates primarily in southern Brazil, with additional activity in Mato Grosso do Sul, and is therefore exposed to regional economic cycles, weather events, and sector-specific disruptions.

This concentration is inherent to the bank's mandate and does not, in itself, indicate elevated risk beyond what is typical for a subnational development bank. However, the weight of agribusiness and agro-industry means that asset quality can be sensitive to climatic conditions, commodity price cycles, and export market developments. BRDE's longstanding presence in this ecosystem supports risk understanding, but does not eliminate these structural concentration features.

## Financial Profile

### Asset Quality

#### ***Strong Asset Quality Maintained with Prudent Provisioning***

BRDE's asset quality remains strong, supported by conservative underwriting, secured lending practices, and long-standing experience in core sectors such as agribusiness, infrastructure, and public-linked financing. The loan book remains predominantly classified in Stage 1 under the expected credit loss framework, while impaired loans remain contained, and provisioning is concentrated in higher-risk exposures.

Gross loans totaled BRL24.2 billion at YE 2025, representing 82.9% of total assets and confirming the balance sheet's strong concentration in credit. After provisions of BRL640.5 million, net loans accounted for 80.7% of total assets. Other financial assets, mainly fixed-income fund quotas, represented around 17% of total assets and are conservatively allocated, limiting market risk-driven volatility.

The portfolio remains heavily weighted toward performing exposures. Stage 1 loans totaled BRL20.6 billion, or 84.8% of gross loans, while Stage 2 loans reached BRL2.9 billion, or 12.0%, and Stage 3 loans reached BRL784.5 million, or 3.2%. The Stage 3 ratio remains low and broadly stable for a development bank with concentrated regional exposure and long-tenor lending. The balance between Stage 2 and Stage 3 suggests that risk migration remains contained and has not translated into material impairment formation.

#### ***Residual Effects of Climate-Related Events Remain Manageable***

Loans renegotiated in response to the 2024 floods in Rio Grande do Sul totaled BRL1.25 billion at YE 2025, equivalent to 5.15% of the loan portfolio. Of this amount, 77.4% were performing, while 10.4% showed early arrears and 12.2% were more than 90 days past due.

These exposures remain a monitoring point, given the scale of the event and the importance of Rio Grande do Sul to BRDE's operating footprint. However, their current performance does not indicate broader deterioration in asset quality or earnings capacity. The normalization of provisioning in 2025 suggests that the financial impact of these events has been largely absorbed, although the evolution of this segment remains relevant for future credit cost dynamics.

#### ***Provisioning Remains Conservative and Risk-Aligned***

Loan loss reserves totaled BRL640.5 million, equivalent to 2.6% of gross loans. Provisioning is strongly concentrated in impaired assets, with Stage 3 accounting for BRL568.7 million, or 88.8% of total reserves. Stage 1 and Stage 2 provisions totaled BRL49.4 million and BRL22.4 million, respectively.

Coverage of Stage 3 loans is robust at 72.5%, indicating a strong buffer against loss realization. Reserve intensity increases appropriately across stages, from 0.24% in Stage 1 to 0.77% in Stage 2 and over 70% in Stage 3, reflecting a prudent and differentiated expected-loss approach.

#### ***Portfolio Structure Supports Risk Stability***

The loan book remains predominantly exposed to the private sector, which represented 94.0% of total exposure, with limited direct exposure to public-sector borrowers at 6.0%. Sectoral distribution reflects BRDE's mandate and regional specialization, with agribusiness representing 27.3% of total exposure, followed by industry at 22.3%, infrastructure at 19.4%, and commerce at 15.9%.

The maturity profile remains long-dated, with 83.7% of loans maturing beyond one year. This is consistent with BRDE's role as a provider of long-term development financing, but it increases reliance on effective monitoring, collateral management, and forward-looking risk assessment.

### Earnings and Profitability

#### ***Profitability Recovery Driven by Lower Credit Costs***

BRDE's earnings profile strengthened in 2025, mainly reflecting a normalization of credit costs following the elevated provisioning recorded in 2024. Operating profit increased by 73% year-over-year, supported primarily by lower loan impairment charges and continued income from recoveries. This improvement is credit-supportive, as it reinforces the bank's capacity to generate internal capital while maintaining its long-term development lending model.

