

21 MAY 2025

Fitch Affirms BRDE's IDRs at 'BB'; Outlook Stable

Fitch Ratings - São Paulo - 21 May 2025: Fitch Ratings has affirmed Banco Regional de Desenvolvimento do Extremo Sul's (BRDE) Long-Term Local and Foreign Currency Issuer Default Ratings (IDRs) at 'BB' and Short-Term Local and Foreign Currency IDRs at 'B'. Fitch has also affirmed BRDE's National Long-Term Rating at 'AAA(bra)' with a Stable Rating Outlook and National Short-Term Rating at 'F1+(bra)'. The Rating Outlook for the IDRs is Stable.

Key Rating Drivers

Shareholder Support Drives Ratings: BRDE's IDRs and National Ratings are based on Fitch's expectation of support from the bank's shareholders, the states of Parana, Santa Catarina and Rio Grande do Sul. This is indicated by the bank's Shareholder Support Rating (SSR) of 'bb', which is in line with Parana IDRs of 'BB'/Outlook Stable. Fitch does not publicly rate Rio Grande do Sul and Santa Catarina. However, the creditworthiness of all three states strongly influences BRDE's ratings. The absence of dividend payments, BRDE's public development mandate, and legal-structural ties reinforce expectations of timely and sufficient support.

Additionally, Fitch believes that the local regulator would likely provide support to BRDE if needed, due to the backing of its member states.

High Propensity to Support: The three shareholder states maintain high reputational and strategic alignment with BRDE's operations. Fitch believes that, even under fiscal constraints, the states would be incentivized to provide support due to BRDE's role in executing regional policy and financing subnational infrastructure. The regulator's accommodation for extraordinary credit relief measures during 2024 further underlines the institutional commitment to BRDE's policy role.

Regional Policy Role: BRDE continues to play a central role in long-term regional development, channeling resources to SMEs, cooperatives, municipalities, and strategic sectors such as agriculture, infrastructure, innovation, climate resilience, and clean energy. The bank remains one of BNDES's largest intermediaries in the South, while also scaling operations with multilaterals and launching new thematic credit lines. The institution's ability to maintain record disbursement levels amid adverse economic events underscores its operational relevance.

Strategic Role Reinforced: BRDE strategic role continues to expanded beyond traditional credit intermediation, with BRDE increasingly acting as a structurer and syndicator in thematic and blended finance operations. The bank has cultivated relationships with a broad range of partners, including BNDES, multilaterals, and market-based investors, enabling the mobilization of funding under both sovereign-backed and non-sovereign modalities.

No VR Assigned: Fitch does not assign BRDE a Viability Rating, as its business model is largely determined by its policy role and its ratings are entirely determined by Fitch's assessment of the support the bank would receive from the the states of Parana, Santa Catarina and Rio Grande do Sul.

Resilient Profitability: Profitability proved resilient in 2024, with operating profit to risk-weighted assets at 2.3%, despite elevated provisioning and one-off external shocks, including regional flooding. BRDE reached a nominal disbursement record of nearly BRL 6 billion in 2024, continuing to fulfil its development mandate. Provisions on restructured exposures increased but remained aligned with expected-loss logic and were comfortably absorbed by pre-impairment earnings. The bank's capacity to manage earnings volatility through conservative provisioning and disciplined cost of risk is credit supportive.

Well-Managed Asset-Quality: Asset quality metrics remain sound despite macroeconomic and climate-related pressure. The impaired loans ratio rose modestly to 3.4% at end-2024 (from 2.9% in 2023), largely due to flood-related deferrals (8.6% of the portfolio). Credit risk is mitigated by a high share of real collateral—particularly fiduciary alienation—and strengthened contractual enforcement via cross-default clauses. The bank maintains an assertive legal recovery framework, and judicial processes have become more efficient.

Structural Funding Diversification Gains Traction: BRDE continues to reduce historical dependence on BNDES, with the institution accounting for approximately 53% of 2024 disbursements—down from over 90% in prior years. The bank has increased access to multilaterals and completed inaugural issuances of "Letra de Crédito do Desenvolvimento" (LCD) and "Letra Financeira" (LF), raising nearly BRL 684 million and broadening its domestic investor base. Fitch views these efforts as structurally positive for funding resilience, while liquidity remains conservatively managed, supported by asset-liability matching and holdings of sovereign securities.

Strong Capitalization: Fitch considers BRDE's capital position adequate to absorb moderate stress scenarios without eroding support capacity, with a Common Equity Tier 1 (CET1) ratio of 17.5% at end-2024. Internal thresholds target a floor of 14%, with preferred levels above 16% to preserve buffer against credit or operational volatility.

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 of the propensity of the controlling states to support BRDE.

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

--An improvement of Fitch's view of the creditworthiness of the three shareholders states.

--An improvement of 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.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

The banks ratings are driven by the support from the shareholders Paraná State, Rio Grande do Sul State and Santa Catarina State

ESG Considerations

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

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Banco Regional de Desenvolvimento do Extremo Sul (BRDE)	LT IDR	BB 	Affirmed	BB 
	ST IDR	B	Affirmed	B
	LC LT IDR	BB 	Affirmed	BB 
	LC ST IDR	B	Affirmed	B
	Natl LT	AAA(bra) 	Affirmed	AAA(bra) 
	Natl ST	F1+(bra)	Affirmed	F1+(bra)
	Shareholder Support	bb	Affirmed	bb

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

- [Bank Rating Criteria \(pub.21 Mar 2025\) \(including rating assumption sensitivity\)](#)
- [Metodologia de Ratings de Bancos \(pub.21 Mar 2025\)](#)
- [Metodologia de Ratings em Escala Nacional \(pub.22 Dec 2020\)](#)
- [National Scale Rating Criteria \(pub.22 Dec 2020\)](#)

Additional Disclosures

Solicitation Status

Endorsement Status

Banco Regional de Desenvolvimento do Extremo Sul (BRDE) EU Endorsed, UK Endorsed

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