

CREDIT OPINION

24 September 2025

Update



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RATINGS

Banco Regional de Desenv do Extremo Sul

Domicile	Porto Alegre, Rio Grande do Sul, Brazil
Long Term CRR	Ba1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Issuer Rating	Not Available
Type	Not Available
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Banco Regional de Desenv do Extremo Sul

Update to credit analysis

Summary

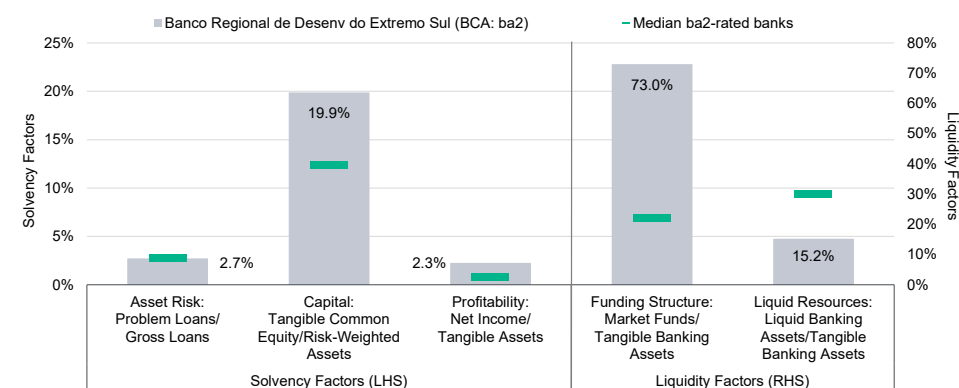
[Banco Regional de Desenv do Extremo Sul's](#) (BRDE) BCA of ba2, reflects the bank's established role in fostering development in the southern states of Brazil, its position as one of the largest on-lender of [Banco Nac. de Desenv. Economico e Social's](#) (BNDES, Ba1 stable, ba1¹) funds to the agricultural sector, and sound capitalization levels. BRDE's stable funding structure is a key factor supporting its ratings, despite its high concentration given the predominance of funds sourced from BNDES. The BCA also incorporates BRDE's loan book concentration by sector and borrower owing to its footprint in the southern states whose economies have relevant contribution from agriculture, in addition to a moderate profitability due to its development bank role.

BRDE's Ba2 issuer rating is derived from its BCA of ba2 and does not receive any support uplift from its owners.

Exhibit 1

Rating Scorecard - Key financial ratios

Scorecard ratios as of June 2025



For the asset risk and profitability ratios, we calculate the average of the three latest year-end numbers and the latest quarterly data if available, and the ratio used is the weaker of the average and the latest period. For the capital ratio, we use the latest reported figure. For the funding structure and liquid resources ratios, we use the latest year-end figures

Source: Moody's Ratings

Credit strengths

- » Established role as a regional development bank, with steady loan growth and focus on the agricultural industry
- » Solid capitalization levels
- » Limited susceptibility to political influence because of its three-state ownership

Credit challenges

- » Concentrated funding structure, with high reliance on funds from BNDES
- » Geographical and sectorial concentrations

Rating outlook

The outlook on BRDE's ratings is stable.

Factors that could lead to an upgrade

- » A diversification of the bank's funding sources would be positive, particularly if this funding is lower cost and stable, and could lead to upward pressure.

Factors that could lead to a downgrade

- » A significant weakening of BRDE's financial fundamentals, resulting from a larger-than-expected deterioration in the quality of the loan book and an ensuing reduction in capitalization levels, could have a negative effect on the bank's ratings.

Key indicators

Exhibit 2

Banco Regional de Desenv do Extremo Sul (Consolidated Financials) [1]

