MOODY'S
RATINGS

Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of Banco BOCOM BBM S.A.

29 Aug 2025

New York, August 29, 2025 -- Moody's Ratings (Moody's) has completed a periodic review of the ratings of Banco BOCOM BBM S.A. and other ratings that are associated with this issuer.

The review was conducted through a rating committee held on 28 August 2025 in which we reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Please see the Issuer page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

Banco BOCOM BBM S.A's (BOCOM BBM) ba2 BCA reflects its track record of consistent profitability, bolstered by strong loan underwriting standards, stringent control of operating expenses, and increasing fee-based income. The ba2 BCA also accounts for risks associated with the bank's predominantly wholesale funding structure, mitigated by disciplined management of maturity mismatches and substantial liquid asset holdings. BOCOM BBM's Baa3 long term deposit ratings incorporate a two-notch uplift, reflecting our assessment of a very high probability of affiliate support from its China-based parent, Bank of Communications Co., Ltd. (A2 stable, baa3).

Since 2018, BOCOM BBM's problem loans have remained below 1% of its credit portfolio, reflecting its focus on low-risk, large, and upper middle market companies. This prudent strategy offsets risks from significant loan concentration in the rural sector and among top 20 clients, which comprised 436% of tangible common equity (TCE) as of December 2024. While elevated interest rates will continue challenging industry-wide asset quality, BOCOM BBM is likely to sustain adequate metrics due to its conservative risk management and reduced exposure to segments sensitive to the domestic economic cycle.

Net income to tangible assets was 0.8% in 2024, slightly below the 1.0% average reported between 2021 and 2023, due to squeezed margins amid intense competition in its core segments as well as the bank's more restrictive loan origination approach in response to a less favorable risk-return balance in the market. Steady earnings generation is expected to support a tangible common equity to risk weighted assets, as adjusted by Moody's, close to 6% over the next twelve months. We anticipate shareholders will remain committed to the Brazilian subsidiary's growth strategy by retaining earnings and, if necessary, providing capital injections to maintain regulatory capital buffers, likely through additional purchases of perpetual bonds.

This document summarizes our view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Banks published in November 2024. Please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

This announcement applies only to EU rated, UK rated, EU endorsed and UK endorsed ratings. Non-EU rated, non-UK rated, non-EU endorsed and non-UK endorsed ratings may be referenced herein to the extent necessary, if they are part of the same organization list.

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