



## Fitch Takes Various Actions on Financial Institutions Following Brazilian Sovereign Downgrade

**Link to Fitch Ratings' Report(s):** Fitch Takes Various Actions on Financial Institutions Following Brazilian Sovereign Downgrade  
(<https://www.fitchratings.com/site/re/10023598>)

Fitch Ratings-Sao Paulo-13 March 2018 Fitch Ratings has taken various rating actions on the following Brazilian financial institutions (FIs) following its recent downgrade of Brazil's sovereign rating:

Banks rated above the sovereign driven either by institutional support or by their intrinsic credit profiles:

- Banco ABC Brasil S.A. (ABC)
- Banco BBM S.A. (BBM)
- Banco Bradesco S.A. (Bradesco)

Federal government owned banks:

- Banco da Amazonia S.A. (BdA)
- Banco do Brasil S.A. (BdB)
- Banco do Nordeste do Brasil S.A. (BNB)
- Banco Nacional de Desenvolvimento Economico e Social (BNDES)
- Caixa Economica Federal (Caixa)

Small/Midsize banks:

- Banco Daycoval S.A. (Daycoval)
- Banco Industrial do Brasil S.A. (Industrial)
- Banco Pan S.A. (Pan)
- Banco BTG Pactual Holding S.A. (BTG Holding)
- Banco BTG Pactual S.A. and its subsidiary PPLA Investments LP (PPLA)

Regional government owned FIs:

- Banco Regional de Desenvolvimento do Extremo Sul (BRDE)
- Desenvolve SP - Agencia de Fomento do Estado de Sao Paulo (Desenvolve SP)
- BRB - Banco de Brasilia S.A. (BRB)
- Banestes S.A. - Banco do Estado do Espirito Santo (Banestes)

Fitch did not take any actions on the National Scale Ratings of these entities, as

the local relativities remain the same.

## KEY RATING DRIVERS

On Feb. 23, 2018 Fitch downgraded Brazil's sovereign rating to 'BB-' from 'BB' and revised the Rating Outlook to Stable from Negative. Fitch also revised Brazil's Country Ceiling to 'BB' from 'BB+'. For additional information, see 'Fitch Downgrades Brazil's Ratings to 'BB-'; Revises Outlook to Stable' and 'Fitch Downgrades Five Brazilian Local And Regional Governments' for details on the subsequent rating actions on Brazil's sub-national governments. Both are available at '[www.fitchratings.com](http://www.fitchratings.com)'.

In Fitch's view, the main credit ratios of the Brazilian banking system, capitalization and funding and liquidity, as well as profitability and asset quality, will continue to stabilize in 2018. As such, Fitch's sector outlook for Brazil is stable, since further material deterioration of key financial metrics is not expected in 2018. This view is underpinned by stabilization in unemployment and improvements in the debt-service capacity mainly from corporates and middle market due to lower domestic interest rates, even though the uncertain political environment still prevents a recovery in investor confidence.

### Banks Rated Above the Sovereign

Fitch downgraded the Viability Rating (VR) of Bradesco, to 'bb' from 'bb+', which remains one notch above Brazil's sovereign rating, due to its very strong credit profile. This VR reflects the bank's adequate loss absorption capacity, high liquidity and stable and diversified funding. Fitch believes that Bradesco will be able to withstand a further deterioration in the operating environment.

Since the Issuer Default Ratings (IDRs) of this bank is driven by its VR, its Long-Term Foreign-Currency (LT FC) and Local-Currency (LT LC) IDRs have been downgraded to 'BB' from 'BB+'. Fitch has also revised Bradesco's Support Rating Floor (SRF) to 'B+' from 'BB-', reflecting the sovereign's reduced capacity to support this bank. Bradesco Support Rating (SR) was also downgraded to '4' from '3'. Fitch affirmed the ST LC and FC IDRs of the bank at 'B'.

Fitch affirmed BBM's VR at bb-, while downgrading ABC Brasil's VR to 'bb-' from 'bb'. These banks maintain good credit profiles, but Fitch does not believe they can be rated above the sovereign on their own intrinsic merits. However, their LT IDRs are above their respective VRs, which reflects the expected institutional support from their respective parents, Bank of Communications Co., Ltd. (LT IDR A/Stable) and Arab Banking Corporation B.S.C. (LT IDR BBB-/Stable).

The downgrade of both banks' LT FC IDRs to 'BB'/Stable from 'BB+ '/Negative mirrors the country ceiling downgrade to 'BB' from 'BB+'. Fitch downgraded BBM's LT LC IDR to 'BB+ '/Stable from 'BBB- '/Negative where it remains two notches above the sovereign and mirrors the sovereign's Outlook. Fitch affirmed ABC's LC IDR at 'BB+' and revised its Outlook to Stable from Negative, aligned with the Sovereign Rating Outlook. Fitch downgraded BBM's ST LC IDR to 'B' from 'F3' and affirmed its ST FC IDR at 'B'. Fitch affirmed ABC Brasil's ST LC and FC IDRs at 'B' and the SRs of both BBM and ABC at '3'.

