

RATING ACTION COMMENTARY**Fitch Affirms BOCOM BBM's Local Currency IDR at 'BBB-' and National Rating at 'AAA(bra)'**

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Fitch Ratings - Rio de Janeiro - 02 Jun 2026: Fitch Ratings has affirmed Banco BOCOM BBM S.A.'s (BOCOM BBM) Long-Term (LT) Foreign Currency (FC) Issuer Default Rating (IDR) at 'BB+', LT Local Currency (LC) IDR at 'BBB-' and LT National Rating at 'AAA(bra)'. The Rating Outlook is Stable. Fitch has also affirmed BOCOM BBM's Shareholder Support Rating (SSR) at 'bb+' and Viability Rating (VR) at 'bb'. A full list of rating actions is below.

KEY RATING DRIVERS**IDRs and National Ratings**

IDRs Driven by SSR: BOCOM BBM's IDRs and National Ratings are driven by its SSR and reflect support from its ultimate parent, China's Bank of Communications Co., Ltd. (BOCOM; A/Stable).

SSR

Country Risk: BOCOM BBM's LT FC IDR is rated five notches below that of BOCOM's and is constrained by Brazil's 'BB+' Country Ceiling, while its LT LC IDR is currently capped at two notches above Brazil's LC sovereign rating (BB/Stable). This reflects Fitch's view that BOCOM's ability to provide support to its subsidiary's senior creditors is linked to Brazilian sovereign risk and could be reduced in case of extreme sovereign stress, despite the group's strategic commitment to the country.

Strategically Important: The support assessment incorporates Fitch's view that BOCOM BBM's activities in Brazil are strategically important to the parent. This was demonstrated by the group's efforts to deepen commercial activity through ordinary support, including funding and capital, as well as BOCOM BBM's initiatives to increase synergies and operational integration with its parent.

BOCOM owns close to 100% of BOCOM BBM, and the parent's IDRs are driven by the Chinese state's ownership in the bank and its systemic importance. Under Fitch's assessment, Chinese state support to BOCOM would flow through to BOCOM BBM if needed. BOCOM has a strong ability to provide support, as BOCOM BBM's size is modest relative to the overall group.

VR

Operating Environment at 'bb': Fitch expects growth to decelerate further in 2026 to 1.9% (2025: 2.3%) on the lagged effect of tight monetary policy and waning of past fiscal impulse, but supported by a resilient labor market, income tax changes and other credit-related policy stimulus before elections.

Growing Corporate Franchise: BOCOM BBM's business profile reflects its established and growing franchise as a medium-sized Brazilian commercial bank focused on corporate lending, with total operating income of USD 185 million in 2025 (four-year average of USD 153 million) and total assets of BRL 32.6 billion. Fitch acknowledges the bank's improved franchise positioning, supported by a successful revenue diversification strategy – with non-credit-spread revenues reaching 47.5% of total bank revenues in 2025, up from 22.3% in 2016 – and consistent execution of its business expansion plans across lending, DCM, and treasury platforms.

Conservative Risk Profile: BOCOM BBM's risk profile is closely linked to its corporate lending-focused business profile, with credit-related risk-weighted assets (RWA) representing approximately 88% of total RWA at year-end 2025. Conservative underwriting standards are supported by prudent risk appetite, adequate risk-based pricing, and a rigid collateral policy (approximately 40% of the portfolio; approximately 90% for SMEs) that has historically prevented material credit losses. Borrower concentrations are relatively high but mitigated by strong borrower credit profiles and bank guarantees from large Chinese institutions, resulting in consistently better asset-quality metrics than the Brazilian sector average.

Resilient Asset Quality: BOCOM BBM's impaired loans (Stage 3 loans) stood at 0.9% of gross loans at year-end 2025, up from 0.6% (D-H loans) at end-2024 but below the 1.3% (D-H loans) peak in 2023. The four-year average impaired loans ratio remained low at approximately 0.9%, consistently better than Brazilian banking sector peers. Loans past due over 90 days were minimal at 0.7%, while reserve coverage strengthened to 95.6% of impaired loans. Loan impairment charges rose to 0.33% of average gross loans from 0.12% in prior years, though net charge-offs were negligible, reflecting the bank's rigid collateral framework and conservative underwriting.

Strong Profitability: Strong Profitability: Core earnings have steadily strengthened in recent years, driven by growing business volumes, a wider net interest margin, improved revenue diversification and enhanced cost efficiency. The average operating profit to risk-weighted assets ratio was 3.35% for the four years from 2022 to 2025, rising to 3.7% in 2025 – the highest in the observation period. ROAE has remained consistently above 20% for four consecutive years, reaching 25.6% in 2025.