	06-25 ²	12-24 ²	12-23 ²	12-22 ²	12-21 ²	CAGR/Avg. ³
Total Assets (BRL Million)	27,717.5	25,591.5	21,098.4	19,099.2	17,138.5	14.7 ⁴
Total Assets (USD Million)	5,078.5	4,142.5	4,343.4	3,617.4	3,073.4	15.4 ⁴
Tangible Common Equity (BRL Million)	5,274.9	4,523.0	4,184.1	3,940.7	3,488.4	12.5 ⁴
Tangible Common Equity (USD Million)	966.5	732.1	861.3	746.4	625.6	13.2 ⁴
Problem Loans / Gross Loans (%)	2.7	0.6	0.5	0.5	0.5	1.0 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	19.9	17.6	21.7	20.8	21.1	20.2 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	10.9	2.4	2.1	1.9	1.7	3.8 ⁵
Net Interest Margin (%)	4.9	4.9	5.6	5.6	4.0	5.0 ⁵
PPI / Average RWA (%)	3.6	3.5	3.8	3.9	2.6	3.5 ⁶
Net Income / Tangible Assets (%)	2.3	1.8	2.5	2.4	1.6	2.1 ⁵
Cost / Income Ratio (%)	32.1	35.8	36.3	32.7	40.9	35.6 ⁵
Market Funds / Tangible Banking Assets (%)	72.4	73.0	73.4	72.8	73.3	73.0 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	15.8	15.2	14.7	17.2	16.8	15.9 ⁵
Gross Loans / Due to Customers (%)	2102.2	2847.4	22643.8	130702.2	44904.0	40639.9 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Profile

Founded in 1961, Banco Regional de Desenvolvimento do Extremo Sul (BRDE) is a regional development bank owned by the relatively prosperous states of Rio Grande do Sul, Santa Catarina and Parana, which together contribute around 16.5% of Brazil's GDP. BRDE's operations are focused in these states, where BRDE has a mandate to foster development.

The bank lends directly to private-sector companies, largely agricultural producers, cooperatives and infrastructure projects.

Detailed credit considerations

Relatively stable delinquency despite high level of renegotiated loans

BRDE's 90-day past-due NPL ratio decreased to 0.8% in S1 2025, from 1.0% one year earlier, reflecting the increase in the credit portfolio in the period. The ratio remained significantly below the industry average. In light of the revised Brazilian accounting standards² effective in 2025, Moody's changed the definition of problem loans to stage 3 loans. As of June 2025, the new problem loan ratio was 2.7%. The bank's strong coverage alleviates any pressure from increases in delinquency. Loan loss reserves to problem loans were at 82% in the period. Additionally, a significant portion of the bank's operations are secured by guarantees, enhancing the recovery rate of its charge-offs. Renegotiated loans continued at high levels, a characteristic common to other development banks, with a considerable portion of the operations related to climate events that impacted the state of Rio Grande do Sul in May 2024. Going forward, we expect asset quality to remain stable, although with some downside risk, particularly for the renegotiated loans.

As a result of the importance of the agricultural sector in southern Brazil, it traditionally represents around 50% of BRDE's loan portfolio. Both smaller operations and larger agroindustrial cooperatives are among BRDE's clients. The bank has acted as a conduit for growth in the agricultural industry in the region and its credit portfolio has grown accordingly. As of June 2025, the bank's loan operations increased 17.6% when compared to June 2024. In the first half of 2025, loan disbursements totaled BRL2.2 billion, decreasing 18.1% when compared to the same period in 2024, but remained higher than the 2020-23 period, supported by BRDE's strong relationships with regional credit cooperatives, which channel resources to smaller producers and provide strong loan guarantees. The bank mainly provides long-term loans and its credit portfolio has an average maturity of more than seven years. BRDE also lends to infrastructure projects, mostly in the energy industry, and offers some working capital financing.

The bank's inherent focus on the southern states constrains its operations to a single region, and also results in a less diversified revenue structure than that of its peers with nationwide coverage. These relatively high geographic and sectorial concentrations carry additional risks, especially from climate events.

Similar to other regional development banks, BRDE is responsible for the origination of loans and for monitoring credit allocation of federal and state governments funds. The bank does not share the credit risk and receives around 3% of disbursements as management fees.

High capitalization remains a credit strength

BRDE's capitalization, which we measure as tangible common equity/risk-weighted assets (RWA)³, decreased to 19.9% as of June 2025, from 21.9% in June 2024, due to the expansion of the credit portfolio. The bank's regulatory Common Equity Tier 1 capital ratio was 19.8% as of June 2025, well above the minimum regulatory.

We expect BRDE to maintain its capital above the regulatory minimum levels, particularly in light of a 2015 resolution⁴, through which the bank will transfer profits into its capital reserves semiannually.

Jump in profitability driven by credit recoveries and provision reversal

Although BRDE's mandate is not focused on profitability but on ensuring development, economic prosperity and job creation in the south of Brazil through its lending, the bank's recurring earnings generation has historically been adequate to maintain capital at sound levels.