Loan impairment charges declined to BRL133 million in 2025 from BRL344 million in 2024, when provisioning had increased due to borrower reclassifications and the impact of severe flooding in Rio Grande do Sul. The lower level of provisioning in 2025 reflects a more normalized credit environment rather than a structural change in risk appetite.

Recoveries of previously written-off loans remained a relevant contributor to earnings, totaling BRL245 million, broadly in line with the already strong BRL227 million recorded in the prior year. While recoveries can be less predictable than recurring interest income, their sustained contribution has supported profitability and demonstrates the value of active recovery management.

### **Stable Revenue Generation**

Operating income grew by 18% in 2025, supported by continued expansion of the loan book and higher yields on liquidity in Brazil's elevated interest rate environment. BRDE's revenue base continues to rely primarily on interest income from its long-term credit portfolio, which provides a relatively stable and predictable earnings stream.

The revenue structure remains consistent with that of a development bank, with limited reliance on trading or market-sensitive income. Ancillary income streams, including those linked to the management of specific funds, provide supplementary support but are not the primary drivers of earnings.

Operating expenses remained broadly stable year-over-year, reflecting continued cost discipline. This stability, combined with revenue growth, contributed to improved operating leverage in 2025. BRDE's cost structure benefits from its relatively lean operating model and gradual digitalization efforts, particularly in smaller-ticket lending. While efficiency is not the institution's primary objective, the ability to contain costs while expanding activity supports earnings sustainability.

### **Improved Risk-Adjusted Returns**

The combination of higher revenues, lower credit costs, and stable expenses resulted in a marked improvement in profitability metrics. Operating profit relative to risk-weighted assets increased to 3.9% in 2025 from 2.3% in 2024, indicating stronger risk-adjusted performance.

BRDE does not target profitability levels comparable to commercial banks, given its development mandate and public-policy role. However, current profitability is consistent with its business model and supports internal capital generation. The bank's earnings profile remains aligned with a relatively low-risk, long-duration lending model, providing a steady buffer for loss absorption across the cycle.

### **Capitalization and Leverage**

#### **Robust Capital Headroom**

BRDE's capitalization remains a credit strength, supported by conservative balance sheet management, recurring internal capital generation, and the institutional commitment of its state shareholders. The CET1 ratio stood at 19.9% at YE 2025, significantly above the 14% internal minimum and the 16% management target.

This level of capitalization provides robust headroom to absorb credit or valuation shocks without impairing the institution's strategic role. The bank's risk appetite is closely aligned with capital preservation, with management prioritizing capital adequacy over return maximization. Fitch views this posture as consistent with BRDE's mandate and long-term lending model.

Capital remains fully supported by retained earnings, with no dividend payouts. This reinforces internal capital generation and allows profitability to be retained within the institution to support growth, absorb losses, and preserve capital flexibility.

#### **Growth Remains Consistent with Capital Capacity**

BRDE's asset base has grown steadily in recent years, but this expansion has not compromised capital strength. Credit growth has remained broadly aligned with the bank's development mandate and has been paced to match internal capital formation.

The current capital framework provides meaningful headroom for loan growth, provisioning increases, or valuation changes. This is particularly important given the long-term nature of BRDE's loan book and the bank's exposure to sectors that can be affected by climate events, commodity cycles, and regional economic shocks.

The bank also has a historical pattern of shareholder support, including previous capital injections during periods of balance sheet repositioning. This, combined with BRDE's strategic relevance to regional development policy, supports Fitch's assessment of a high propensity for support from the three shareholder states, if needed.

### **Funding and Liquidity**

#### **Funding Diversification Advancing**

BRDE's funding profile continues to diversify while remaining anchored in long-term development funding. BNDES remained the bank's largest funding source, at close to 57% of total funding in 2025, but its share has declined

materially from historical levels as BRDE has expanded access to market-based instruments and other development funding sources.

This shift is credit-supportive because it improves funding flexibility and reduces reliance on a single source while preserving the long-term funding structure needed to support the bank's asset profile. Public-sector and development-institution funding remain core pillars of the liability base, but capital markets have become a more relevant complement.