## Federal Government Owned Banks

Fitch downgraded the LT FC and LC IDRs of federal government owned banks (BdA, BNB, Caixa, BNDES and BdB) to 'BB- '/Stable from 'BB' /Negative, aligned with Brazil's sovereign rating. Their IDRs are driven by expected support from the government, reflecting either majority / whole government ownership, their key role in the implementation of government economic guidelines and, in the case of BdB and Caixa, their systemic importance.

As state owned entities, these banks could be subject to political influence. Fitch affirmed the ST LC and FC IDRs of all five federal government owned banks at 'B'. Concurrently, Fitch revised their SRFs to 'BB- ' from 'BB', reflecting the sovereign's reduced capacity to support these banks. Consequently, Fitch affirmed their SRs at '3'.

Out of the five Fitch-rated federal government owned banks, BdB is the only one that has a VR. Fitch affirmed BdB's VR at 'bb- ' reflecting recent stabilization of the bank's overall credit metrics.

## Small and Midsize Banks

The IDRs on Daycoval and Industrial are driven by their VRs. Fitch downgraded Daycoval and Industrial's LT FC and LC IDRs to 'BB- ' from 'BB' and their VRs to 'bb- ' from 'bb', since Fitch does not believe these banks can be rated above the sovereign rating. The Outlook of its LT IDRs is Stable mirroring the sovereign Outlook. Fitch affirmed the ST LC and FC IDRs of these two banks at 'B' and their SRs and SRFs at '5' and NF.

BTG's IDRs are also driven by its VR, which Fitch affirmed at 'BB- '. Fitch revised BTG's Outlook to Stable from Negative, since it mirrors the Brazilian Operating Environment and, to some extent, the Sovereign Rating Outlook. Fitch affirmed BTG's ST LC and FC IDRs at 'B' and its SR at '5'. Fitch affirmed BTG Holdings' LT and ST IDRs at 'BB- ' and 'B', respectively, and revised the Outlook on the LT IDRs to Stable from Negative, mirroring the rating actions on BTG, its main subsidiary.

BTG Holding's SR and SRF were affirmed at '5' and 'NF', respectively. Likewise, Fitch affirmed PPLA's LT IDRs at 'B+' (one notch below its parent) and revised its Outlook to Stable (following the revision on its parent's Outlook). Fitch affirmed PPLA's Support Rating at '4'.

Pan's IDRs are driven by support from Caixa, one of its two co- controlling shareholders. Consequently, Fitch downgraded the bank's LT IDRs to 'B+'/Stable from 'BB-'/Negative, maintaining the one notch difference from Caixa. Fitch affirmed Pan's ST IDRs at 'B' and downgraded its SR to '4' from '3'. The bank's VR was affirmed at 'b'.

### Regional Government Owned FIs

The IDRs of BRDE and Desenvolve SP are driven by the support from their respective subnational owners. Fitch downgraded the LT IDRs on both BRDE and Desenvolve SP to 'BB-'/Stable from 'BB'/Negative following the revision of the credit profiles of their respective parents, following the revision of the Sovereign Ratings. Fitch affirmed their ST IDRs at 'B' and SRs at '3'.

BRB's IDRs are also driven by support from its subnational owner. Fitch downgraded BRB's LT IDRs to 'B+'/Stable from 'BB-'/Negative following the revision of its parent's credit metrics, while its SR was downgraded to '4' from '3'. BRB's VR was affirmed at 'b+'. Fitch affirmed Banestes' VR at 'bb-' and IDRs, which are also driven by its VR, at 'BB-'. Fitch revised Banestes' IDRs' Outlook to Stable from Negative since it mirrors the Brazilian Operating Environment. Fitch affirmed the ST IDRs of both banks.

The debt (senior and/or subordinated) ratings of Bradesco, BNDES, BdB, Caixa and Daycoval were also downgraded at the same magnitude of their LT FC IDRs.

A link to a summary report that details all of the rating actions taken in this review is available below.

### RATING SENSITIVITIES

The ratings and Outlooks for the financial institutions included in this release are sensitive to any further changes in Brazil's sovereign ratings. Though not Fitch's base case, a material deterioration in key credit metrics will also lead to a downgrade. For those financial institutions whose IDRs are driven by support (government or institutional), any changes in the capacity or the willingness of their respective parents to support could lead to further changes in their SRs and IDRs for those entities with IDRs that exceed their VRs. For those whose source of expected support is the government, any changes in the government's capacity or

willingness to provide support could also lead to further revisions of SRFs.]

For further specific sensitivities for of each issuer, please refer to their individual press releases published following their annual reviews and/or rating reports at [www.fitchratings.com](http://www.fitchratings.com).

