Financial Stability Report

Volume 25 | N. 1 | May 2026

ISSN 2176-8102

BANCO CENTRAL DO BRASIL

Financial Stability Report

Semiannual Banco Central do Brasil publication.

Occasional discrepancies between constituent figures and totals as well as percentage changes are due to rounding.

There are no references to sources in tables and charts originated in the Banco Central do Brasil.

Summary

Preface

The Financial Stability Report (FSR) is a semiannual publication issued by the Banco Central do Brasil (BCB) that presents an overview of recent developments and the outlook on financial stability in Brazil, focusing on the main risks and on the domestic financial system resilience, as well as conveys the Financial Stability Committee (Comef) view on the policies and measures to preserve financial stability.

The BCB defines financial stability as the regular operation, over time and in any economic scenario, of the system responsible for the financial intermediation among households, non-financial corporations, and the government.

The Report consists of two chapters. Chapter 1 – Assessment of the National and International Financial Systems – presents an overview of the international financial system; of the National Financial System (SFN) – with analyses of the risks related to liquidity, credit, profitability, and solvency; of capital and liquidity stress tests and their effects on institutions' solvency; – of the Financial Stability Survey (FSS); and of the operation of systemically important financial market infrastructures (FMIs). Chapter 2 – Selected Issues – discusses relevant and not necessarily recurrent topics that may have implications to financial stability in Brazil.

As of 2025, the FSR will disclose, in the first edition of each year, the breakdown of the cost of credit and the spread, as well as the SFN concentration indicators, previously published in the Banking Report, which was discontinued in accordance with Resolution BCB 460, of March 25, 2025.

The Statistical Annex shows charts and tables underlying data and can be found on the FSR website, https://www.bcb.gov.br/en/publications/financialstabilityreport, as well.

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Executive Summary

Uncertainty regarding the external environment increased. The outbreak of the conflict between the United States (U.S.), Israel, and Iran considerably raised uncertainty about the global scenario, as its impacts have been spreading throughout the region and the flow of commodities through the Strait of Hormuz is being affected. Despite uncertainty about economic policies throughout the year and the increase in U.S. tariffs, global growth ended 2025 above initial expectations. External funding available to the National Financial System (SFN) remains abundant and exceeds demand, with no sign of price pressure in the short term.

Domestically, the economy slowed compared to previous years, in line with expectations. Gross domestic product (GDP) grew 2.3% in 2025, in line with the initial estimates from the Banco Central do Brasil (BCB) and the market. This pattern differs from that seen since 2021, when annual results consistently and significantly exceeded the projections made at the end of the previous year. The labor market remains strong, with a decline in unemployment and growth in real average wages.[1]

The BCB assesses that there is no relevant risk to financial stability. The SFN remains with comfortable capitalization and liquidity positions, and adequate provisions relative to expected losses. Furthermore, capital and liquidity stress tests demonstrate the soundness of the banking system.

The extra-judicial liquidation of institutions belonging to the Master conglomerate did not have systemic effects on the SFN. The protection mechanisms associated with the Credit Guarantee Fund (FGC) were triggered in accordance with the current institutional framework, demonstrating the financial system's resilience and shock-absorbing capacity. Following the liquidation, customers reimbursed by the FGC directed funds primarily to larger financial institutions (FIs) with greater systemic importance, in line with expectations in bank resolution events. The one-off crisis with the Master conglomerate did not generate a significant impact on the rates charged on instruments guaranteed by the FGC. The continued broad access of FIs to funding markets reinforces depositors' confidence in the soundness of the SFN.

Financial market confidence in the stability of the SFN remains high. In a survey in which the BCB consults the market about its perceptions regarding the stability of the SFN, 78% of FIs expressed high or total confidence in the resilience of the SFN. Among the risks mentioned, fiscal risks, concerns about household and corporate debt, and risks related to the international environment continue to stand out. For the first time, institutions expressed concern about legal challenges and litigation regarding the mandates of SFN regulators.

The slowdown in credit continues, in line with the moderation in economic growth. On the household side, there is a cooling off in higher-risk modalities. On the corporate side, the slowdown affected companies of all sizes. However, the loan portfolio for small businesses maintained high annual growth, driven by operations through credit incentive programs.

Although slowing down, the capital market continues to grow at a much faster pace than bank credit. The capital market has slowed since the beginning of 2025, but continues to grow significantly,

1 The first two paragraphs of this Executive Summary were taken, with minor adaptations, from the March 2026 Monetary Policy Report, available at https://www.bcb.gov.br/content/ri/inflationreport/202603/rpm202603i.pdf.

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absorbing part of the credit demand from large companies through the issuance of debentures and commercial papers, and part of the rural credit demand through the issuance of Rural Product Notes (CPR). This growth is occurring in a buoyant market, with an increase in the number of issuers and narrowing spreads.

There are still signs of risk propensity, but FIs continued to reduce their risk appetite. The slowdown in credit growth was accompanied by a slight improvement in the quality of new loans to companies, suggesting greater caution in origination. Nevertheless, signs of greater risk propensity persist in specific modalities, notably in non-payroll deducted credit, which continued to grow at high rates and with an increase in the share of unsecured transactions. Looking ahead, the Quarterly Credit Conditions Survey (PTC) indicates that conditions are likely to become even more restrictive for household credit, due to worsening factors related to debt service-to-income and the level of delinquency, and for corporate credit, especially to large firms.

As in the previous Financial Stability Report (FSR), the caution noted in the PTC remains consistent with the ongoing challenging payment capacity of businesses and households. Indeed, the contractionary policy rate environment, combined with high household and corporate indebtedness, requires caution and diligence in credit granting. Even with the dynamism of the labor market, featuring consistent income gains and a significant reduction in unemployment, household debt service-to-income increased even further. The greatest impact was felt among lower-income borrowers, with a significant contribution from more expensive credit modalities. Despite the challenging situation, the tightening of financial conditions did not significantly affect companies' ability to generate operating cash flow to pay off debts, especially among larger firms.

Risk materialization increased in household credit and remained relatively stable in corporate credit. Problem assets (PAs) rose across all modalities of household credit. Delinquency remains the main driver of this increase and would have risen further even in a hypothetical scenario where FIs' write-off practices had not changed in 2025. Looking ahead, probability of default (PD) estimates indicate that the upward trend is likely to continue for most modalities. In corporate credit, PDs kept downward trends across all company sizes, though they remain at high levels.

Provisions remained adequate with estimates of expected losses. The increased risk in the credit portfolio led to a rise in expected losses. Consequently, FIs increased provisions to support this higher volume of losses, maintaining a stable coverage level in the SFN. Individually, some FIs have provisions below the expected loss ranges estimated by the BCB. However, the level of capitalization is sufficient to absorb any adjustments in most cases.

The SFN's profitability remained virtually stable, demonstrating resilience and the ability to generate profits to strengthen capital. Growth in operational results, albeit at a slower pace, offset the increase in provisioning costs. The net interest margin remained under pressure due to higher funding costs. Profitability is not expected to increase due to restrictive financial conditions and moderating economic activity, which may reduce credit growth and service revenue and increase delinquency rates.

The new methodology for determining minimum capital will increase the resilience of the SFN and bring Brazil closer to international best practices in prudential supervision. The minimum thresholds will be complementary to other regulatory requirements. Minimum capital consists of an absolute floor, regardless of risk profile or transaction volume. This requirement acts as a mitigant to moral hazard and aims to ensure that the institution is capable of covering its operating costs from the outset of its activities, thereby reinforcing the stability of the SFN. FIs must adapt by January 2028, in accordance with a gradual transition rule. This adjustment will require an effort from a large number of FIs whose projected

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capital shortfall corresponds to only 0.5% of the system's regulatory capital (RC).

Stress test results indicate that the banking system has adequate capital levels and resilience in all simulated scenarios. The capital stress tests indicate that there would be no relevant non-compliances under adverse macroeconomic scenarios. The results of the sensitivity analyses also indicate good resilience to foreign exchange risk, interest rate risk, credit risk, and fluctuations in real estate prices, when simulated individually. The liquidity stress test indicates a comfortable amount of liquid assets in the event of cash outflows under adverse conditions or a short-term shock to market parameters.

Financial market infrastructures (FMIs)[2] contributed to the safe and efficient operation of markets. The financial system held enough intraday liquidity to ensure seamless transactions in the Brazilian Payment System (SPB). Pix continued to increase its relevance in the SFN and SPB and represented around 29% of total retail payments in the second half of 2025. Interbank market settlements took place without any significant incidents and there was no risk of insufficient funds. Credit and liquidity exposures were adequately managed by the central counterparty (CCP) throughout the period.

The average Cost of Outstanding Loans (ICC) and its spread increased in 2025, primarily due to higher funding costs and rising delinquency rates. The rise in the ICC's funding costs is consistent with the more restrictive monetary policy stance throughout 2025. The increased contribution from delinquency suggests a deterioration in portfolio quality amid more expensive credit and tighter financial conditions. In 2025, the cost of funding remained the most important component of the ICC, and delinquency remained the most important component of the spread.

Concentration in the SFN declined in 2025, following the trend of recent years. The market share of credit unions and development banks increased in terms of total assets, total deposits, and credit operations. As in previous years, institutions in the B1B2 banking segment (savings banks and commercial, multiple-purpose, foreign exchange, or investment banks) lost market share in all three of these areas.

The non-bank financial intermediation (NBFI) sector has been increasing its share of the broad SFN assets, emerging as the main holder of the Domestic Federal Public Debt and playing a key role in capital markets. The Brazilian NBFI sector is heterogeneous, is supervised by different regulators, and comprises investment funds, pension funds, and insurance companies as its main components. The sector accounts for a significant portion of the broad SFN assets, directs its resources primarily toward highly liquid assets, and is the main financier of public debt. Its share of broad credit is small, despite playing a central role in capital markets. Investment funds account for the largest share of Brazilian NBFI assets and exhibit low aggregate liquidity risk. However, these funds require continuous monitoring given their high interconnectedness, opacity of some investment structures, presence of assets that are difficult to price, and information gaps in identifying the ultimate beneficiary.

2 FMIs refer to the set of rules, procedures, and operational structure aimed at enabling settlement, central depository, and registration of financial assets. Descriptions of the systems and their functions are available at https://www.bcb.gov.br/en/financialstability/financialmarketinfrastructures.

In 2025, the percentage of institutions affected by climate events declined to around half of its 2024 level. The Financial Stability Survey (FSS) on climate risks also revealed progress in governance and maturity in climate risk management. Some institutions reported using their experience with the severe climate events of 2024 to improve climate risk management. Institutions consider that, in the long term, the expected average impact of acute physical climate risks is low. Credit risk remains the most relevant financial risk for the transmission of physical and transition climate risks to the SFN. Advances include greater use of a long-term horizon in risk management and the use of the Brazilian Sustainable Taxonomy (TSB). Despite the institutions' perception of low long-term risk, the BCB has been making efforts to improve the collection and analysis of data from the Social, Environmental, and Climate Risk Document (DRSAC).

Comef started to examine the possibility of adopting a positive neutral level for the Countercyclical Capital Buffer (CCyB) as part of a medium-term structural agenda. The BCB has been evaluating the concept and international experience and discussing calibration methodologies. Countries that had built up capital buffers in advance of crises exhibited a more stable credit flow during periods of stress, reinforcing the importance of precautionary buildup.

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Decisions of the Financial Stability Committee (Comef) on the Countercyclical Capital Buffer ($ACCP_{Brasil}$)

At its 63rd and 64th regular meetings, on November 18-19, 2025, and March 11-12, 2026, respectively, the Financial Stability Committee (Comef) decided to hold the Countercyclical Capital Buffer for Brazil ($ACCP_{Brasil}$) at 0% (zero percent).[3]

The Committee deems the National Financial System (SFN) prepared to face credit risk materialization. Banks' loan loss provisions, liquidity and capital levels remain adequate. Given reduced exchange rate exposure and low dependence on external funding, the SFN's exposure to financial fluctuations originated abroad is low.

Credit growth continued to slow down both in the financial system and in the capital markets, in line with the moderation in growth observed in economic activity.

In the Committee's view, the scenario, characterized by a contractionary monetary policy stance and rise in delinquency rates, household debt service-to-income and indebtedness, as well as corporate indebtedness, calls for additional caution and diligence in credit granting, both in loan quality and risk appetite. Comef recommends that supervised entities persist with prudent capital and liquidity management policies amid economic uncertainties and the prevailing macroeconomic environment.

The Banco Central do Brasil (BCB) ordered the extra-judicial liquidation of institutions within the Master conglomerate, labeled as diversified credit, small size, and falling under segment 3 (S3) of the prudential regulation. The conglomerate accounts for 0.57% of total assets and 0.55% of total funding within the SFN. This event does not pose a systemic risk.

Comef monitors international financial conditions, with particular attention to the consequences of the path of monetary and fiscal policies in advanced economies, the repositioning of trade policies, global financial asset repricing movements, and geopolitical events.

Therefore, considering financial conditions, asset prices, and expectations regarding credit market behavior, at its 63rd and 64th regular meetings, Comef considered it appropriate to hold $ACCP_{Brasil}$ at 0% (zero percent). If Comef increases $ACCP_{Brasil}$, financial institutions (FIs) have twelve months to comply. If Comef reduces it, FIs may use the freed-up capital immediately. These decisions were made by Comef in carrying out its duties provided for in the Regulation attached to Resolution BCB 173, of December 9, 2021, and followed the principles and objectives described in Communiqué 30,371, of January 30, 2017.

3 Communiqués 44,254, of November 19, 2025, available, in Portuguese, at https://www.bcb.gov.br/estabilidadefinanceira/exibenormativo?tipo=Comunicado&numero=44254, and 44,875, of March 12, 2026, available, in Portuguese, at https://www.bcb.gov.br/estabilidadefinanceira/exibenormativo?tipo=Comunicado&numero=44875.

I

Assessment of National and International Financial Systems

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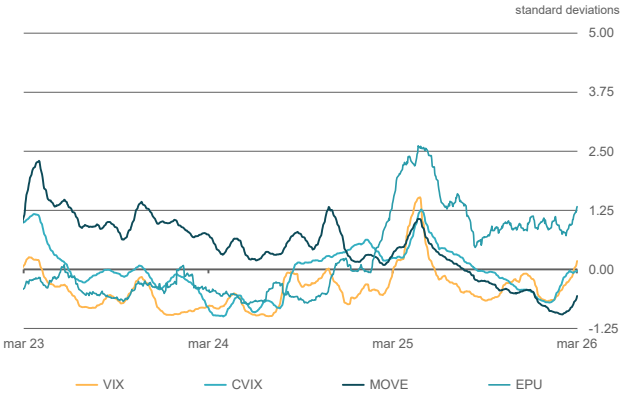
1.1 International financial system

The international financial system continues to demonstrate resilience. The outbreak of conflict in the Middle East has heightened uncertainty about the global outlook, keeping risks to financial stability elevated. Since late February, asset price volatility has increased and sovereign bond yields have risen sharply, reflecting mainly higher energy prices and a reassessment by markets of inflation prospects. Up to the end of March, financial markets continued to function in an orderly manner; however, risks remain asymmetric. Expectations regarding the trajectories of fiscal and monetary policies in advanced economies continue to be key determinants for asset pricing, especially given that market participants tend to anticipate and price the effects of these policies' responses to the conflict's impacts. Credit impulse remains subdued, consistent with the moderate pace of economic activity in advanced economies. Global liquidity remains abundant, providing support to asset prices and funding needs, albeit in the context of high interest rates and despite the orderly reduction of major central banks' balance sheets. Banking system capitalization in major economies remains at elevated levels. Meanwhile, investment allocation continues to be concentrated in certain asset classes and specific markets, in some cases at historically high levels. Global financial conditions have shown a slight easing since the previous Financial Stability Report (FSR), despite a partial reversal since the onset of the conflict in the Middle East.