In H1 2025, net income to tangible assets ratio increased to 2.3%, from 1.1% in H1 2024. The ratio was impacted by BRL146 million in credit recoveries and reversals of loan loss provisions, following strong provisioning in 2024. Provision reversals and recoveries represented 1.3% of gross loans in the first semester of 2025. Additionally, higher loan volumes lead to efficiency gains. In the first six months of 2025, margins stayed relatively stable at 4.9%, while personnel expenses and other operating expenses increased 6.2% and 11.6% respectively compared to the same period in 2024.

Looking forward we expect profitability to stabilize, supported by higher loan volumes, although partly mitigated by the need for more provision expenses in a tough operating environment.

Increasing on funding diversification reduces BRDE's reliance on BNDES

Given its policy role as a development bank, BRDE naturally aligns with BNDES policies by acting as an intermediary to connect national policies at the regional level. As a result, in June 2025, BNDES funds accounted for 56.0% of total loans and 60.0% of the bank's total funding, from 60.7% and 66.0% one year earlier. The rest of BRDE's onlending funding base is composed of resources from [Caixa Econômica Federal \(CAIXA\)](#) (Ba1 stable, ba2), Fundo de Garantia do Tempo de Serviço (FGTS), [Banco do Brasil S.A.](#) (Ba1 stable, ba1) and federal government investment funds.

Since 2018, BRDE has been diversifying its funding sources, accessing multilateral agencies such as the Agence Francaise de Developpement (AFD), [European Investment Bank](#) (EIB, Aaa stable), [Corporacion Andina de Fomento](#) (CAF, Aa3 positive), [World Bank](#) (Aaa stable), New Development Bank (NDB), and [Inter-American Development Bank](#) (Aaa stable). Funding from multilateral agencies represented 17.0% of the total funding, from 14.0% in the previous year. Additionally, the bank has leveraged local capital markets by issuing term deposits and local debt. As a result of these efforts, BNDES' resources represented 65.6% of new loans in the first half of 2025, compared with 94.0% in 2017. Notwithstanding, we expect the lion's share of funding to continue to come from BNDES.

BRDE's rating is supported by Brazil's Moderate Macro Profile

[Brazil's](#) (Ba1 stable) Macro Profile of "Moderate" is supported by the country's large and highly diversified economy with limited exposure to external financing risks. It also incorporates our improvements in the business environment for banks from recent reforms, including the independence of the central bank; the state-owned company law; labor reform; and a collateral framework that reduced uncertainties about judicial disputes and the potential for political intervention in the financial system. We forecast real GDP growth to moderate in 2025 to 2.0%, from 3.4% in 2024. Our assessment acknowledges the historically low unemployment and steady, though high, household debt, which together will help contain risks in 2025 as banks moderate risk taking. Ample domestic liquidity should keep supporting banks' funding needs.

ESG considerations

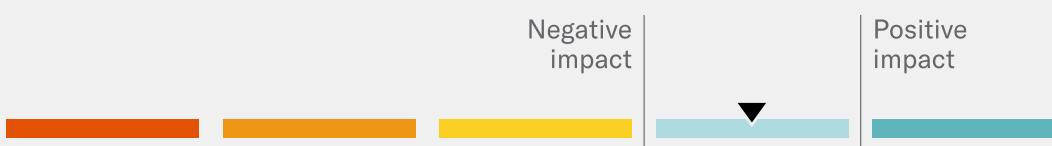
Banco Regional de Desenv do Extremo Sul's ESG credit impact score is CIS-2

Exhibit 3

ESG credit impact score

CIS-2

Score



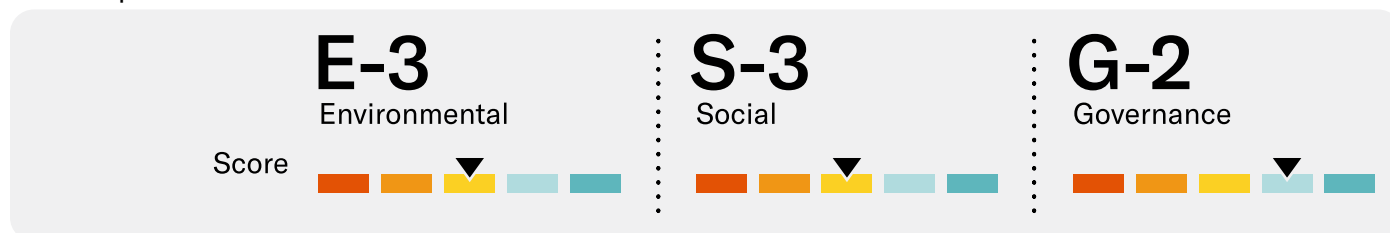
ESG considerations do not have a material impact on the current rating.