In 2025, BRDE surpassed BRL1 billion in market funding shortly after scaling its capital markets platform, reaching BRL1.26 billion in outstanding market liabilities. This reflects a rapid build-up following the introduction of a more structured funding strategy and signals improving access to domestic investors.

### ***Capital Markets Becoming a Structural Complement***

Issuance of fixed-income instruments has become a more strategic component of BRDE's funding model. During 2025, the bank issued BRL484 million in market instruments, including Development Credit Notes, Bank Deposit Certificates, and Financial Bills.

Demand for Development Credit Notes remained particularly strong, with placements reaching the regulatory annual limit within a short period. Financial Bills also gained traction, attracting institutional investors such as banks and investment funds. Their participation reinforces BRDE's credibility as an issuer and contributes to the gradual deepening of its investor base.

Despite favorable demand, BRDE maintained a measured approach to issuance volumes, especially for longer-tenor instruments, reflecting sensitivity to prevailing interest rate levels. This suggests liability-management discipline rather than a purely opportunistic funding strategy.

### ***Liquidity Supported by Stable Funding and Liquid Assets***

BRDE's liquidity profile benefits from its stable funding base and the predictable disbursement profile of its loan book. The predominance of long-term funding sources, both from development institutions and market instruments, remains broadly aligned with the duration of its assets.

The bank also maintains a portfolio of liquid financial assets, primarily composed of fixed-income fund shares, which provide an additional liquidity buffer. This supports day-to-day cash management and enhances BRDE's capacity to respond to disbursement needs or temporary funding constraints.

### ***Additional Notes on Charts***

## Financials

### Financial Statements

|                                        | Dec. 31, 2022<br>12 months<br>(BRL Mil.) | Dec. 31, 2023<br>12 months<br>(BRL Mil.) | Dec. 31, 2024<br>12 months<br>(BRL Mil.) | Dec. 31, 2025<br>12 months<br>(BRL Mil.) |
|----------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|
| <b>Summary income statement</b>        |                                          |                                          |                                          |                                          |
| Net interest and dividend income       | 980                                      | 1,098                                    | 1,126                                    | 1,436                                    |
| Net fees and commissions               | 45                                       | 50                                       | 67                                       | 61                                       |
| Other operating income                 | -3                                       | -39                                      | 4                                        | -65                                      |
| Total operating income                 | 1,022                                    | 1,110                                    | 1,197                                    | 1,432                                    |
| Operating costs                        | 360                                      | 414                                      | 487                                      | 505                                      |
| Pre-impairment operating profit        | 662                                      | 696                                      | 710                                      | 927                                      |
| Loan and other impairment charges      | -116                                     | -2                                       | 117                                      | -100                                     |
| Operating profit                       | 778                                      | 697                                      | 594                                      | 1,027                                    |
| Other non-operating items (net)        | 8                                        | 6                                        | 6                                        | -                                        |
| Tax                                    | 336                                      | 186                                      | 127                                      | 305                                      |
| Net income                             | 450                                      | 517                                      | 473                                      | 721                                      |
| Other comprehensive income             | -10                                      | -25                                      | -52                                      | -5                                       |
| Fitch comprehensive income             | 440                                      | 493                                      | 421                                      | 716                                      |
| <b>Summary balance sheet</b>           |                                          |                                          |                                          |                                          |
| <b>Assets</b>                          |                                          |                                          |                                          |                                          |
| Gross loans                            | 15,465                                   | 17,733                                   | 21,445                                   | 24,245                                   |
| – of which impaired                    | 418                                      | 507                                      | 728                                      | 784                                      |
| Loan loss allowances                   | 311                                      | 418                                      | 576                                      | 640                                      |
| Net loans                              | 15,154                                   | 17,316                                   | 20,868                                   | 23,604                                   |
| Interbank                              | -                                        | -                                        | -                                        | -                                        |
| Derivatives                            | -                                        | -                                        | 0                                        | 0                                        |
| Other securities and earning assets    | 3,168                                    | 3,002                                    | 3,878                                    | 4,976                                    |
| Total earning assets                   | 18,322                                   | 20,318                                   | 24,746                                   | 28,580                                   |
| Cash and due from banks                | 109                                      | 92                                       | 24                                       | 7                                        |
| Other assets                           | 669                                      | 689                                      | 822                                      | 664                                      |
| Total assets                           | 19,099                                   | 21,098                                   | 25,592                                   | 29,251                                   |
| <b>Liabilities</b>                     |                                          |                                          |                                          |                                          |
| Customer deposits                      | 12                                       | 78                                       | 111                                      | 196                                      |
| Interbank and other short-term funding | -                                        | -                                        | -                                        | -                                        |
| Other long-term funding                | 13,885                                   | 15,482                                   | 19,316                                   | 21,975                                   |
| Trading liabilities and derivatives    | 7                                        | 5                                        | 1                                        | 19                                       |
| Total funding and derivatives          | 13,903                                   | 15,565                                   | 19,428                                   | 22,191                                   |
| Other liabilities                      | 1,358                                    | 1,432                                    | 1,668                                    | 1,827                                    |
| Preference shares and hybrid capital   | -                                        | -                                        | -                                        | -                                        |
| Total equity                           | 3,838                                    | 4,101                                    | 4,496                                    | 5,234                                    |
| Total liabilities and equity           | 19,099                                   | 21,098                                   | 25,592                                   | 29,251                                   |
| Exchange rate                          | USD1= BRL5.1439                          | USD1= BRL4.9186                          | USD1= BRL6.1917                          | USD1= BRL5.5018                          |