Asset price volatility has increased to levels above those observed during the reference period of the previous FSR, especially after the start of the conflict in the Middle East in late February. Even so, equity markets rose during the period, most currencies appreciated against the dollar, and long-term interest rates increased. However, risks have heightened, since uncertainty about the economic policies of major economies remains very high (Chart 1.1.1).

Chart 1.1.1 – Uncertainty and volatility measures*



* normalized since 2018
Source: Policy Uncertainty, Bloomberg

Systemic risk indicators (SRisk)[4] in most advanced economies signaled a decline from the previous FSR up to the onset of the conflict. As of the first week of March, impacts of the conflict had not reversed this trend. Japan, Taiwan, and France stand out as the economies with the highest SRisk levels. The largest contribution to the reduction in SRisk came from the increase in the market value of financial institutions. Over the same period, among the emerging market economies (EMEs) analyzed, SRisk there were not significant changes, except in China, where the indicator increased. SRisk is estimated at 3.9% of GDP for AEs and 5.4% of GDP for EMEs (Chart 1.1.2).

4 Systemic risk indicator, which measures the capital needs of financial institutions in a global stress scenario. This concept wat presented in the Abril 2021 FSR.

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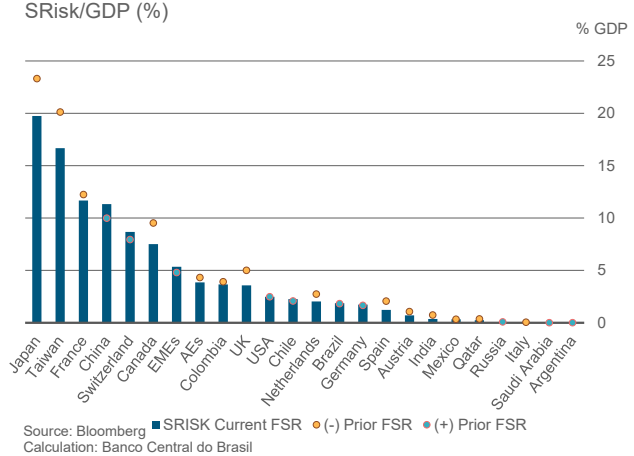
Chart 1.1.2 – Systemic Risk Analysis (SRisk)
SRisk/GDP (%)

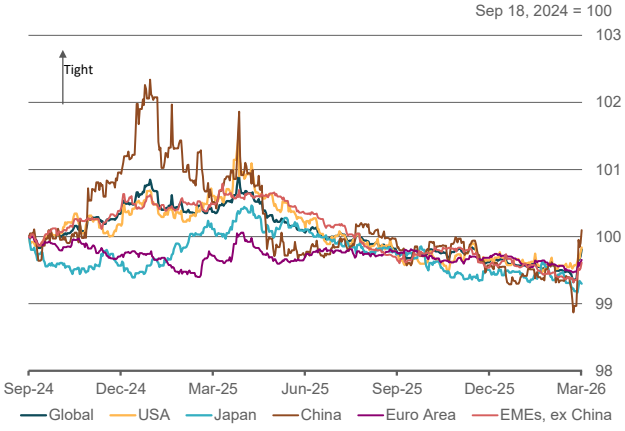


Source: Bloomberg ■ SRISK Current FSR ● (-) Prior FSR ● (+) Prior FSR
Calculation: Banco Central do Brasil

The profitability of most Global Systemically Important Banks (G-SIBs) has remained at historically high levels. In absolute terms, the distribution of return on equity (RoE) among G-SIBs in the third quarter was less dispersed, albeit with a median RoE lower than in recent quarters, indicating that these banks have managed to preserve profitability despite a more challenging environment. Bank credit to non-bank financial institutions has been concentrated among the largest banks, particularly credit extended to hedge funds. Part of this credit finances leverage at those funds.

Financial conditions in major economies have loosened moderately since the last FSR, although there was some tightening in the first days of March. The favorable trend up to February mainly reflected positive equity market performance, narrowing credit spreads, and the depreciation of the dollar. Factors that contributed to this movement include monetary easing implemented by some of the main central banks; the Fed's resumption of monetary accommodation; the expectation that tariff effects would be transitory; and a perception of clarity regarding U.S. economic policy measures. With the outbreak of conflict in the Middle East and the increase in uncertainty, part of the improvement was reversed, with uncertainty still looming over the extent of its effects (Chart 1.1.3).

Chart 1.1.3 – Financial Conditions Index



Source: Bloomberg

Risk appetite has decreased during the period, both in advanced and emerging economies, reflecting an environment of elevated and persistent uncertainty, as well as reduced predictability regarding future prices and financial flows (Chart 1.1.4). In this context, investors have been discriminating more selectively across countries, considering relative differences in exposure to the conflict's impacts and pre-existing macroeconomic vulnerabilities. For example, distinctions are being made between net energy commodity exporters and net importers, as well as assessments of the potential for further increases in already elevated public debt levels and sovereign refinancing risks, versus the degree of fiscal and monetary policy space available. Historical evidence suggests that rising volatility in sovereign bond markets can lead to tighter financing conditions and reignite adverse interactions between sovereign risk and the banking system. In emerging economies, there may be intensifying exchange rate pressures and capital outflows, especially as carry trade positions unwind in response to deteriorating terms of trade.

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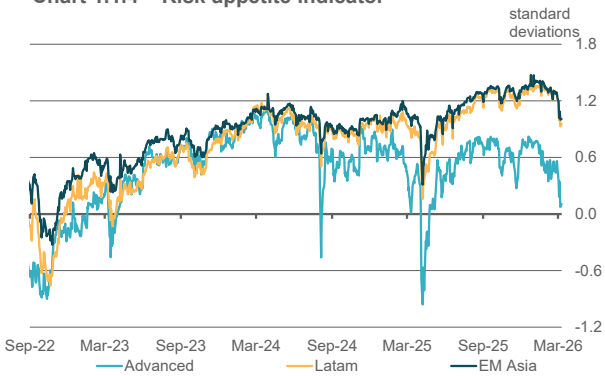
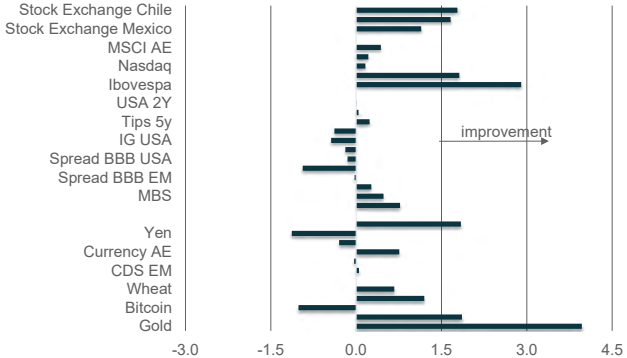
Chart 1.1.4 – Risk appetite indicator



Advanced: USA, Euro Area, Japan
Latam: Brazil, Chile, Colombia, Mexico, Peru
EM Asia: China, Korea, Philippines, India, Indonesia, Malaysia
Sources: Bloomberg, Reuters and Fed St Louis. Calculation: Banco Central do Brasil

In financial markets, the price of gold has increased and Latin American stock markets and other risk assets have a positive performance, suggesting a combination of safe-haven seeking and selective risk-taking (Chart 1.1.5). The equity rally was stronger in emerging economies, particularly in Latin America, surpassing that seen in developed markets. Despite volatility linked to uncertainties about global trade policies at the beginning of the year, risk assets ended the period generally positively. In the United States, stock indexes reached new highs during the period, albeit with more moderate gains. Gold reached new nominal highs, aided by demand from central banks, while Bitcoin hit new records in the second half of 2025 before retreating. Spreads on high yield corporate debt remained historically compressed, though with some widening. The dollar continued to depreciate against other currencies, especially those of developed economies, amid reduced support from interest rate differentials and an international portfolio rebalancing toward assets outside the United States.

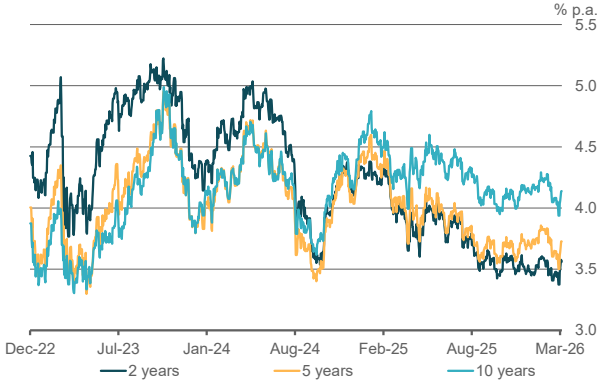
Chart 1.1.5 – Assets Performance since last FSR*



* Up to March 12. Last FSR: August 20, 2025.
**Normalized to the days range in each analysis window.
Sources: Bloomberg, Refinitiv, Fed. St Louis

Long-term U.S. interest rates have remained elevated since the last FSR, fluctuating due to the conflict in Iran and persisting uncertainty regarding U.S. monetary policy (Chart 1.1.6). Since August, yields across different maturities have declined, partly reflecting the resumption of the country's monetary easing cycle. Long-term rates resumed an upward trend starting in March, coinciding with the beginning of the conflict in the Middle East. Risk premiums on long-term yields remain high. The yield curve contributes to keeping long-term credit costs elevated going forward. The cost to hedge the U.S. dollar, which had increased for some currencies in April 2025, has been receding.

Chart 1.1.6 – US: Long term rates

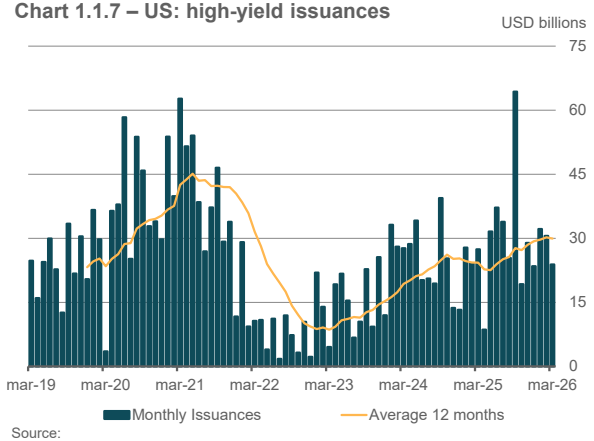


Source: Bloomberg.

The volume of high yield corporate bond issuance in the U.S. has remained elevated (Chart 1.1.7). Issuance of less risky bonds also increased and, similarly to higher-risk bonds, reached its highest level—on a 12-month moving average basis—since 2021. The investment needs in artificial intelligence are driving greater issuance of bonds by companies in this segment, which generally present lower risk. If this trend continues, the risk profile of the

investment-grade market may shift over time. In the U.S., bank deposits and money market fund assets have reached new nominal highs.

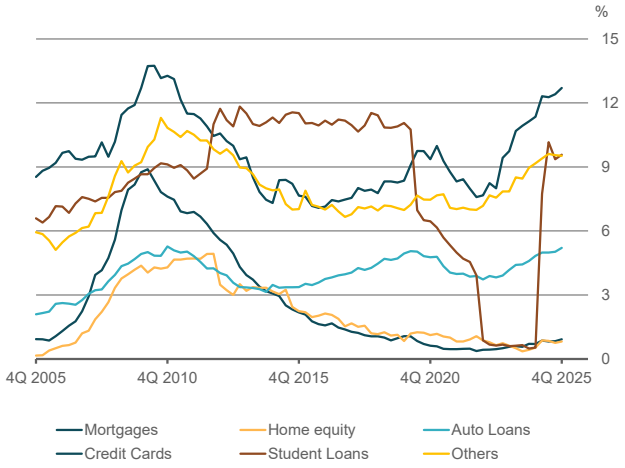
Chart 1.1.7 – US: high-yield issuances



Source: Sifma

In the U.S., aggregate levels of indebtedness and debt service remain well below those prevailing during the 2008 financial crisis and broadly unchanged from the pre-pandemic period. The household savings rate remains low, as does household liquidity. Delinquency rates have been rising, especially in credit card and auto loan portfolios (Chart 1.1.8), but remain subdued in mortgage lending. Since early 2025, student loan defaults have also increased, following the expiration of credit relief measures, reaching rates close to those observed before the pandemic. Leverage in the real sector remains low; however, financial pressure is disproportionately concentrated among lower-income households, which may give rise to localized vulnerabilities (Chart 1.1.8).

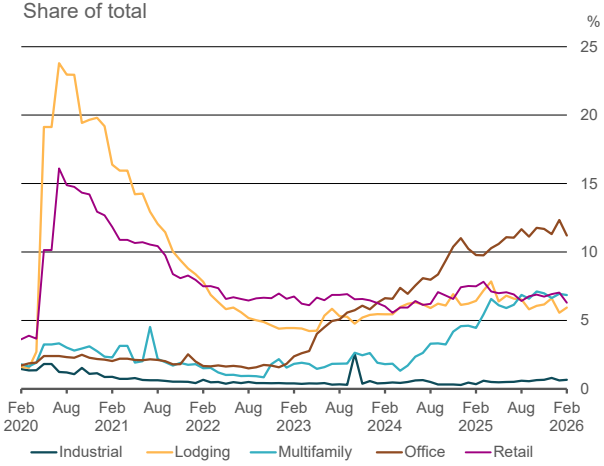
Chart 1.1.8 – US: Loans to households, 90 days past due
Share of Total Loans



Source: Fed NY

Commercial real estate credit in the U.S. remains associated with vulnerabilities in the corporate credit segment. Structural changes in the sector since the onset of the pandemic have resulted in lower demand, reduced occupancy in certain segments, and declining prices for these assets, which are typically used as collateral for such loans. While significant risks have yet to materialize, delinquency rates continue to show moderate increases (Chart 1.1.9). On one hand, this raises the likelihood of a more prolonged price correction, further impacting investors and intermediaries. Banks have managed problematic exposures through short-term extensions, yet vulnerabilities persist as new maturities approach—particularly for institutions with weaker capitalization and larger exposures. On the other hand, a potential resumption of monetary easing could help alleviate pressures on the sector, especially by improving refinancing windows and transaction flows. The share of non-bank entities in credit provision continues to grow, while cross-dependencies in funding between bank subsidiaries and non-bank affiliates are also increasing.

Chart 1.1.9 – US: *Commercial mortgage backed securities 30 days past due*
Share of total



Source: Trepp

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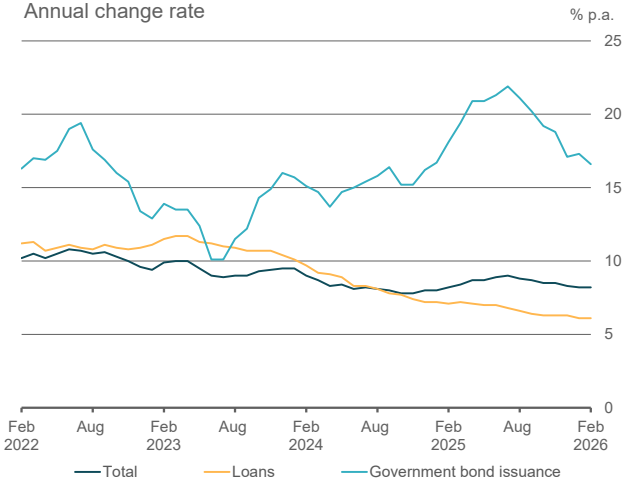
Private credit is another sector whose fragility has been on the rise in the U.S., expanding robustly, driven by the search for higher yields, competition with bank credit, and demand for long-term financing. This segment has gained importance in financing software companies and data center infrastructure projects, particularly those focused on artificial intelligence. The sector presents significant risks related to concentration and opacity, with potential prudential challenges in asset valuation, leverage, and liquidity.

