

Research Update:

BRB - Banco de Brasilia S.A. Downgraded To 'B-' And Placed On CreditWatch Negative On Fraud Investigation

November 19, 2025

Overview

- On Nov. 18, 2025, Brazil's Federal Police launched "Operation Compliance Zero," which is investigating an alleged fraud in loans acquired by BRB - Banco de Brasilia S.A. (BRB) from Banco Master.
- In our view, the investigation raises further concerns about BRB's risk management and governance. Additionally, it's unclear how the investigation will unfold and how much it could affect the bank's reputation, financial profile, funding, and liquidity.
- On Nov. 19, 2025, S&P Global Ratings lowered its long-term issuer credit rating on BRB to 'B-' from 'B' based on concerns about the bank's risk management and governance, which we view now as more aggressive.
- We also placed the long- and short-term ratings on CreditWatch with negative implications, reflecting the one-in-two possibility of a downgrade in the next 90 days if additional information from the investigation weakens the bank's creditworthiness.

Primary Contact

Ricardo Grisi
Mexico City
52-55-5081-4494
ricardo.grisi
@spglobal.com

Rating Action

On Nov. 19, 2025, S&P Global Ratings lowered its global scale long-term issuer credit rating on BRB to 'B-' from 'B'. Moreover, we placed the long and short-term ratings on CreditWatch negative.

Rationale

The downgrade reflects our concerns about BRB's risk management, particularly in light of investigation into its recent portfolio loan acquisitions. Yesterday, the Federal Police launched its investigation into alleged fraud and misconduct at Banco Master, which was simultaneously placed under the control of a government-appointed administrator. BRB has recently acquired

several loans from Banco Master, which are now under investigation due to suspicion of fraud. Adding to these concerns, a judicial order, issued yesterday, suspended BRB's CEO and CFO for 60 days.

BRB acquired R\$18.6 billion in loans during the first half of the year. While the precise amount acquired from Banco Master is currently unclear, we believe it represents a sizeable portion of BRB's recent portfolio acquisitions. BRB's loan book totaled R\$59.4 billion and its common shareholder equity was R\$3.9 billion as of June 2025.

The launch of the investigation and BRB's acquisition of Banco Master's portfolio have heightened our concerns about the bank's risk management and governance practices, which we now view as more aggressive. We believe that pressures to increase revenue amid tightening margins and a relatively inflexible cost structure have incentivized BRB to pursue more aggressive growth strategies, exacerbating existing risk management challenges.

It's currently unclear how the ongoing investigation will unfold and how it could affect BRB's reputation, financials, funding, and liquidity. We believe there is some degree of uncertainty on what new information could arise regarding the loan portfolio acquired by BRB, as well as what second-order implications could materialize for the bank. Therefore, our CreditWatch negative placement indicates that we could further lower the ratings depending on how the investigation unfolds and its impact on BRB's credit fundamentals.

BRB's core profitability has been declining in recent years due to tighter margins. Margins have been falling due to lower spreads in payroll deductible loans and BRB's changing portfolio mix amid its expansion strategy. However, the cost of risk remained fairly stable, benefitting from portfolio sales and the profile of loans. In the first half of 2025, BRB's net income rose to R\$510 million, which corresponded to an annualized return on average equity (ROE) of about 26%. However, extraordinary revenue from portfolio sales has boosted profits. We estimate that absent such nonrecurring revenue, profitability in the first half of 2025 would have remained on par with that in 2024, during which ROE was 6.2%.

CreditWatch

The CreditWatch negative listing reflects the one-in-two possibility of a downgrade in the next 90 days if additional information from the investigation weakens the bank's creditworthiness. This could stem from deterioration in its capital, liquidity, or business and funding prospects. We expect to resolve the CreditWatch listing as soon as we have more information on how those developments may affect the bank.

Environmental, Social, And Governance

Governance factors now have a more negative impact on our credit rating analysis of BRB. The launch of the investigation and the acquisitions of Banco Master's portfolio have heightened our concerns regarding BRB's risk management and governance practices. Moreover, we believe that pressure to increase revenue and somewhat unflexible cost structure have encouraged BRB to pursue more aggressive growth strategies, intensifying risk management challenges. Additionally, as a public bank, BRB has close ties to the government of Distrito Federal, which expose BRB to political risks. Environmental and social factors have no material impact on our analysis.

Rating Component Scores

Rating Component Scores

Issuer Credit Rating	B-/Watch Neg/B
SACP	b-
Anchor	bb+
Business position	Constrained (-3)
Capital and earnings	Constrained (-1)
Risk position	Moderate (-1)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

Related Criteria

- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [BRB - Banco de Brasília S.A. 'B' Global Scale Rating Affirmed And Removed From CreditWatch Developing; Outlook Stable](#), Oct. 22, 2025
- BRB – Banco de Brasília 'B' And 'brA+' Ratings Placed On CreditWatch Developing On Planned Acquisition Of Banco Master

Ratings List

Ratings List

Downgraded; CreditWatch Action		
	To	From
BRB - Banco de Brasilia S.A.		
Issuer Credit Rating	B-/Watch Neg/B	B/Stable/B

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