Source: Fitch Ratings, Fitch Solutions, Banco Regional de Desenvolvimento do Extremo Sul

## Key Ratios

| Ratios (%; annualized as appropriate)         | Dec. 31, 2022 | Dec. 31, 2023 | Dec. 31, 2024 | Dec. 31, 2025 |
|-----------------------------------------------|---------------|---------------|---------------|---------------|
| <b>Profitability</b>                          |               |               |               |               |
| Operating profit/risk-weighted assets         | 4.1           | 3.6           | 2.3           | 3.9           |
| Net interest income/average earning assets    | 5.6           | 5.7           | 5.0           | 5.4           |
| Non-interest expense/gross revenue            | 35.3          | 37.3          | 40.7          | 35.3          |
| Net income/average equity                     | 12.4          | 12.9          | 10.9          | 14.4          |
| <b>Asset quality</b>                          |               |               |               |               |
| Impaired loans ratio                          | 2.7           | 2.9           | 3.4           | 3.2           |
| Growth in gross loans                         | 9.6           | 14.7          | 20.9          | 13.1          |
| Loan loss allowances/impaired loans           | 74.2          | 82.4          | 79.1          | 81.6          |
| Loan impairment charges/average gross loans   | -0.8          | 0.0           | 0.6           | -0.4          |
| <b>Capitalization</b>                         |               |               |               |               |
| Common equity Tier 1 ratio                    | 20.2          | 21.2          | 17.5          | 19.9          |
| Fully loaded common equity Tier 1 ratio       | -             | -             | -             | -             |
| Fitch Core Capital ratio                      | -             | -             | -             | -             |
| Tangible common equity/tangible assets        | 19.2          | 18.5          | 16.5          | 16.7          |
| Basel leverage ratio                          | 17.8          | 17.0          | 15.8          | -             |
| Net impaired loans/common equity Tier 1       | 2.8           | 2.2           | 3.4           | 2.8           |
| Net impaired loans/Fitch Core Capital         | -             | -             | -             | -             |
| <b>Funding and liquidity</b>                  |               |               |               |               |
| Gross loans/customer deposits                 | 131,056.8     | 22,647.8      | 19,302.0      | 12,365.8      |
| Gross loans/customer deposits + covered bonds | -             | -             | -             | -             |
| Liquidity coverage ratio                      | -             | -             | -             | -             |
| Customer deposits/total non-equity funding    | 0.1           | 0.5           | 0.6           | 0.9           |
| Net stable funding ratio                      | -             | -             | -             | -             |

Source: Fitch Ratings, Fitch Solutions, Banco Regional de Desenvolvimento do Extremo Sul