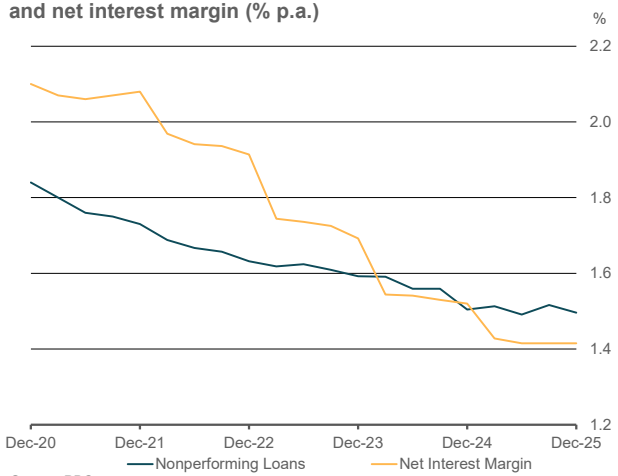
In China, financing to the real sector has returned to a decelerating trend. Bank loans in local currency, which account for more than 60% of total financing, have continued a steady deceleration over the past five years. This slowdown is observed mainly in bank lending to households, whose annual growth rate was only 0.2% in February, the lowest since the historical series began in 2008. The primary factor behind this weak growth are subdued consumption and stagnation in mortgage financing. However, bank loans to companies have maintained stable growth. The issuance of public securities (20% of total financing), which had accelerated between 2023 and 2025, lost momentum in the second half of last year (Chart 1.1.10).

Chart 1.1.10 – China: Financing to the economy
Annual change rate



Source: Bloomberg

Chart 1.1.11 – China: Nonperforming Loans (%) and net interest margin (% p.a.)



Source: PBC

China's financial system signals strength and resilience. Capital adequacy indicators in the banking system remain stable and high; liquidity ratios are rising; and foreign-exchange exposure is at its lowest level in the last ten years. The proportion of non-performing loans has been gradually declining, albeit partly due to write-offs and extensions of payment terms. Profitability indicators, however, continue to deteriorate. The banking system's return on assets and net interest margin were at their lowest levels since 2011 in the last quarter of 2025 (Chart 1.1.11). Notably, smaller banks generally exhibit weaker indicators than medium and large banks (Chart 1.1.11).

China's property development sector continues to undergo a contractionary structural adjustment. The value of properties sold in the first two months of this year is less than half of that in the first two months of 2021 (Chart 1.1.12). Investment in property development, new property launches, and the area under construction have declined, while inventories of completed but unsold units continue to accumulate. Residential property prices—both new and existing—continue to fall across all city tiers. Some measures announced by the government in March, such as reducing the required down payment for home financing and easing rules for home purchases in major cities, may help stabilize the

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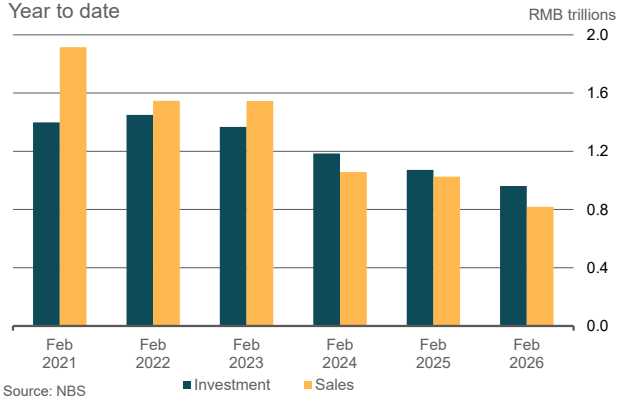
sector. Furthermore, the 2026–30 Five-Year Plan calls for the gradual relaxation of residency permit issuance for migrant workers, which could lead to increased demand from this segment of the population (Chart 1.1.12).

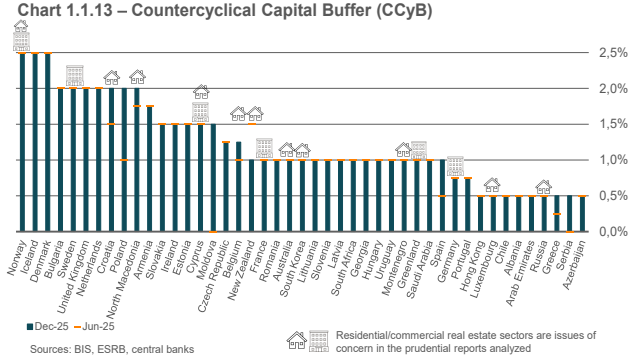
Chart 1.1.12 – China: real estate development
Year to date



Source: NBS

Most jurisdictions have kept their countercyclical capital buffers unchanged since the last FSR. However, some countries have announced increases or signaled the possibility of raising them. There is growing momentum among jurisdictions to establish a positive neutral buffer, thereby strengthening the financial system's resilience in an environment that continues to exhibit an accumulation of global financial risks, geopolitical tensions, and domestic economic uncertainties (Chart 1.1.13).

Chart 1.1.13 – Countercyclical Capital Buffer (CCyB)



Sources: BIS, ESRB, central banks

The global outlook continues to be marked by significant risks of adverse events materializing, with the potential for abrupt repricing of financial assets and additional tightening of financial conditions. Uncertainties persist regarding the dynamics of economic activity and inflation in major economies, including the pass-through of supply shocks—such as tariffs and energy prices—to consumer prices, as well as regarding the trajectory of fiscal and monetary policies. The outbreak and potential extension of the conflict in the Middle East heightened geopolitical uncertainty and could disrupt global trade and commodity flows, with macro financial repercussions. Uncertainty surrounding the equilibrium levels of long-term interest rates and pressures associated with interest rate differentials between economies continue to influence asset pricing and international capital flows. In this context, elevated valuations and a higher concentration of investments in certain segments increase market sensitivity to disappointments, raising the risk of more intense price corrections. Concerns about sovereign debt sustainability also merit attention, especially in economies with high debt levels and greater refinancing needs, since spikes in public bond market volatility can intensify financial tightening and reignite adverse sovereign-bank feedback loops. The accumulation of vulnerabilities in bank and non-bank financial institutions, as well as the strengthening interconnectedness between these segments, constitutes an important channel for shock amplification. Episodes of heightened risk aversion could trigger fire sales, liquidity pressures, and deleveraging, with contagion effects across markets and jurisdictions. Although emerging economies have demonstrated relative resilience, they remain exposed to exchange rate pressures and capital outflows, especially in countries with more limited macroeconomic buffers. In this environment, sound risk management, capital, and liquidity remain central to mitigating systemic risks.

The BCB remains vigilant regarding developments in the international environment and assesses that the domestic financial system's exposure to exchange rate risk is low, and reliance on external funding is limited. The BCB stands ready to act as

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needed to mitigate any disproportionate spillover effects on local asset prices.

1.2 National Financial System[5]

1.2.1 Liquidity

The banking system holds enough liquid assets to absorb potential losses, including under stress scenarios, and comply with current regulations. The FIs in the S1 segment hold a comfortable liquidity margin over their regulatory requirements, and the wide majority of the FIs in the S2 to S4 segments continue to hold liquidity buffers suitable to the regular functioning of the intermediation system and to preserve financial stability. Funding continues its growth trajectory, albeit at a more moderate pace. The overall solid capital base and funding structure remain compatible with financing long-term assets, which, along with the absence of relevant mismatches, indicate the structural resilience of the banking system.

Domestic and foreign funding

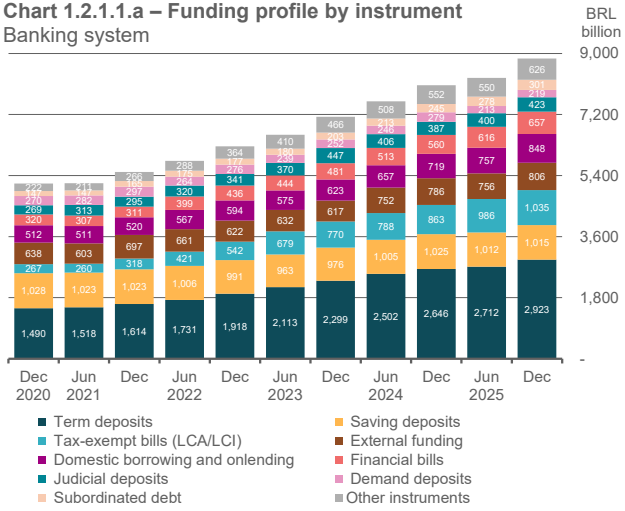
The semester was marked by mixed signals across funding sources, with divergent trends among tax-exempt instruments, a cooling of the annual growth pace in total funding, stable rates, and external conditions that remain favorable. These tax-exempt instruments performed differently over the period: Agribusiness Credit Bills (LCA) saw a decline in stock, while Real Estate Credit Bills (LCI) increased, albeit at a slower pace. Strong nominal growth in term deposits bolstered funding during the semester but was not enough to prevent a YoY slowdown. The period was also characterized by interest rates remaining closely aligned across various segments. Regarding external funding, despite geopolitical tensions, the supply of credit lines remains abundant, outpacing demand with no signs of short-term pricing pressure.

Time deposits and Real Estate Credit Bills (LCI) emerged as the primary funding instruments during the semester, amid an overall funding slowdown. Although total funding grew at a slower pace in 2025 (9.8% compared to 13.0% in 2024), LCIs saw significant annual growth (31% vs. 13% in 2024). This surge came as compensation for the 1% decline in savings account balances during the period, shifting the funding mix and supporting the expansion of real estate credit. While time deposits showed a faster growth rate for the semester (8% vs. 3% in the previous half-year), they experienced a YoY slowdown (10% vs. 15% in the prior year). For their part, Agribusiness Credit Bills (LCA) saw a semester-on-semester decline of 2% in stocks, which can be attributed to a reduced issuer appetite following the 2025 rural credit crisis. In contrast, net funding[6] showed higher annual growth compared to the previous twelve months (12.6% vs. 11.1% – Charts 1.2.1.1.a, b, and c).

5 The scope of the analyses varies depending on regulatory requirements and data availability, among other factors, always aiming for the broadest possible coverage to ensure the most reliable risk assessments.

6 The estimate of net funding and stock is made by excluding the appropriation of interest, based on the estimated average rates of the funding stock. For this calculation, funding with the following instruments was excluded: loans and transfers, subordinated debt not registered in custody centers, external funding, and funding instruments eligible for principal or supplementary capital (IECI and IECP). The divergent behavior between net and nominal funding in 2025 (acceleration vs. slowdown) is attributable to the aforementioned exclusion.

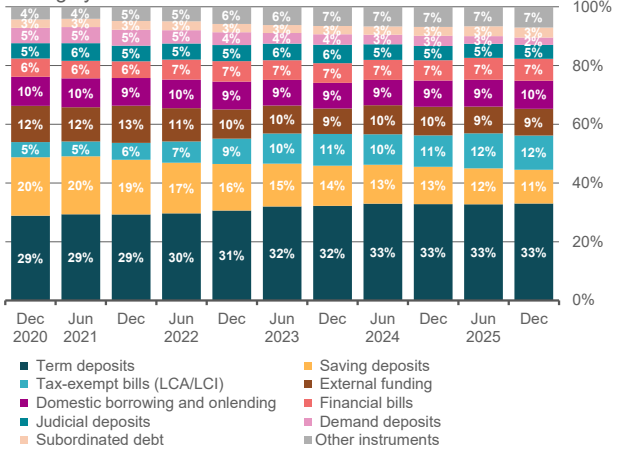
Chart 1.2.1.1.a – Funding profile by instrument
Banking system



Sources: BCB, [B][3], CRT4, CERC, CSD-Br

Term deposits: certificates of deposit, receipts of deposit, time deposits with special guarantee by the Credit Guarantee Fund (Fundo Garantidor de Crédito – FGC). Subordinated debt: subordinated certificates of deposit, subordinated financial letters and other capital instruments. Other instruments: structured notes, bills of exchange, mortgage notes, box spread strategies with options, guaranteed real estate credit bills (LIG), interbank deposits, repurchase agreements (repo) collateralized by private-issued securities.

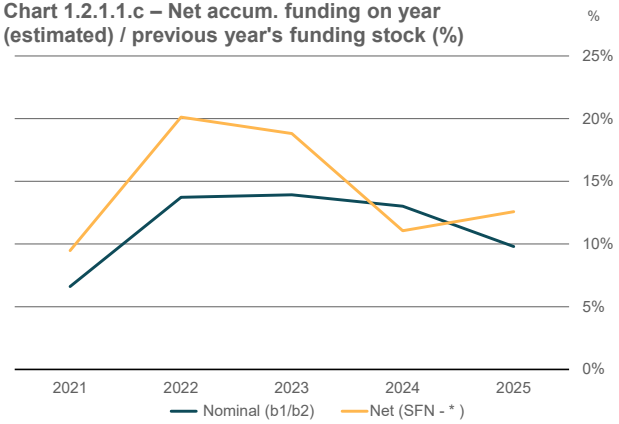
Chart 1.2.1.1.b – Funding profile by instrument
Banking system – % of total



Sources: BCB, [B][3], CRT4, CERC, CSD-Br

Term deposits: certificates of deposit, receipts of deposit, time deposits with special guarantee by the Credit Guarantee Fund (Fundo Garantidor de Crédito – FGC). Subordinated debt: subordinated certificates of deposit, subordinated financial letters and other capital instruments. Other instruments: structured notes, bills of exchange, mortgage notes, box spread strategies with options, guaranteed real estate credit bills (LIG), interbank deposits, repurchase agreements (repo) collateralized by private-issued securities.

Chart 1.2.1.1.c – Net accum. funding on year (estimated) / previous year's funding stock (%)



(*) The estimate of net funding and stock is made by excluding the appropriation of interest, based on the estimated average rates of the funding stock. For this calculation, funding with the following instruments was excluded: loans and transfers, subordinated debt not registered in custody centers, external funding, and funding instruments eligible for principal or supplementary capital (IECI and IECP). The divergent behavior between net and nominal funding in 2025 (acceleration vs. slowdown) is attributable to the aforementioned exclusion.

The intense competition for funding within the National Financial System (SFN) persists.[7] Private S1 banks continue to see a reduction in market share, while public banks—which had remained stable in recent years—experienced a slight decline in 2025, driven by the slowdown in tax-exempt instruments, particularly LCAs. Conversely, the share of digital FIs increased during the period, propelled by the expanding reach of digital channels and the growing use of distribution platforms. Over a longer time

7 The information produced in the paragraph considers the whole SFN, and not only institutions in the b1 and b2 banking segments.

horizon, the estimated annual net funding[8] of digital FIs consistently outperforms those of both private and public S1 institutions. Meanwhile, the funding mix by investor type remained virtually stable throughout the period (Charts 1.2.1.2.a and b, and 1.2.1.3).