Source: Moody's Ratings

BRDE's **CIS-2** reflects the limited credit impact of environmental, social and governance factors on the rating to date. Despite the bank's government ownership, its corporate governance practices have remained consistently strong over the past years, supporting the bank's credit profile.

Exhibit 4

ESG issuer profile scores



Source: Moody's Ratings

Environmental

BRDE faces moderate exposure to environmental risks because of its portfolio exposure to carbon transition and physical climate risks associated with agricultural and industrial loans in the Southern States of the country.

Social

BRDE faces moderate social risks, reflecting the bank's exposure to risks associated to customer relations and data privacy. BRDE also plays an important role in developing Brazil's Southern states, especially in rural areas by providing long-term financing to the agriculture segment. BRDE also plays an important role in developing Brazil's Southern states, especially in rural areas BRDE faces moderate social risks, reflecting the bank's exposure to risks associated to customer relations and data privacy. BRDE also plays an important role in developing Brazil's Southern states, especially in rural areas by providing long-term financing to the agriculture segment.

Governance

BRDE present low exposure to governance risks, reflecting the bank's strong corporate governance practices and the good track record of its management in delivering on strategic goals. BRDE's ownership is divided among three different States, which reduces the possibility of political interference and influence its corporate governance practices positively.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Notching considerations

In the absence of a bail-in resolution regime framework in Brazil, the ratings follow the additional notching guidelines, according to our Banks rating methodology. In these cases, the approach takes into account other features specific to debt classes, resulting in additional notching from the issuer's Adjusted BCA.

Affiliate support

BRDE's Adjusted BCA of ba2 receives no uplift from its ba2 standalone BCA.

Government support

We believe there is a low likelihood of government support for BRDE's liabilities. This reflects the bank's reduced market share of deposits in Brazil.

Counterparty Risk (CR) Assessment / Counterparty Risk Rating (CRR)

BRDE's CR Assessment and CRR are one notch above its Adjusted BCA and, therefore, above its issuer ratings, reflecting our view that the probability of default is lower for operating obligations and other contractual commitments than for deposits or unsecured debt. These obligations will be more likely preserved in order to minimize losses, avoid disruption of critical functions and limit contagion. They are less likely to be subject to the application of a resolution tool to ensure the continuity of operations.

About Moody's Bank Scorecard

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our Scorecard

may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 5

Rating Factors

Macro Factors						
Weighted Macro Profile	Moderate	100%				
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	2.7%	baa2	↔	ba2	Sector concentration	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	19.9%	a2	↔	baa2	Expected trend	
Profitability						
Net Income / Tangible Assets	2.3%	a2	↔	ba1	Earnings quality	
Combined Solvency Score		a3		ba1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	73.0%	caa3	↔	b1	Extent of market funding reliance	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	15.2%	ba2	↔	ba2		
Combined Liquidity Score		b3		ba3		
Financial Profile		baa3		ba2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Ba1		
BCA Scorecard-indicated Outcome - Range				ba1 - ba3		
Assigned BCA				ba2		
Affiliate Support notching				0		
Adjusted BCA				ba2		
Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	ba1	-	Ba1	Ba1
Counterparty Risk Assessment	1	0	ba1 (cr)	-	Ba1(cr)	
Senior unsecured bank debt	0	0	ba2	-	Ba2	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
BANCO REGIONAL DE DESENV DO EXTREMO SUL	
Outlook	Stable
Counterparty Risk Rating	Ba1/NP
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba2
Counterparty Risk Assessment	Ba1(cr)/NP(cr)
Issuer Rating -Dom Curr	Ba2
ST Issuer Rating -Dom Curr	NP

Source: Moody's Ratings

Endnotes

- ¹ The bank ratings shown in this report are the bank's domestic deposit rating (issuer rating when not available), outlook and Baseline Credit Assessment.
- ² Resolution CMN No 4,966.
- ³ Our preferred measure of capitalization, which deducts from capital the intangible assets and a significant portion of deferred tax assets that do not provide significant loss absorption, and we adjust the bank's RWA by applying a risk factor of 100% to its significant holdings of the Brazilian government securities, weighted 0% by local regulations.
- ⁴ Resolution CODESUL nº 1.210/2015

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