Adequate Capitalization: Fitch has revised its capitalization and leverage score of BOCON BBM to 'bb' from 'bb-'. Capitalization levels are adequate considering the bank's conservative credit risk profile, well-managed market risks, good internal capital generation and capital flexibility from ordinary support from BOCOM. As of March 2026, the bank's common equity Tier 1 (CET1) capital ratio stood at 10.81% and Basel ratio at 17.30% (16.11% and 9.92%, respectively, at December 2025).

Funding Diversified: Fitch has revised its funding and liquidity assessment of BOCON BBM to 'bb' from 'bb-'. BOCOM BBM's funding base is diversified across deposit-like instruments (LCA, LCI and LF), international borrowings and customer deposits, with intragroup funding from BOCOM's global branches and Institutional Offshore representing approximately 37% of the total at end-2025. The bank's liquidity buffers are adequate given limited forthcoming maturities, supported by cash and equivalents of BRL2.2 billion and government securities readily available as collateral.

RATING SENSITIVITIES

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

IDRs, SSR and National Ratings

-- BOCOM BBM's IDRs, National Ratings and SSR could be downgraded if BOCOM's IDRs, from which they are notched, are downgraded by multiple notches. However, BOCOM BBM's LT IDR would not be downgraded to a level below its VR.

VR

-- The VR could be downgraded if the recovery of the Brazilian economy suffers a severe setback, causing a material weakening of the operating environment. In this scenario, pressure could stem from rapidly rising private-sector indebtedness and a permanent erosion of business prospects;

-- The VR could also be downgraded if, contrary to Fitch's expectations, BOCOM BBM's impaired loan ratio rises above 5%, resulting in deterioration of profitability, with

operating profits to RWA ratio consistently below 1.0% and CET 1 ratio below 8.0% or total capital ratio below 14%.

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

IDRs, SSR and National Ratings

-- BOCOM BBM's IDRs could be upgraded if Brazil's sovereign rating is upgraded, provided BOCOM BBM remains strategically important to BOCOM.

VR

-- There is limited rating upside at the current level of Brazil's sovereign rating.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Ex-Government Support Ratings - Key Rating Drivers

BOCOM BBM's LT FC and LC IDRs (ex-government support [xgs]) are at 'BB(xgs)' and are one notch below its parent's LT IDR (xgs) of 'BB+(xgs)'. The Short-Term FC and LC IDRs (xgs) have been affirmed at 'B(xgs)' and is mapped from its LT IDR (xgs). The ex-government support ratings exclude assumptions of extraordinary government support from the underlying ratings.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

Sensitivities

BOCOM BBM's IDRs (xgs) are sensitive to changes in BOCOM's IDRs (xgs).

VR ADJUSTMENTS

The business profile score of 'bb' is above the 'b & below' category implied score due to the following adjustment reason(s): Group benefits and risks (positive).

The capitalization and leverage score of 'bb' is above the 'b & below' category implied score due to the following adjustment reason(s): Capital flexibility and ordinary support (positive).

The funding and liquidity score of 'bb' is above the 'b & below' category implied score due to the following adjustment reason(s): Liquidity access and ordinary support (positive).

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

BOCOM BBM's IDRs and National Ratings are driven by support from the BOCOM, which owns close to 100% of BOCOM BBM.

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 www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING TYPE ⇅	RATING ⇅	RATING ACTION ⇅	PRIOR ⇅
Banco BOCOM BBM S.A.	LT IDR	BB+ Rating Outlook Stable	Affirmed	BB+ Rating Outlook Stable
	ST IDR	B	Affirmed	B
	LC LT IDR	BBB- Rating Outlook Stable	Affirmed	BBB- Rating Outlook Stable
	LC ST IDR	F3	Affirmed	F3
	Natl LT	AAA(bra) R ating Outlook Stable	Affirmed	AAA(bra) Rat ing Outlook Stable

Natl ST	F1+(bra)	Affirmed	F1+(bra)
Viability	bb	Affirmed	bb
LT IDR (xgs)	BB(xgs)	Affirmed	BB(xgs)
Shareholder Support	bb+	Affirmed	bb+
ST IDR (xgs)	B(xgs)	Affirmed	B(xgs)

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Metodologia de Ratings em Escala Nacional \(pub. 22 Dec 2020\)](#)

[Bank Rating Criteria \(pub. 08 May 2026\) \(including rating assumption sensitivity\)](#)

[Metodologia de Rating de Bancos \(pub. 08 May 2026\)](#)

ADDITIONAL DISCLOSURES

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Banco BOCOM BBM S.A.

EU Endorsed, UK Endorsed

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