Chart 1.2.1.2.a – Funding profile by type of segment

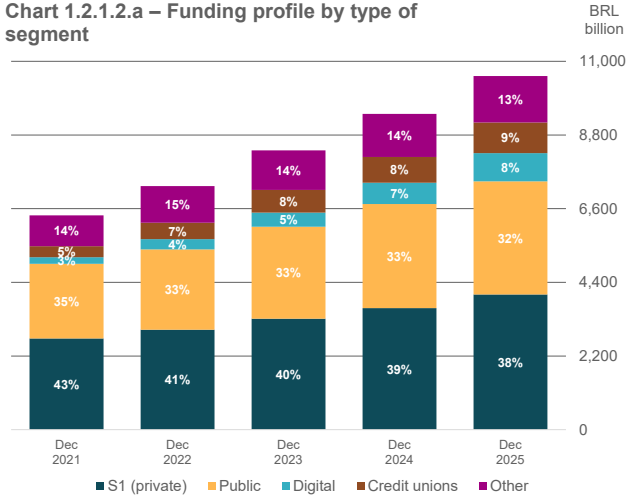


Chart 1.2.1.2.b – Net accum. funding on year (estimated) / previous year's funding stock (%)

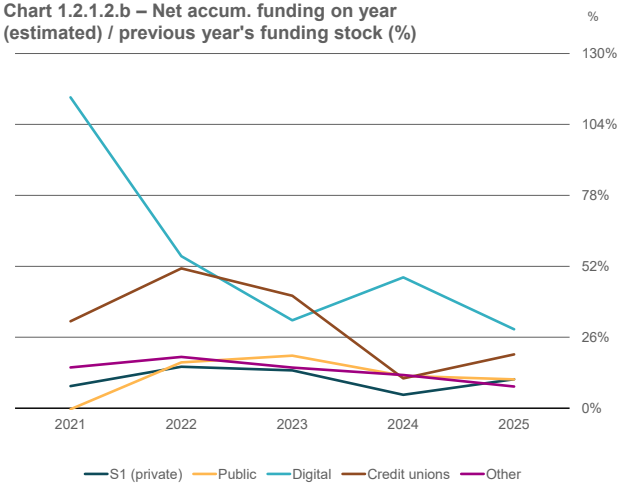
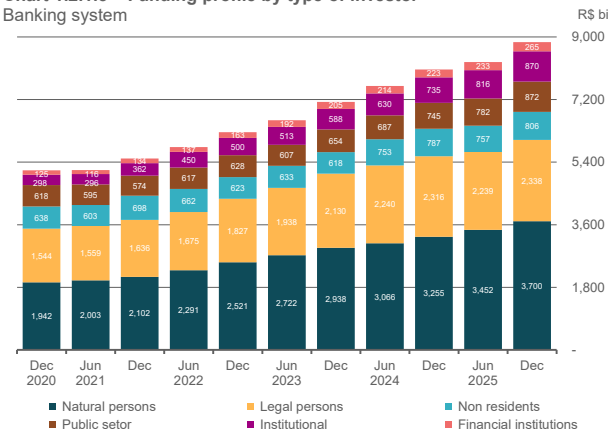


Chart 1.2.1.3 – Funding profile by type of investor
Banking system



Sources: BCB, [B][3], CRT4, CERC, CSD-Br

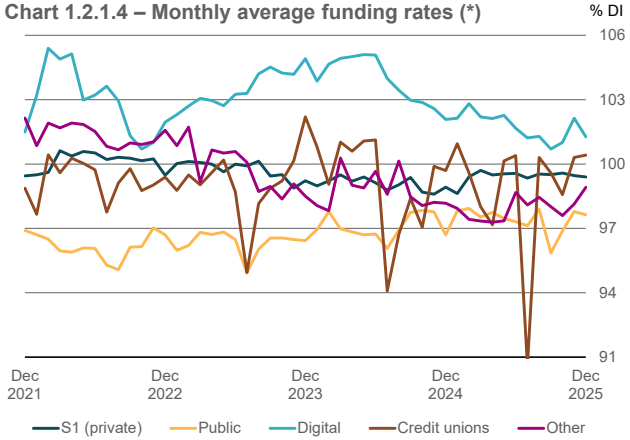
Funding rates[9] across the various segments remained closely aligned during the period, with a decline observed in the digital segment. Spreads relative to the Interbank Deposit (DI) rate for public banks and other FIs increased slightly when comparing end-of-semester figures, while those for private S1 and digital segments saw a modest decrease. The credit union segment spread remained stable over the half-year, despite a sharp drop in July 2025, a seasonal fluctuation linked to the start of the crop year[10] (Charts 1.2.1.4 and 1.2.1.5).

8 Expressed as a percentage of the net stock on the last business day of the previous year. Estimate of net funding and stock according to the methodology described in footnote 6.

9 Charts 1.2.1.4 and 1.2.1.5 are generated considering the last registration position of each FI, which makes it possible for the rates of the same segment and for the same date to vary in versions of this Report generated at different times (an FI may have been reclassified from one segment to another, or may have been acquired or incorporated by another FI from a different segment, for example).

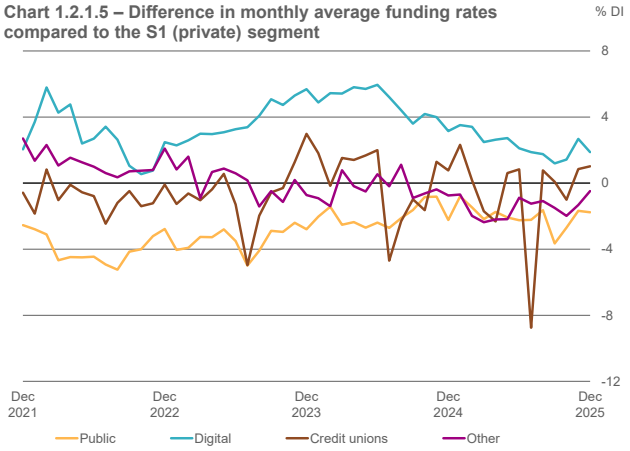
10 The decline in SNCC rates in July 2025 is attributable to a significant increase in the issuance of directed Interbank Deposits (DIs), which carry much lower rates than conventional DIs. This surge in directed DIs was driven by the need to meet reserve requirements linked to the start of the crop year in July. Furthermore, CMN Resolution 5,216/2025 mandated a gradual increase in these requirements for the credit union sector.

Chart 1.2.1.4 – Monthly average funding rates (*)



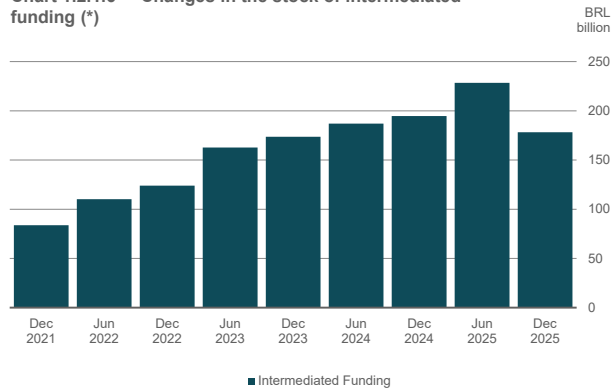
(*) Weighted average rate of these instruments: bank deposit certificates, bank deposit receipts, time deposits with special guarantee from the Credit Guarantee Fund (FGC), interbank deposits, agribusiness credit bills, real estate credit bills, financial letters (including with subordination clause), guaranteed real estate bills Rates below the 1st percentile and above the 99th percentile were excluded from the calculation

Chart 1.2.1.5 – Difference in monthly average funding rates compared to the S1 (private) segment



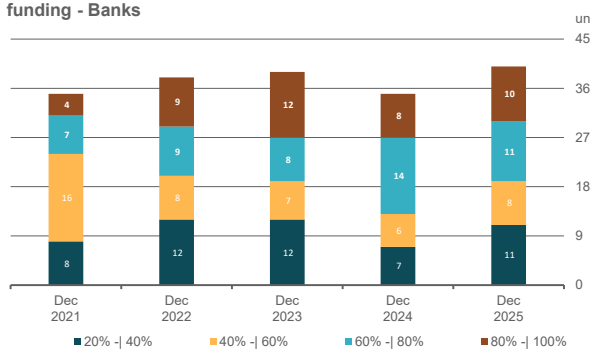
Investment platforms remain pivotal funding channels for smaller institutions, intensifying competition despite being concentrated among a few distributors. This type of operation continues to be the primary funding source for a group of smaller institutions, many of which belong to the digital and other FIs segments. The public segment has been expanding its use of platforms to target specific customer niches. Notably, following the extrajudicial liquidation of FIs with high volumes of intermediated funding, there was a contraction in intermediated stocks at the end of 2025. The platform market remains highly concentrated among the top six players, despite a gradual increase in the share of others. In this context, platforms continue to expand their fundraising capacity and intensify competition among FIs, even within a highly concentrated environment that heightens dependency risks and the potential for shock transmission (Charts 1.2.1.6 to 1.2.1.11).

Chart 1.2.1.6 – Changes in the stock of intermediated funding (*)



(*) Excluding financial institutions whose intermediated funding estimated dependence is below 20% of their total funding.

Chart 1.2.1.7 – Intermediated funding - Number of Financial Institutions by dependence of issuer on total funding - Banks



1/ The values on the bars refer to the number of financial institutions belonging to the corresponding interval.

Sources: BCB (Own methodology), [B][3]

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Chart 1.2.1.8 – Intermediated funding stock by segment

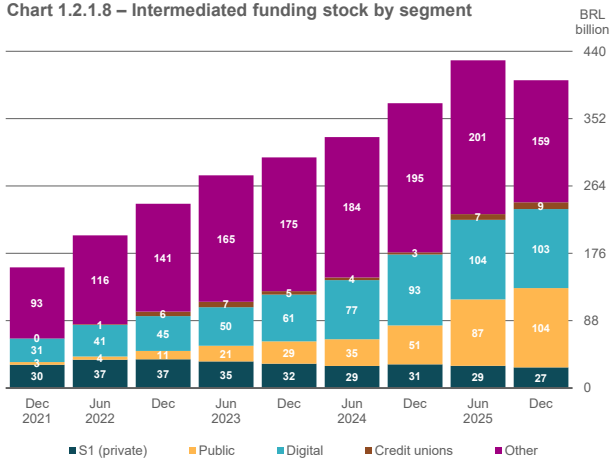


Chart 1.2.1.9 – Intermediated funding stock by segment (% of total)

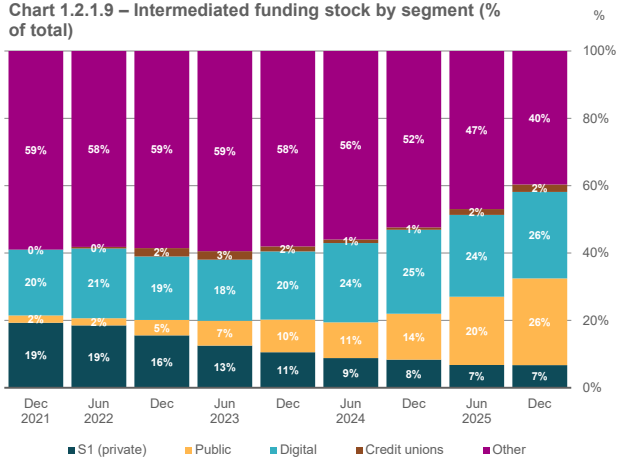


Chart 1.2.1.10 – Net accumulated intermediated funding by segment

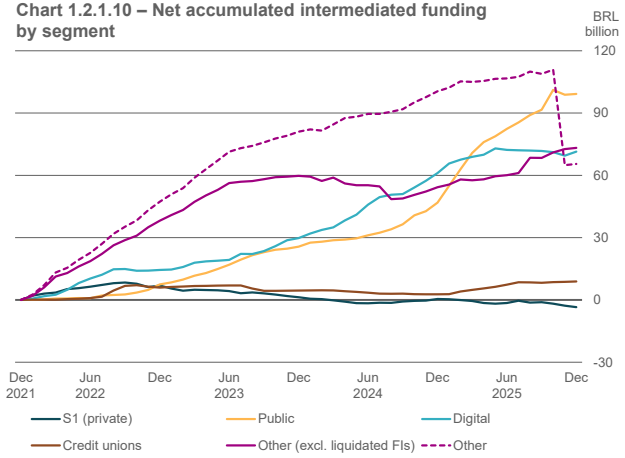
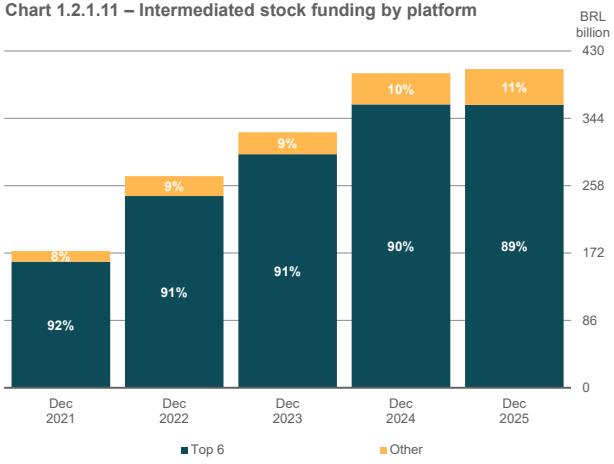


Chart 1.2.1.11 – Intermediated stock funding by platform

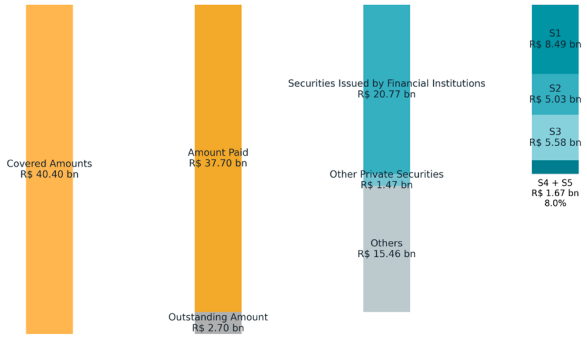


Clients reimbursed by the FGC primarily directed their funds toward larger institutions following the liquidation of the Master Group. Between January 19 and February 27, 2026, out of an estimated total covered value[11] of BRL40.4 billion (pertaining to Master, Master BI, and Letsbank), BRL37.7 billion was effectively paid, representing 93.3% of the total, while BRL2.7 billion remained outstanding at the end of the period. Of the amount paid, BRL20.77 billion (55.1%) was channeled into securities issued by FIs, highlighting the importance of this segment in absorbing indemnity funds. Meanwhile, BRL1.47 billion (3.9%) was allocated to other private securities, and BRL15.46 billion (41.0%) were allocated to other purposes[12] regarding its destination at the time of reporting. A breakdown of the securities issued by FIs shows that S1 and S2 institutions absorbed 40.9% and 24.2%, respectively. This suggests that the majority of FGC payments were concentrated in systemically important institutions, consistent with the expected behavior during bank resolution events (Chart 1.2.1.12).

11 Estimate before taxes.

12 Potential allocations to savings accounts, federal treasury bonds, mutual fund shares, and the stock market were not verified.

Chart 1.2.1.12 – Allocarion of Funds – Amounts Covered by the FGC



The share of external funding in total funding of the National Financial System (SFN) increased. The outstanding stock rose across all modalities of external funding; except for inflows related to foreign trade, the remaining categories grew at a faster pace than total NFS funding. The growth of the stock of external funding measured in U.S. dollars totaled 7.2%, rising to 8.1% when measured in reais, reflecting the appreciation of the former currency against the latter, and exceeding the growth of total SFN funding by 2.0 percentage points. The cost of external credit lines linked to exports declined over the semester, in line with international benchmark rates. The spread over the risk-free rate remained stable for extragroup funding and narrowed by 0.2 percentage points for intragroup transactions. In the first quarter of 2026, despite geopolitical tensions, the supply of credit lines remained abundant and exceeded demand. There was a slight increase in the cost of both intra- and extragroup funding; however, the higher share of intragroup funding (which is cheaper) ensured the stability of the average cost of external financing for exports (Charts 1.2.1.13 to 1.2.1.15).