## Support Assessment

### Shareholder Support

|                                             |   |           |
|---------------------------------------------|---|-----------|
| Shareholder                                 |   | —         |
| Shareholder Long-Term Issuer Default Rating | ● | —         |
| Total adjustment (notches)                  |   | —         |
| Shareholder Support Rating                  |   | bb        |
| <b>Shareholder ability to support</b>       |   |           |
| Shareholder regulation                      | ● | Equalized |
| Relative size                               | ● | Equalized |
| Country risks                               | ● | Equalized |
| <b>Shareholder propensity to support</b>    |   |           |
| Role in group                               | ● | Equalized |
| Reputational risk                           | ● | 1 notch   |
| Integration                                 | ● | 1 notch   |
| Support record                              | ● | Equalized |
| Subsidiary performance and prospects        | ● | 1 notch   |
| Legal commitments                           | ● | 1 notch   |

The colors indicate the influence of each support factor in our assessment.  
 Influence: Light blue = lower; Dark blue = moderate; Red = higher  
 Source: Fitch Ratings

## Environmental, Social and Governance Considerations



### Environmental Relevance Scores

| General issues                                             | Score | Sector-specific issues                                                                                                                                   | Reference                                                            |
|------------------------------------------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| GHG Emissions & Air Quality                                | 1     | Regulatory risks, emissions fines or compliance costs related to owned, financed or managed assets, which could impact asset prices, profitability, etc. | Operating Environment; Business Profile; Risk Profile; Asset Quality |
| Energy Management                                          | 1     | n.a.                                                                                                                                                     | n.a.                                                                 |
| Water & Wastewater Management                              | 1     | n.a.                                                                                                                                                     | n.a.                                                                 |
| Waste & Hazardous Materials Management; Ecological Impacts | 1     | n.a.                                                                                                                                                     | n.a.                                                                 |
| Exposure to Environmental Impacts                          | 2     | Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations       | Business Profile; Risk Profile; Asset Quality                        |



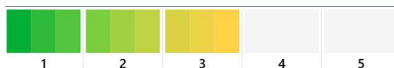
### Social Relevance Scores

| General issues                                             | Score | Sector-specific issues                                                                                                                                     | Reference                                             |
|------------------------------------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Human Rights, Community Relations, Access & Affordability  | 2     | Services for underbanked and underserved communities: SME and community development programs; financial literacy programs                                  | Business Profile; Risk Profile                        |
| Customer Welfare - Fair Messaging, Privacy & Data Security | 3     | Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)               | Operating Environment; Business Profile; Risk Profile |
| Labor Relations & Practices                                | 2     | Impact of labor negotiations, including board/employee compensation and composition                                                                        | Business Profile                                      |
| Employee Wellbeing                                         | 1     | n.a.                                                                                                                                                       | n.a.                                                  |
| Exposure to Social Impacts                                 | 2     | Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices | Business Profile; Financial Profile                   |



### Governance Relevance Scores

| General issues         | Score | Sector-specific issues                                                                                                                                                                              | Reference                                                             |
|------------------------|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Management Strategy    | 3     | Operational implementation of strategy                                                                                                                                                              | Business Profile                                                      |
| Governance Structure   | 3     | Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions | Business Profile; Earnings & Profitability; Capitalization & Leverage |
| Group Structure        | 3     | Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership                                                                                      | Business Profile                                                      |
| Financial Transparency | 3     | Quality and frequency of financial reporting and auditing processes                                                                                                                                 | Business Profile                                                      |



ESG Scoring

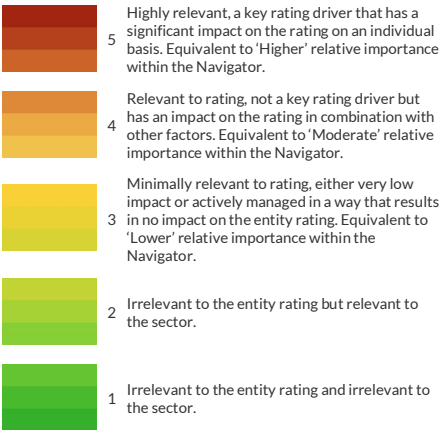
ESG relevance scores range from '1' to '5' based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signalling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The panels underneath the relevance scores tables are visualizations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarize rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The general and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.

Credit-Relevant ESG Scale



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