Contact:

Claudio Gallina (Secondary Analyst: BTG, BTGH, PPLA, BdB, Industrial, BNDES, Pan and Caixa)

Senior Director

+55 11 4504-2216

Fitch Rating Brasil Ltda.

Alameda Santos 700

Sao Paulo, SP, Brazil

Pedro Gomes (Primary: Bradesco; Secondary: ABC Brasil and Desenvolve SP)

Director

+55 11 4504-2213

Sao Paulo, SP, Brazil

Esin Celasun (Primary: BBM, Daycoval, BdB, BNDES, BRB and Caixa)

Director

+55 21 4503-2626

Fitch Ratings Brasil Ltda.

Praca XV de Novembro, 20-401 B,

Rio de Janeiro, RJ, Brazil

Robert Stoll (Primary: ABC Brasil, BdA; Secondary: Bradesco, Daycoval)

Director

+1-212-908-9155

Fitch Ratings, Inc.

33 Whitehall Street

New York, NY 10004

Jean Lopes (Primary: BTG, BTGH, PPLA, Industrial, Banestes, Desenvolve SP, BRDE; Secondary: BBM, BdA and BNB)

Director

+55 21 4503-2617

Rio de Janeiro, RJ, Brazil

Pedro Carvalho (Primary: BNB and Pan)

Associate Director  
+55 21 4503-2602  
Rio de Janeiro, RJ, Brazil

Andre Ukon (Secondary: BRDE)  
Associate Director  
+55 11 4504-2600  
Sao Paulo, SP, Brazil

Paulo Fugulin (Secondary: Banestes and BRB)  
Director  
+55 11 4504-2206  
Sao Paulo, SP, Brazil

Committee Chairperson  
Veronica Chau  
Senior Director  
+52 81-8399-9169

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email:  
elizabeth.fogerty@fitchratings.com  
Benjamin Rippey, New York, Tel: +1 646 582 4588, Email:  
benjamin.rippy@fitchratings.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

### **Applicable Criteria**

Global Bank Rating Criteria (pub. 25 Nov 2016)  
(<https://www.fitchratings.com/site/re/891051>)

Global Non-Bank Financial Institutions Rating Criteria (pub. 10 Mar 2017)  
(<https://www.fitchratings.com/site/re/895236>)

### **Additional Disclosures**

Dodd-Frank Rating Information Disclosure Form

(<https://www.fitchratings.com/site/dodd-frank-disclosure/10023302>)

Solicitation Status (<https://www.fitchratings.com/site/pr/10023302#solicitation>)

Endorsement Policy (<https://www.fitchratings.com/regulatory>)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND  
DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY  
FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN

ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://WWW.FITCHRATINGS.COM/SITE/REGULATORY). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2018 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial

statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail



clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

### Solicitation Status

Fitch Ratings was paid to determine each credit rating announced in this Rating Action Commentary (RAC) by the obligatory being rated or the issuer, underwriter, depositor, or sponsor of the security or money market instrument being rated, except for the following:

### Unsolicited Issuers:

Entity/Security	ISIN/CUSIP/ OUPON RATE	Rating Type	Solicitation Status
Banco Nacional de Desenvolvimento Economico e Social (BNDES)	-	Long Term Issuer Default Rating	Unsolicited
Banco Nacional de Desenvolvimento Economico e Social (BNDES)	-	Short Term Issuer Default Rating	Unsolicited
Banco Nacional de Desenvolvimento Economico e Social (BNDES)	-	Local Currency Long Term Issuer Default Rating	Unsolicited
Banco Nacional de Desenvolvimento Economico e Social (BNDES)	-	Local Currency Short Term Issuer Default Rating	Unsolicited
Banco Nacional de Desenvolvimento Economico e Social (BNDES)	-	Support Rating	Unsolicited
Banco Nacional de Desenvolvimento Economico e Social (BNDES)	-	Support Rating Floor	Unsolicited
Banco Nacional de Desenvolvimento Economico e Social (BNDES) senior unsecured bond/note	USP14486AC11	Long Term Rating	Unsolicited
Banco Nacional de Desenvolvimento Economico e Social (BNDES) senior unsecured bond/note	US059614AJ60	Long Term Rating	Unsolicited

Entity/Security	ISIN/CUSIP/C OUPON RATE	Rating Type	Solicitati on Status
Banco Nacional de Desenvolvimento Economico e Social (BNDES) senior unsecured bond/note	USP14486AJ 63	Long Term Rating	Unsolicit ed
Banco Nacional de Desenvolvimento Economico e Social (BNDES) senior unsecured bond/note	US059614AM 99	Long Term Rating	Unsolicit ed
<b>Show More</b>			

**Endorsement Policy** - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures (<https://www.fitchratings.com/regulatory>) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.