Chart 1.2.1.13 – Profile of external funding
Monthly outstanding principal

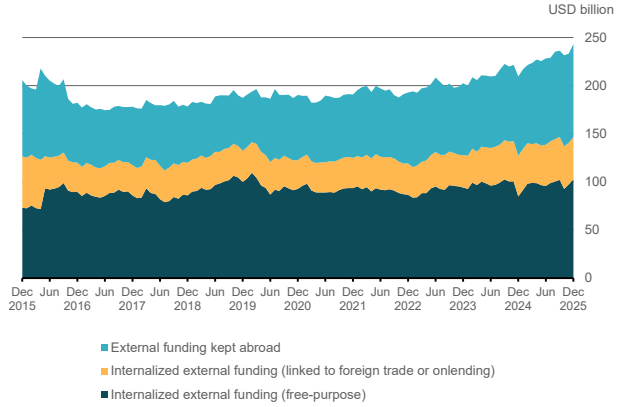


Chart 1.2.1.14 – Profile of external funding
As a percentage of total funding

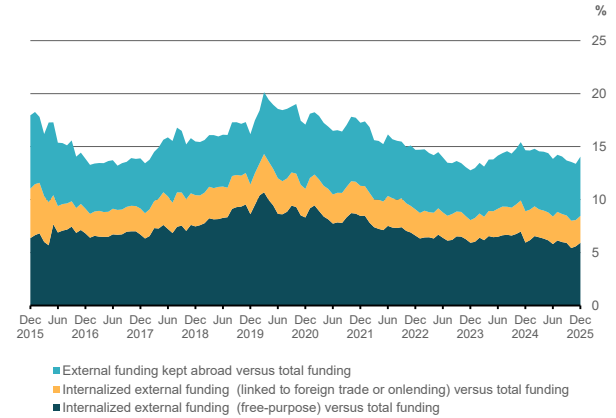
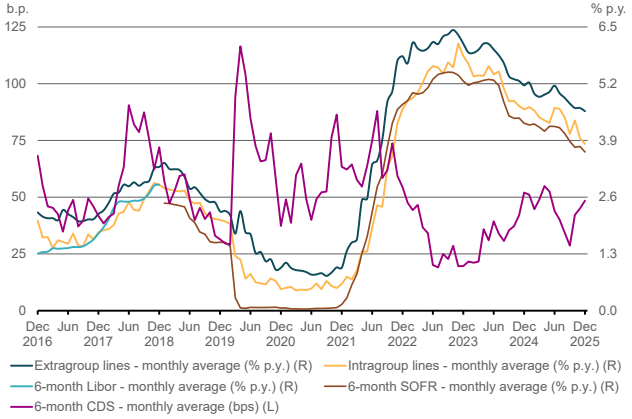


Chart 1.2.1.15 – Export-linked external credit lines
Cost x reference rates



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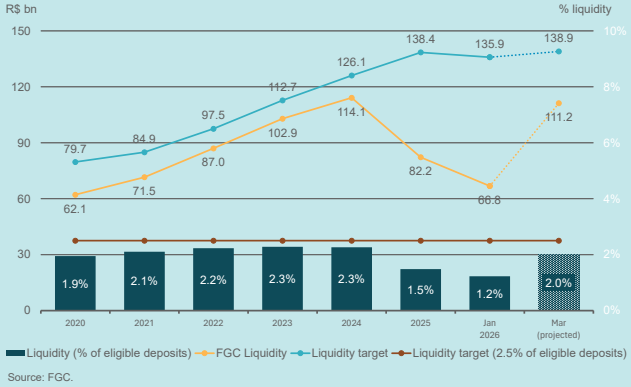
Box 1 – Credit Guarantee Fund (FGC)

Following the decrees of extrajudicial liquidations issued by the Banco Central do Brasil (BCB) starting in November 2025, FGC's liquidity, considering the amounts provisioned to cover guarantees of the liquidated institutions, reached BRL 66.8 billion—equivalent to 1.2% of eligible deposits—in January 2026 (Chart 1.2.1.16).

In March 2026, advance payments of regular monthly contributions from FGC member institutions were approved, consisting of sixty contributions in March 2026, twelve contributions in March 2027, and twelve contributions in March 2028. FGC's liquidity is estimated to reach BRL 111.2 billion, corresponding to 2% of eligible deposits, in March 2026—a level expected to remain stable over the following two years (Chart 1.2.1.16).

Chart 1.2.1.16 – Evolution of liquidity FGC



Source: FGC.

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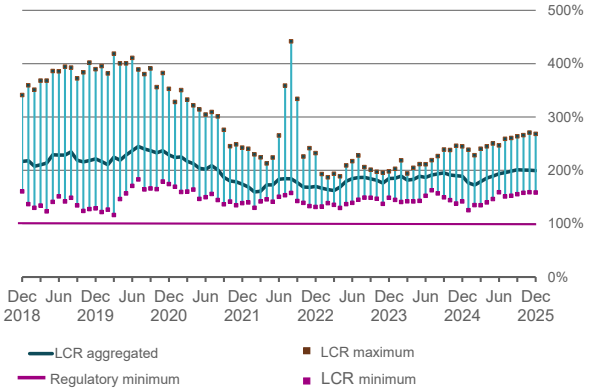
Short-term liquidity

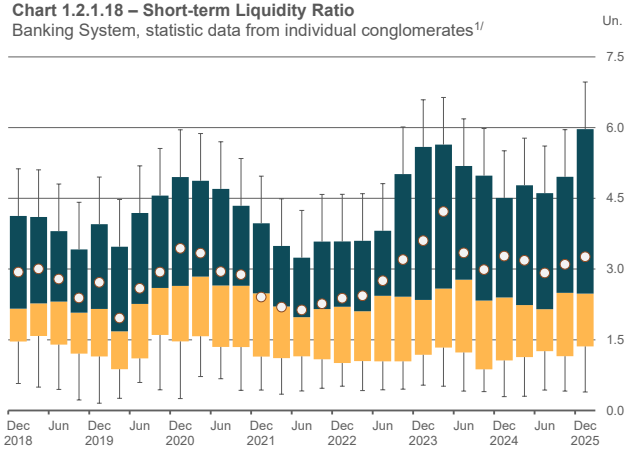
The banking system's liquidity remains comfortably sufficient to preserve the regular functioning of the intermediation system. Its liquidity buffer remained stable, reflecting a slowdown in credit growth and a more moderate pace of funding growth. The FIs in the S1 segment exhibit liquidity ratios (LCR)[13] well above the required minimum, indicating their considerable capacity to meet their short-term obligations. These factors indicate that the FIs' liquidity management remains conservative and adequate to preserve the stability of the financial system (Chart 1.2.1.17). Using another approach[14], which encompasses all FIs individually, it is possible to observe another quarter of growth in less liquid FIs' liquid asset buffers, indicating the resilience of the banking system as a whole (Chart 1.2.1.18).

Chart 1.2.1.17 – Liquidity Coverage Ratio (LCR)
High, low and aggregated[1/]



1/ LCR data series comprises institutions classified in the prudential segment S1 (currently 6 banks).

Chart 1.2.1.18 – Short-term Liquidity Ratio
Banking System, statistic data from individual conglomerates[1/]



1/The Short-term Liquidity Index is capped at the level of the 80th percentile in each month, after capping each index the statistics are calculated. The values along the box and whiskers refer to the percentiles 10%, 25%, 50%. 75% and 90% respectively. The mean is represented by the circles.

While the quarter saw the isolated Master Conglomerate crisis, there was no contagion to the banking sector. The absence of relevant impact on rates observed in FGC-guaranteed instruments, as well as the preservation of FIs' unconstrained access to funding markets reinforce depositors' trust in the SFN's soundness. The anticipation of contributions to the fund by its associated institutions reinforces its capacity to absorb shocks and potential future losses, contributing to the preservation of the system's resilience. At the same time, the measure has limited impact to contributing institutions' liquidity, as regulation provides compensatory mechanisms involving bank reserves, mitigating its effects on their

13 The Liquidity Coverage Ratio (LCR) is a ratio whose compliance is mandatory for all FIs belonging to the S1 segment, pursuant to art. 2 of Resolution CMN 4,553, of January 30, 2017. The indicator requires institutions to maintain High-Quality Liquid Assets (HQLAs) to support net cash outflows in the next 30 days, considering the stressed scenario defined by the Basel Committee on Banking Supervision (BCBS) (www.bis.org/publ/bcbs238.htm). See domestic regulation – Resolution CMN 4,401, of February 27, 2015, and Circular BCB 3,749, of March 5, 2015.

14 This approach considers an asset loss scenario under market stress, deposits run-offs and the withdrawal of the main depositors (concentration risk) in the calculation of a single indicator. It is named Short-Term Liquidity Ratio (IL), metric that covers the entire financial system and measures whether banks have sufficient liquid assets to cover its short-term cash outflows (subsequent thirty days) under a hypothetical stressed scenario, defined and calibrated by the BCB. These resources outflows arise from the possibility of redeeming funding maturing under the next 30 days or with immediate liquidity, exposures to market risk such as margin calls and daily derivative adjustments and still, other scheduled contractual outflows. For an overarching understanding of the metric, see the Concepts and Methodologies annex.

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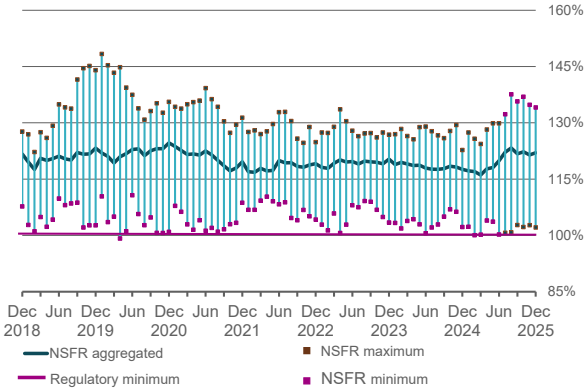
cash positions. Additionally, the considerable liquidity buffer held by FIs assures that this anticipation occurs without detriment to financial stability and the regular functioning of financial intermediation.

Long-term liquidity

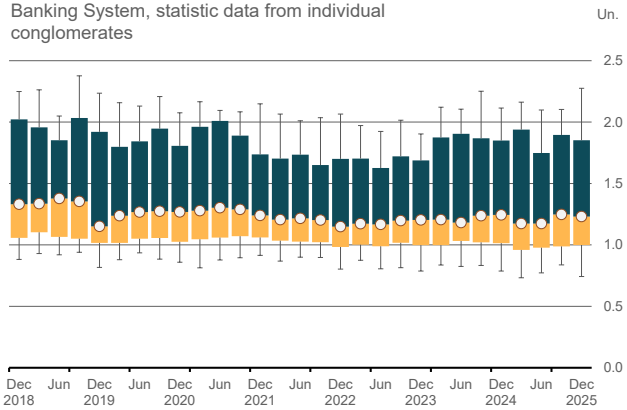
The funding structure remains compatible with financing long-term assets, indicating that there are no relevant mismatches between asset and liability maturities. Structural liquidity in the banking system refers to FIs' capacity to preserve a sustainable equilibrium between its assets and liabilities over time, avoiding excessive reliance on short-term funding sources. The Net Stable Funding Ratio (NSFR)[15] is a regulatory metric that aims to mitigate those risks (Chart 1.2.1.19). In a simplified calculation of the NSFR, applied to all banking conglomerates, there was no relevant variation in FIs' capacity to finance their activities, as measured by the Structural Liquidity Ratio (ILE in its Portugues acronym)[16] (Chart 1.2.1.20). A wide majority of institutions hold adequate levels of resources in their balance sheets to finance lending growth.

Chart 1.2.1.19 – Net Stable Funding Ratio (NSFR)
High, low and aggregated[1/]



1/ NSFR and ILE data series comprise institutions classified in the prudential segment S1 (currently 6 banks).

Chart 1.2.1.20 – Structural Liquidity Ratio[1/]
Banking System, statistic data from individual conglomerates



1/ The Structural Liquidity Index of each FI is capped at the level of the 80th percentile in each month, after capping each index the statistics are calculated. The values along the box and whiskers refer to the percentiles 10%, 25%, 50%. 75% and 90% respectively. The mean is represented by the circles.

1.2.2 Credit[17,18]

Introduction

Financing to the real economy slowed, in line with tighter financial conditions and moderation in the growth of economic activity. In bank credit to households, there was, in general, a marginal cooling

15 It was implemented in Brazil by Resolution CMN 4,616, of November 30, 2017, with its methodology given by Circular BCB 3,869, of December 19, 2017, having started its effects from October 1, 2018. It is an indicator that corresponds to the ratio between the amount of Available Stable Funding (ASF) and the amount of Required Stable Funding (RSF). The numerator is composed of regulatory capital and stable funding, and the denominator mainly by the credit portfolio. All FIs classified in the S1 segment must comply with the regulatory minimum requirement of 100%.

16 The Structural Liquidity Ratio (ILE) aims to measure whether banks have sufficient sources of stable funds (numerator) to finance their long-term assets (denominator). Therefore, institutions with a ratio equal to or greater than 1 (or 100%) present smaller long-term maturity mismatches between assets and liabilities, remaining less subject to future liquidity problems. For details on the definition of the metric, refer to the Concepts and Methodologies annex.

17 Throughout this section, whenever we refer to bank credit or credit portfolio, we mean the domestic bank credit portfolio.

18 Regarding bank credit, numbers presented here can differ from those in time series from BCB because the data source is the credit outstanding balance from identified clients in the Credit Information System (SCR).

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of the portfolio, with a slowdown in the higher-risk portfolio and an increase in the growth of the lower-risk portfolio. In the case of firms, bank credit decelerated for companies of all sizes. Lower growth was also observed in the capital markets, which, however, continue to grow at rates well above those of bank credit, increasing their representativeness, especially in the financing of large companies, and contributing significantly to the dynamics of broad credit.

The payment capacity of firms and households remains challenging. The labor market remained strong, with a reduction in the unemployment rate and expansion of average income. Even so, household income commitment levels remained elevated, with a further increase throughout the second half of 2025, greater impact among lower-income borrowers, and a strong contribution from more expensive credit modalities. In the case of firms, especially larger ones, indicators such as Net Debt/Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) and the Interest Coverage Ratio (ICR) were not significantly affected by the tightening of financial conditions, reflecting revenue resilience. However, the ICR is expected to deteriorate in the medium term, especially in a scenario of cooling activity.

Risk appetite among FIs showed signs of marginal reduction. A slowdown in credit growth for both households and firms was observed, accompanied by a slight improvement in the quality of new originations for companies, suggesting greater caution in origination. Even so, signs of higher risk-taking persist in specific modalities, notably unsecured personal credit, which continued to grow at high rates and with an increased share of unsecured operations.

The expectation for the next quarter is the maintenance of a restrictive credit supply environment. The Quarterly Credit Conditions Survey (PTC) indicates that conditions should become even more restrictive for credit to firms, especially large companies. In contrast, expectations for housing credit point to greater easing, probably associated with the effects of CMN Resolution No. 5,255 of 2025.

Risk materialization increased in credit to households and remained relatively stable in credit to firms but is expected to continue under pressure in the short term. For households, PAs increased across all modalities. Delinquency continues to be the main factor behind this increase and would have risen even under a hypothetical scenario in which FIs' charge-off practices had not changed in 2025. Prospectively, estimates of probability of default (PD) indicate that this upward trajectory should persist for most household credit modalities. In credit to firms, PDs maintained their recent downward trends across all sizes, but still remain at high levels, especially for medium-sized companies.

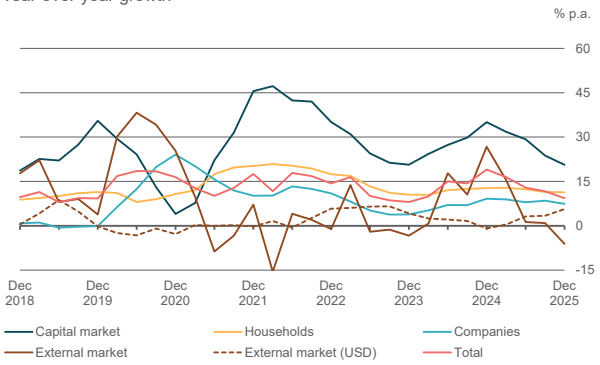
In aggregate terms, provisions constituted by FIs remain compatible with the expected losses of the credit portfolio and with minimum regulatory levels. The increase in risk, reflected in higher levels of PAs, PD, and loss given default (LGD), especially in the household portfolio, led to an increase in expected losses, which was accompanied by an expansion of provisions, preserving the financial system's coverage level. Although there are isolated cases of provisions below the estimated ranges of expected losses, most institutions show capitalization levels sufficient to absorb potential adjustments.

Broad credit and its long-term trend

Broad credit continues to decelerate. Year-on-year growth in broad credit was 9.3% in December 2025, compared with 19.0% in December 2024. Bank credit to firms and households has shown mild easing over the year, while capital markets and external market debt have decelerated more sharply since the beginning of 2025 (Chart 1.2.2.1). Despite the deceleration, the main capital market instruments continue to grow well above that of household and corporate loan portfolios (Charts 1.2.2.1 and 1.2.2.2). Thus, capital markets continue to record relevant growth, absorbing part of large corporations' credit demand through the issuance of debentures and commercial notes, as well as part of rural credit via the issuance of Rural Product Notes (CPRs). This

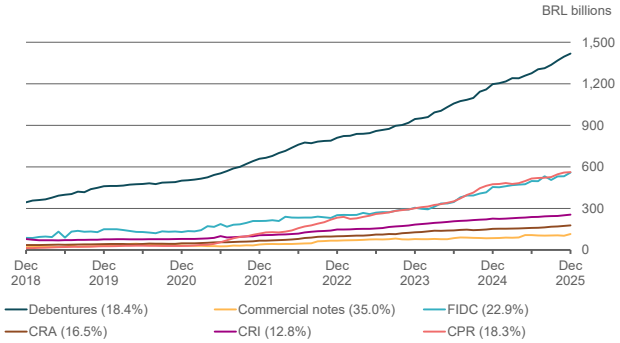
growth takes place in a heated market, marked by an expansion in the number of issuers and compression of spreads.

Chart 1.2.2.1 – Broad credit
Year over year growth



Sources: B3, CERC, BCB, CVM, and BCB staff calculations.

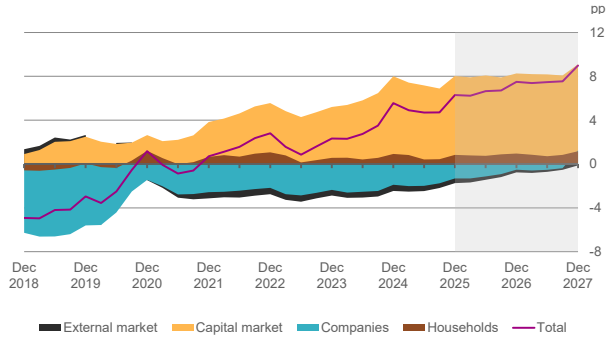
Chart 1.2.2.2 – Capital market[1]
By instrument



1/ Sources: B3, CERC, CVM, and BCB staff calculations. The number between parentheses after the name of the series represents its YoY growth rate in Dec/2025.

Despite the easing of broad credit, the credit gap increased in December, in line with what had previously been projected. After a slight decline in the first quarters of the year, the gap ended the last quarter at a level marginally higher than that observed at the end of 2024. This outcome is mainly due to the contribution of capital markets, associated with the persistence of elevated outstanding balances relative to the long-term trend, and to the reduction in the negative contribution from the corporate credit portfolio (Chart 1.2.2.3). Even with slower credit growth, the credit gap is expected to remain on an upward trajectory for a prolonged period, reflecting the persistent nature of the financial cycle and the gradual adjustment of the long-term trend.[19]

Chart 1.2.2.3 – Broad credit-to-GDP gap
Shaded area: forecast



Sources: B3, CERC, BCB, CVM, and BCB staff calculations.

The capital market remains the largest contributor to the growth of the broad credit-to-GDP gap, and securitization instruments present several challenges for regulators, supervisors, and markets. Credit Rights Investment Funds (FIDCs) and Certificates of Receivables have shown steady growth

19 As discussed in previous editions of the REF, although the broad credit-to-GDP gap is the reference indicator proposed by the BCBS to support ACCP decisions, BCBS itself does not advocate its mechanical use due to a number of limitations inherent in the metric.

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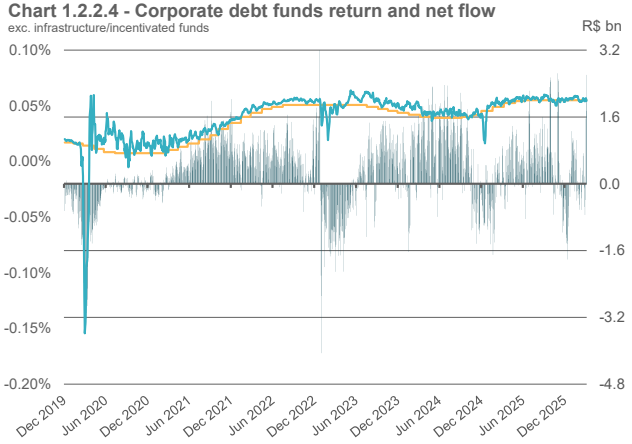
and make up the portfolio of financial intermediaries such as funds and financial institutions (FIs), but still present some relevant information gaps that hinder the identification of risks associated with these instruments. The BCB and the Comissão de Valores Mobiliários (CVM) have maintained ongoing discussions aimed at improving the regulatory framework.[20]

Corporate debt funds continue to finance corporate sector, despite recent changing inflow/outflow pattern. Investment funds, or more specifically corporate debt funds[21], are important holders of domestic corporate debt. Widening and narrowing spread movements starting in October 2025 led to fluctuations in the aggregate inflows of these funds (Chart 1.2.2.4), reducing the volume of resources available for the acquisition of new securities.

Chart 1.2.2.4 - Corporate debt funds return and net flow
exc. infrastructure/incentivated funds



Sources: BCB, CVM

Chart 1.2.2.5: Financial-economic indicators (medians)
Publicly traded companies

Source: Economatica, with the BCB's own methodology.

Companies

The payment capacity of companies remains challenging, under the influence of tighter financial conditions. Despite a still contractionary monetary policy, economic activity has shown resilience, which has positively influenced the increase in revenues and EBITDA of larger companies. Overall, the tightening of financial conditions has not yet significantly affected the overall numbers of Net Debt/EBITDA and Interest Coverage Ratio (ICR) for these companies in the last semester (Chart 1.2.2.5), although the ICR has declined and is expected to deteriorate in the medium term.

Monetary tightening has not significantly affected the payment capacity of companies in most sectors. During the latest period of contractionary monetary policy, which began in September 2024, some sectors, particularly those with higher debt levels, experienced a deterioration in their payment capacity. Despite this worsening trend, these sectors generally still maintain ICR at adequate levels (Chart 1.2.2.6).

20 On April 13, 2026, BCB and CVM signed a Technical Cooperation Agreement with the aim of improving and expanding the exchange of information on credit operations in the country. With this agreement, it will be possible to include in the credit bureau the information of funds that invest in credit rights and securitization companies.

21 Corporate debt funds are defined as fixed income financial investment funds governed by Resolution CVM 175, of December 22, 2022, that have the expression "private credit" in their names and that possess more than 50% of the portfolios composed of corporate debt securities (such as debentures, promissory notes, commercial papers, export notes, CCB, CPR, WA, NCA, CDA and CDCA) and FI term deposits and other securities issued by FI.

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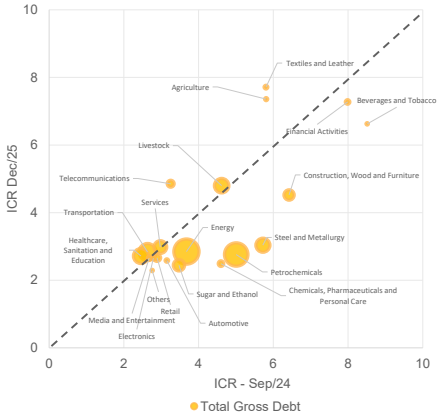
Chart 1.2.2.6 - Interest Coverage Ratio
Sep/24 vs. Dec/25



As in the capital markets, bank credit to companies slowed, despite still showing strong growth for small companies. Bank credit to companies declined over the semester across all company sizes, although there were contrary signs at the margin (Chart 1.2.2.7). However, the growth of the small companies credit portfolio remained close to 15% per year, driven by new granting under credit support programs, particularly the Emergency Credit Access Program (PEAC-FGI).

The slowdown in portfolio growth combined with the slight improvement observed in the quality of new granting indicates greater caution in risk-taking by financial institutions (Chart 1.2.2.8). The Quarterly Credit Conditions Survey (PTC)[22] suggests that credit supply is likely to become even more restrictive in the first quarter of 2026, especially for large companies.

Chart 1.2.2.7 – Bank credit
Year over year growth – By company size

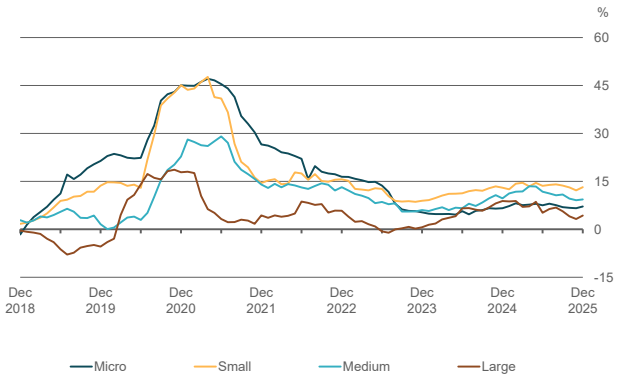
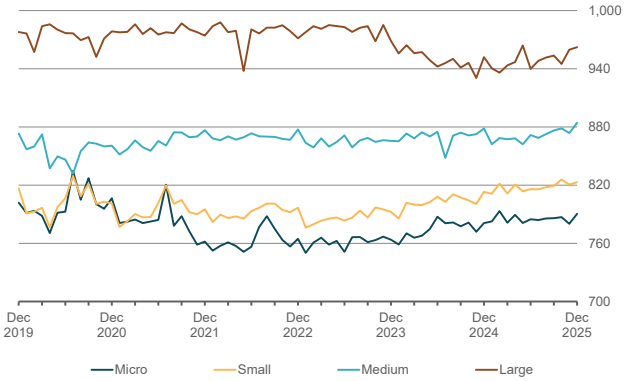


Chart 1.2.2.8 – Credit granting average score
By company size



The credit risk materialization in the corporate credit portfolio has remained stable in recent months and, although the portfolio has shown improvements in quality, it may still face pressure in the short term. Following an increase in risk materialization observed in the first quarter, the levels of problem assets (PA) in the corporate portfolio remained relatively stable across all company sizes (Chart 1.2.2.9). From a more forward-looking perspective, probabilities of default (PDs)[23,24] have maintained their recent downward

22 See *Pesquisa Trimestral de Condições de Crédito – Resultados de dezembro 2025*, available at https://www.bcb.gov.br/content/publicacoes/ptc/202512/RelatorioPTC-Dezembro2025.pdf.

23 The probability of default (PD) is a measure that quantifies, for operations in the portfolio that are not problem assets, the percentage that would migrate to default (here defined as entering in PA). This measure is based on the scores of each credit operation, which are used for risk ranking. The default rate for portfolios of the same risk in the recent period is then taken as the default estimate for that risk group. It is therefore a non-conditional estimate on the economic cycle and, by construction, depends on the recent performance of same-risk portfolios.

24 For companies, the calculation is made at the borrower level, considering a 12-month horizon for MSMEs or a short-term PA projection for large companies.

trends across all company sizes; however, they still remain at elevated levels, particularly for medium-sized companies (Chart 1.2.2.10).

Chart 1.2.2.9 – Problem Assets
Companies

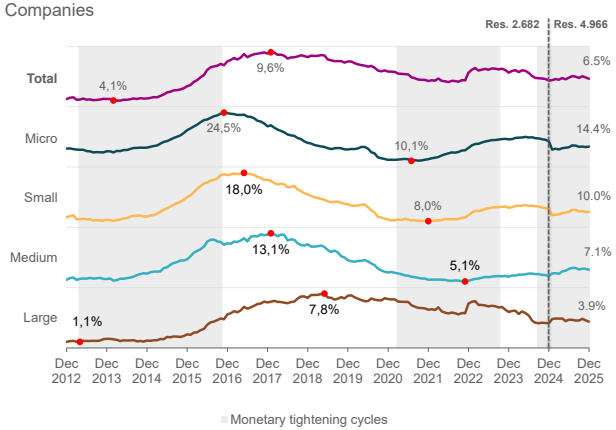
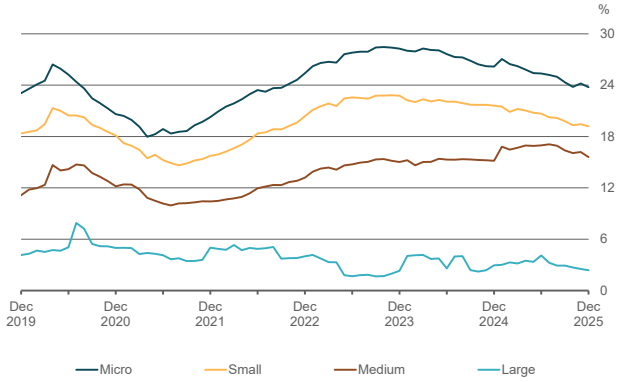


Chart 1.2.2.10 – Credit outstanding – Probability of default Performing loans – By company size



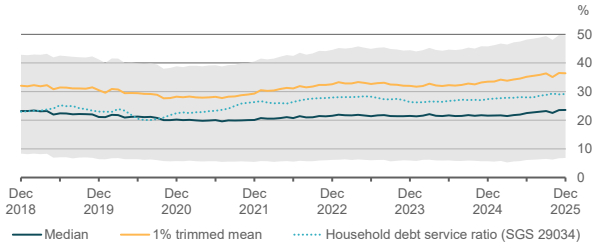
Households

Household payment capacity remains challenging, with a still high share of more expensive credit modalities. Despite a heated labor market, with declining unemployment and growth in average wages, the individual debt service-to-income ratio (DSTI)[25] of credit borrowers increased again in the second half of 2025 (Chart 1.2.2.11), with a greater impact on lower-income borrowers. The use of higher-cost credit and riskier modalities is expected to keep the DSTI under pressure (Chart 1.2.2.12). As with the DSTI, household debt-to-income ratio and the individual debt-to-income ratio increased in the second half of 2025 (Chart 1.2.2.13).[26]

25 As set out in Selected Topic 2.2 – *Household debt-to-income and debt service-to-income ratios* – from the October 2021 FSR, DSTI metrics can be calculated either for households as a whole (in aggregate terms) or individually, based on data for each credit borrower. The aggregate calculation compares total debt service with restricted Gross Disposable Household Income (see Time Series 29034). With respect to the individually calculated metric, see the Concepts and Methodologies annex. For a better understanding of the difference between the metrics, see notes 1 and 2 to Chart 1.2.2.11.

26 About the individual debt-to-income ratio methodology, see notes 1 and 2 to Chart 1.2.2.13.

Chart 1.2.2.11 – Individual debt service-to-income ratio[1,2]
Interquartile range – Seasonally adjusted



1/ The interquartile range, the median and the 1% trimmed mean refer to the distribution of the individual debt service-to-income ratio of SFN borrowers. For this calculation, borrowers with credit outstanding lower than BRL200 or with debt service only in credit card purchases or credit card installments financed by merchants were excluded. For the calculation of debt service, credit card purchases or credit card installments financed by merchants were not included.

2/ The household debt service-to-income ratio, SGS time series 29034 of BCB, is an aggregate measure that compares the debt service of SFN borrowers to the restricted households gross disposable national income. For this measure, credit card installments financed by merchants are included in the debt service.

Chart 1.2.2.12 – Individual debt service-to-income ratio
1% trimmed mean – By credit modality – Seasonally adjusted

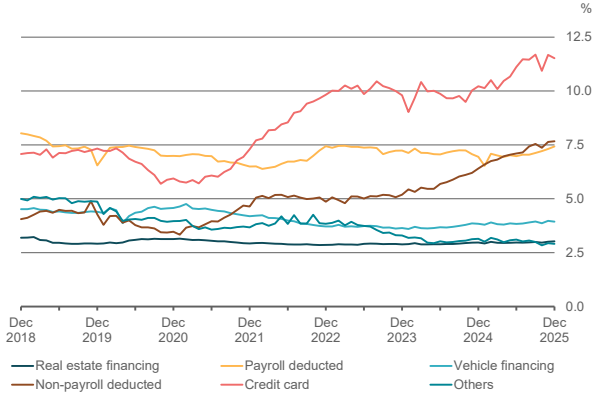
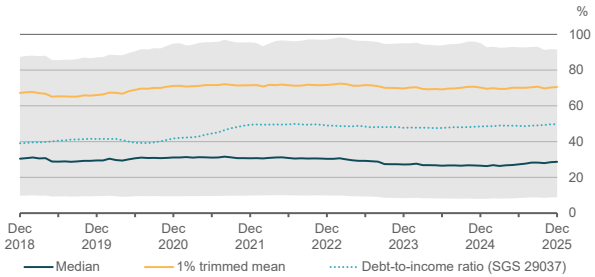


Chart 1.2.2.13 – Individual debt-to-income ratio[1,2]
Interquartile range – Seasonally adjusted



1/ The interquartile range, the median and the 1% trimmed mean refer to data of the distribution of measures of the individualized debt-to-income of SFN borrowers. For this individualized calculation, all credit of individuals are considered, except rural and corporate operations. The amount of these operations is then compared to the debtor's annual income.

2/ The household debt-to-income ratio, SGS time series 29037 of BCB, is an aggregate measure that compares the debt of SFN borrowers to the restricted households gross disposable national income accumulated in the last 12 months.

Financial institutions show signs of reduced risk appetite, with a slowdown in higher-risk modalities. Due to the environment of high indebtedness and high DSTI, the PTC indicates that financial institutions have shown greater restraint in the supply of credit to households. Overall, the expectation is for even tighter conditions at the beginning of 2026.[27] After more than twelve months of accelerating growth, higher-risk modalities cooled in the last quarter of 2025, combined with an acceleration in lower-risk modalities (Chart 1.2.2.14). Despite this movement, credit card and non-payroll deducted loans continue to show high growth rates. In the case of non-payroll deducted lending, unsecured operations continue to gain share in the portfolio (Chart 1.2.2.15), especially following the new regulation of the FGTS yearly withdrawal anticipation. Over the same period, lower-risk modalities accelerated, except for rural credit. In the case of housing credit, growth in recent months may already reflect an initial response to recent regulatory changes in this modality.[28]

Chart 1.2.2.14 – Bank credit – Year over year growth
By modality group

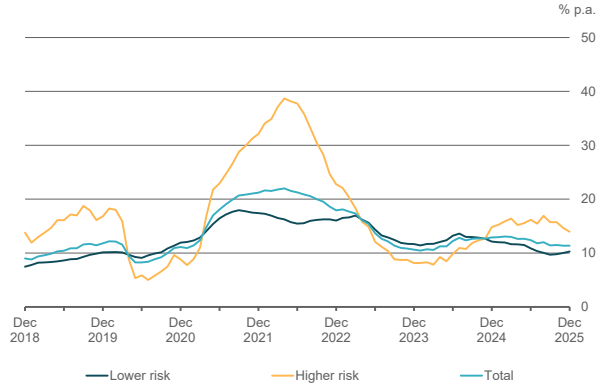
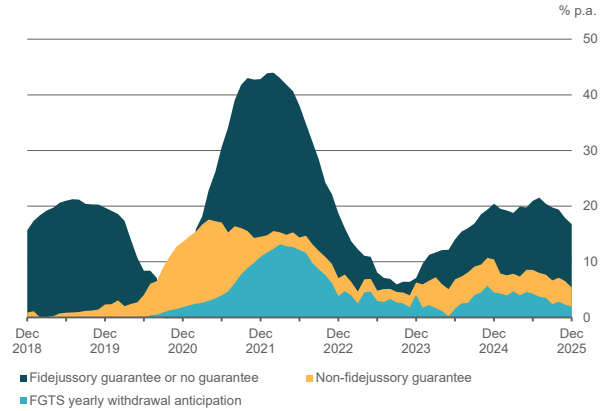


Chart 1.2.2.15 – Non-payroll deducted credit – Decomposition of year over year growth
By type of guarantee



27 See "PTC – Resultados de dezembro de 2025", available at https://www.bcb.gov.br/content/publicacoes/ptc/202512/RelatorioPTC-Dezembro2025.pdf

28 CMN Resolution No. 5,255 of October 10, 2025, changed the criteria for contracting real estate credit operations funded with savings deposits, and BCB Resolution No. 512 of October 10, 2025, amended the rules governing compulsory reserve requirements on savings deposit resources. The results of the most recent Quarterly Credit Conditions Survey (PTC), with data collection conducted in January and February 2026, show that supply conditions became more flexible in the fourth quarter of 2025, notably due to a reduction in restrictions associated with the cost or availability of funding, and that they are expected to become even more flexible in the first quarter of this year.

Risk materialization increased and is expected to remain elevated in the short term. PA increased across all modalities during the second half of the year (Chart 1.2.2.16). Delinquency continues to be the main factor behind this increase and would have risen even in a hypothetical scenario in which financial institutions' write-off practices had not changed in 2025.[29] Risk materialization increased in all segments except the digital segment (Chart 1.2.2.17). Prospectively, PD estimates (Chart 1.2.2.18) indicate that this upward trajectory is likely to persist for most modalities, especially rural credit.

Chart 1.2.2.16 – Problem assets
By credit modality

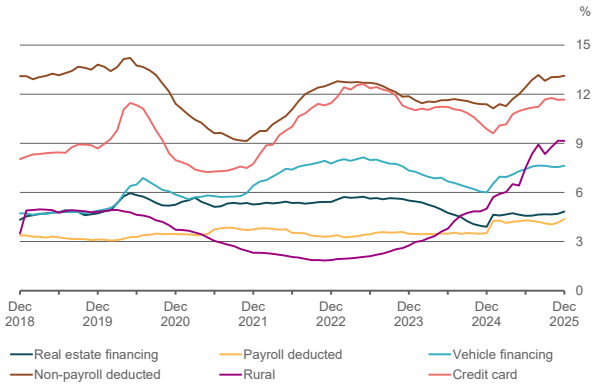


Chart 1.2.2.17 – Problem assets
By segment

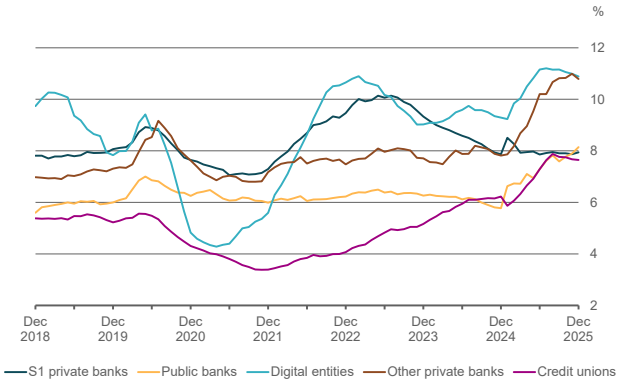
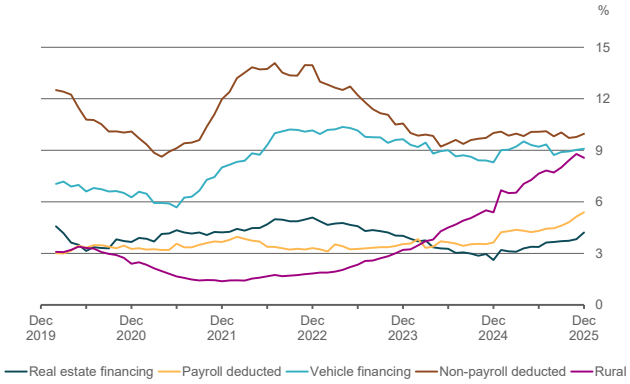


Chart 1.2.2.18 – Credit outstanding probability of default
Performing loans – By credit modality



Provisions for credit losses

Provisions constituted by supervised entities remained in line with expected credit losses estimated by the BCB. The increase in the risk of credit portfolio – reflected in higher levels of problem assets, as well as in Probability of Default (PD) and Loss Given Default (LGD) parameters – led to a rise in expected losses, particularly in the household portfolio.[30] To absorb the higher expected losses, financial institutions increased their provisioning levels, while maintaining overall coverage ratios broadly stable across the National Financial System (SFN) (Chart 1.2.2.19).[31] At the individual level, some institutions report provisioning numbers below the expected loss ranges estimated by the BCB. Nevertheless, in most cases, capital buffers are deemed sufficient to absorb potential additional provisioning needs.[32]

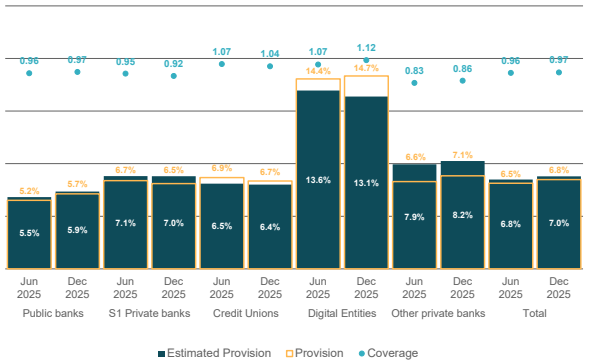
29 For details on this discussion, see the boxes "*Impact on the delinquency rate resulting from the new accounting rules for financial instruments*", included in the September 2025 Monetary Policy Report, and "*Change in the proxy for problem assets*," included in the November 2025 FSR.

30 The current scope of expected losses estimates produced by BCB includes domestic credit operations and non-cancellable credit commitments. The scope does not cover credit card operations and overdraft granted to households, non-cancellable credit limits, guarantees provided, securities and the remaining financial assets subject to expected losses provisioning.

31 Data for June 2025 differ from those reported in the previous edition of the Financial Stability Report due to model reprocessing, incorporating newly submitted information from financial institutions and methodological adjustments.

32 Expected losses are calculated from econometric models and, as such, constitute statistical estimates rather than deterministic measures. Accordingly, the analysis is based on ranges of coverage of expected losses by provisions, rather than on point estimates.

Chart 1.2.2.19 – Expected Loss and Provision
By segment

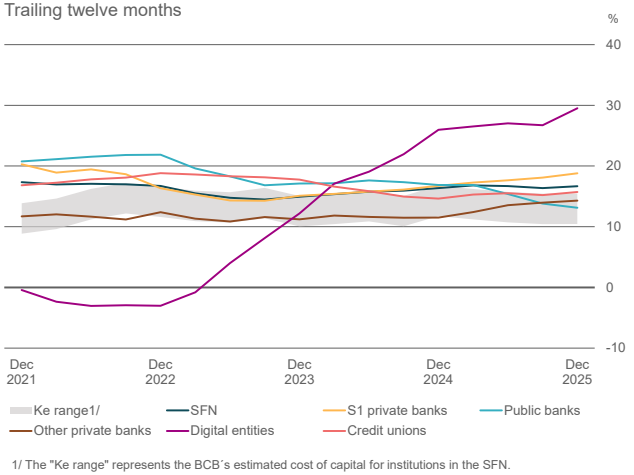


1.2.3 Profitability

The National Financial System (SFN)[33] remains profitable, demonstrating resilience and capacity to generate earnings for capital growth.[34] The profitability of the SFN throughout the second half of 2025 remained broadly stable, with the dispersion across segments maintained. Despite the growth, operational results decelerated, reflecting a slowdown in the growth of credit income and service revenues. The Credit Net Interest Margin (NIM) remained under pressure from rising funding costs. Provision expenses increased, following the rise in risk materialization and the moderation in credit growth. The operational efficiency of the SFN remained stable, reflecting a balance between operational results and administrative expenses. It is still expected that, in the coming periods,[35] the profitability of the SFN will be constrained by restrictive financial conditions and the moderation of economic activity, which may reduce portfolio and revenue growth and contribute to a rise in non-performing loans.

The Return on Equity (RoE) of the SFN remained broadly stable in the second half of 2025, with the dispersion across segments maintained. The growth in operational results, although at a slower pace, offset the increase in provisions, reflecting in the stability of SFN profitability. The "Digital entities" recorded the greatest profitability improvement (Chart 1.2.3.1), driven by operational leverage from revenue growth. In the "S1 Private banks", the strong results achieved in the second half allowed the upward profitability trend to continue. Among "Other Financial Institutions" and "Credit unions", improvement was also observed, though more modest. The "Public banks" segment continues to face profitability pressure, primarily due to the impact of risk materialization, particularly in the rural credit portfolio. It is worth noting, however, that there was an improvement in the segment's results in the last quarter of the year.

Chart 1.2.3.1 – ROE
Trailing twelve months



1/ The "Ke range" represents the BCB´s estimated cost of capital for institutions in the SFN.

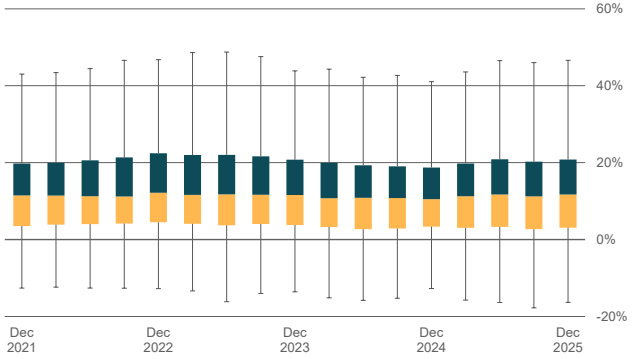
33 The analyzes in this Section were carried out considering the scope of the SFN, unless otherwise indicated for issues related to data availability or quality.

34 See item 1.2.4 Solvency of this Report for information on the retention of earnings generated in the composition of capital.

35 The advance contributions made to the FGC in March 2026 will not impact results in the next semester, as they will be recorded as prepaid expenses on the asset side and recognized gradually over time as monthly contributions become effectively due.

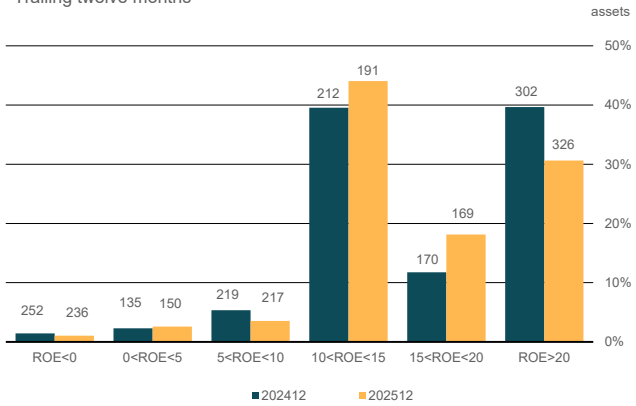
The SFN continues to have a substantial share of its assets represented by profitable entities. Profitability dispersion within the SFN is high, given the number of institutions, the variety of segments, and the different levels of business maturity. Despite this dispersion, the SFN remains profitable. Entities with RoE above 10% accounted for approximately 90% of the system's total assets, while those with negative RoE accounted for around 1% of total SFN assets. At the end of the period, the system's median RoE remained broadly stable, at 11.7% (Charts 1.2.3.2 and 1.2.3.3).

Chart 1.2.3.2 – ROE Dispersion[1/]
Trailing twelve months



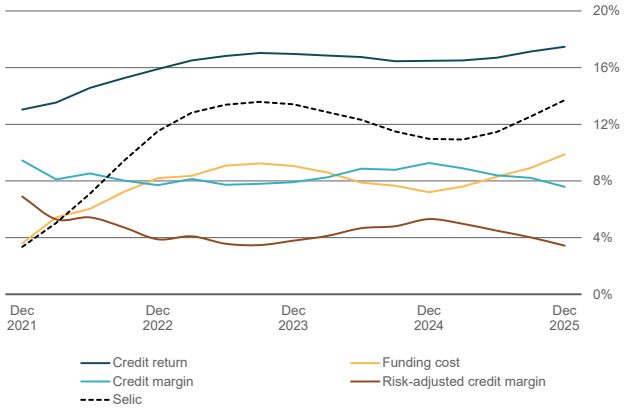
1/ The bars represent the lower and upper limits, corresponding to the smallest and largest observations not classified as outliers. Observations that exceed Q1 ± 1.5×(Q3 − Q1) are considered outliers. The boxes have as limits the 25th and 75th percentiles, with the median (50%) in the center.

Chart 1.2.3.3 – ROE Frequency Distribution[1/]
Trailing twelve months



1/ The values above the bars indicate the number of institutions that fall within the respective ROE interval.

Chart 1.2.3.4 – Credit margin
Components
Trailing twelve months



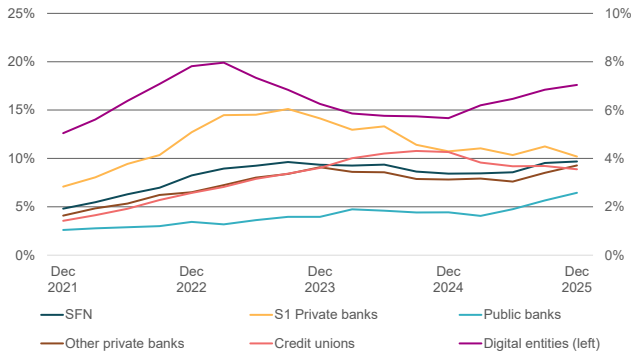
Credit NIM remains under pressure due to rising funding costs. The resumption of the Selic rate hiking cycle in the second half of 2024 increased funding costs, gradually compressing the SFN's credit NIM since then (Chart 1.2.3.4). Although the return on credit also tends to rise with higher policy rates, the sensitivity of funding costs to monetary tightening is greater due to the predominance of floating-rate operations and the shorter average maturity of funding. The increase in expected loss provisions is also weighing on the risk-adjusted credit NIM, particularly in the most recent data.

SFN's provisioning costs registered a slight increase, reflecting the moderation in credit growth and the rise in provisions in response to risk materialization. Most segments recorded an increase in provisioning costs[36] in the second half of the year (Chart 1.2.3.5). The largest increase occurred in the "Digital entities" segment, which operates credit modalities whose risk materialization is more sensitive to restrictive financial conditions. In the remaining segments, the increase reflects the rise in provisions driven by risk materialization and, to a lesser extent, the moderation in credit portfolio growth. In the "S1

36 Provision costs refer to the ratio between provision expenses and the average balance of the credit portfolio.

Private banks" and the "Credit unions" segments, provisioning costs remained broadly stable, reflecting the better portfolio performance of those segments during the period. BCB estimates indicate that the provisions held remain consistent with expected loss estimates.[37]

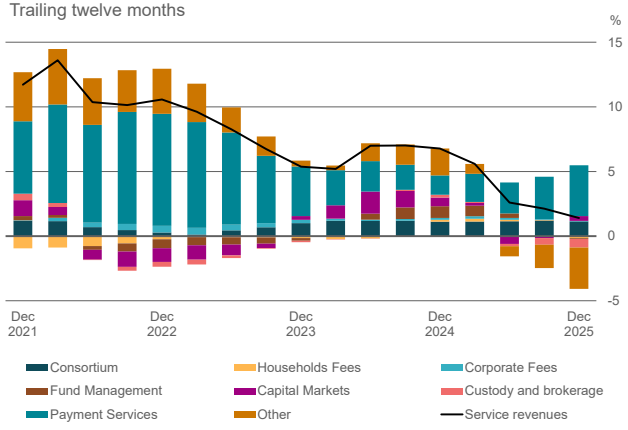
1.2.3.5 – Provisioning cost[1/]
Trailing twelve months



1/ Refers to the ratio between provision expenses and the average balance of the credit portfolio.

Service revenues continue to decelerate (Chart 1.2.3.6). The revenue lines that have proven most resilient over recent periods, "Payment Services" and "Consortium", continue to sustain service revenue growth. Some lines face a structural barrier to growth, such as fee revenues, given the increasing competition in the payments market. Some lines have a more cyclical profile, such as capital markets revenues, which grew substantially in 2024 driven by the expansion of fixed-income securities issuance. The decline in the line "Other" is related to reductions in collection fees, lottery revenues, and other dispersed income streams. For the coming periods, service revenues are expected to continue decelerating gradually, in line with the moderation in economic activity.

1.2.3.6 – Service revenues
Annual growth and factor decomposition
Trailing twelve months



The SFN's operational efficiency[38] **remained stable, reflecting a balance between operational results and administrative expenses.** SFN's operational results grew in the third quarter and remained broadly stable in the fourth, growing close to administrative expenses over the course of the second half. Within administrative expenses, non-personnel-related expenses accounted for the largest increase, while personnel expenses have tracked the evolution of the Extended National Consumer Price Index – IPCA (Chart 1.2.3.7). The Digital entities segment continued to record efficiency gains in the second half of the year, driven by operational leverage.[39] In the remaining segments, efficiency remained broadly stable or declined, as in the case of the Public banks segment, due to the deterioration in operational results (Chart 1.2.3.8).

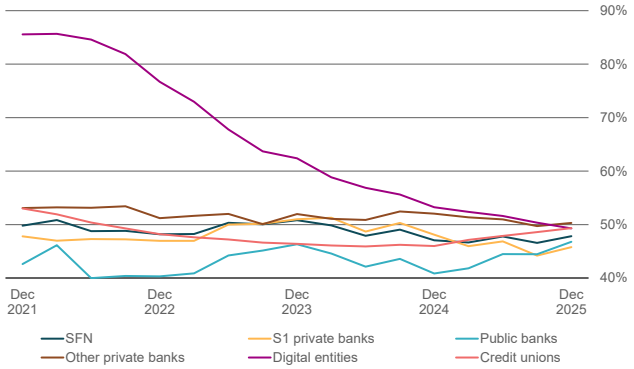
37 See section 1.2.2 for more detail.

38 The system's operational efficiency is measured by the Operational Efficiency Index (OEI), calculated by dividing administrative expenses by operational results, excluding the effects of provisioning expenses.

39 Operating leverage refers to the degree to which changes in revenues translate into amplified changes in profit, given the significance of fixed costs in an entity's results. The higher the operating leverage, the greater the impact of a rise or fall in revenues on the entity's results.

1.2.3.7 – Administative expenses
Annual growth and factor decomposition
Trailing twelve months

Chart 1.2.3.8 – Operational Efficiency Index[1/]
Trailing 12 months



1/ Refers to the ratio between administrative expenses and operational results.

1.2.4 Solvency

The National Financial System (SFN) remains sound and capable of supporting the smooth functioning of financial intermediation. Although aggregate capitalization ratios declined slightly over the semester, they remain comfortably above regulatory minimums (Charts 1.2.4.1 and 1.2.4.2). The frequency distribution of the Regulatory Capital Adequacy Ratio (RCAR[40]) shows that more than half of institutions hold capital exceeding twice the required level, and that the share of institutions with insufficient regulatory capital accounts for less than 1% of total assets[41] (Chart 1.2.4.3). The existing capital surplus to meet prudential requirements, together with the system's profitability, ensures that solvency does not pose a risk to financial stability.

40 The RCAR is defined as the ratio between regulatory capital and total required regulatory capital, including the Common Equity Tier 1 capital buffer and Basel Pillar 2 requirements. The ratio allows for a joint analysis of institutions subject to different minimum regulatory capital requirements. For a detailed description of the capital requirements applicable to the various entities within the system, see the Concepts and Methodologies annex.

41 Considering the requirements applicable to the other tiers of regulatory capital, the capital shortfall of 78 institutions, which together hold 0.4% of total system assets, amounts to BRL 3.2 billion, corresponding to 0.2% of consolidated regulatory capital.

Chart 1.2.4.1 – Evolution of capital ratios

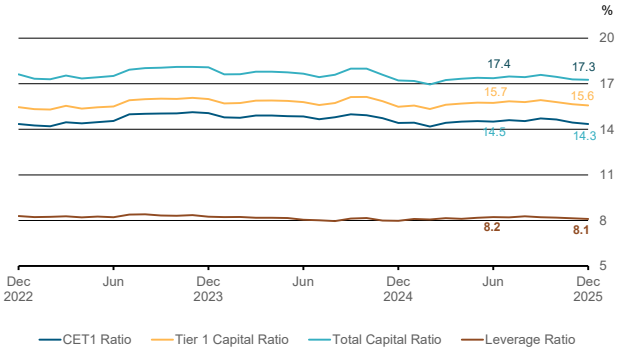
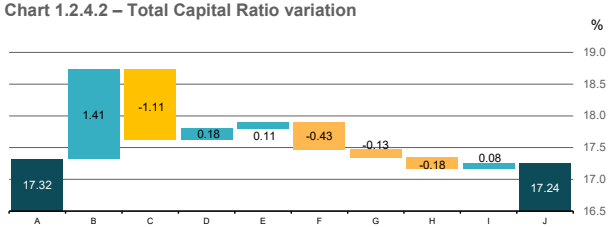
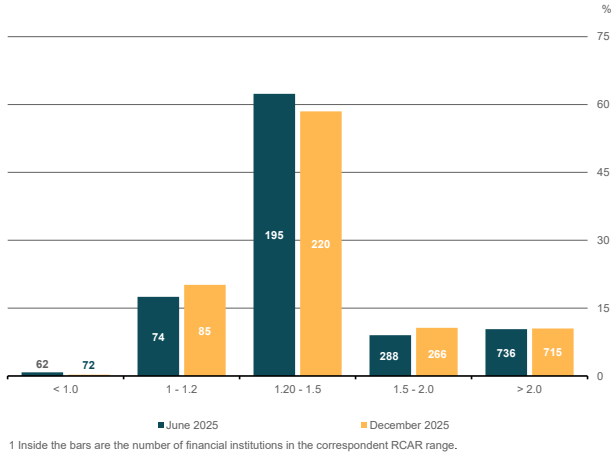


Chart 1.2.4.2 – Total Capital Ratio variation



A = Total Capital Ratio - Jun 2025
B = Half-year net profit
C = Paid-up capital and retained earnings
D = Prudential adjustments
E = Tier 2 capital
F = RWA - Credit-related operations
G = RWA - Securities
H = Credit RWA - Others
I = Others
J = Total Capital Ratio - Dec 2025

Chart 1.2.4.3 – Regulatory Capital Adequacy Ratio



1 Inside the bars are the number of financial institutions in the correspondent RCAR range.

The distribution of capital remuneration at levels well above the historical average did not prevent the expansion of the system's capital base over the semester. The trend toward lower profit retention noted in the previous Report intensified in the second half of 2025 among privately controlled institutions, whose dividend payments and interest on equity exceeded net income (Chart 1.2.4.4). On the other hand, common equity Tier 1 (CET1) increased due to a reduction in prudential adjustments, particularly those related to deferred tax assets. In addition, new issuances of instruments eligible for additional Tier 1 (AT1) capital and, more markedly, Tier 2 capital contributed to a 4.6% increase in regulatory capital (Chart 1.2.4.5). It is worth noting that retained earnings accounted for 41% of the increase in regulatory capital in 2025, compared with a share of 72% in 2024.

Chart 1.2.4.4 – Profit retention by ownership

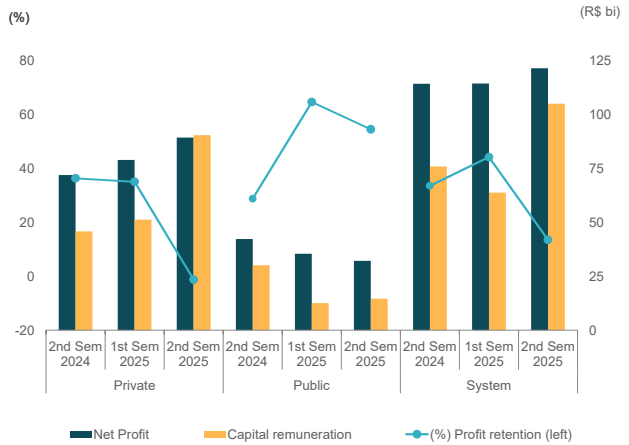
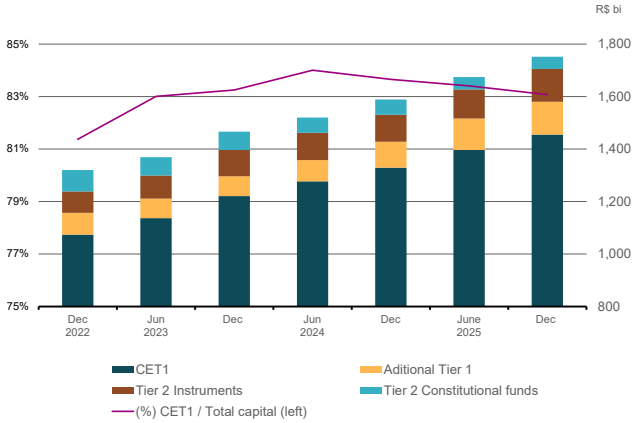


Chart 1.2.4.5 - Capital structure



The system's regulatory capital buffer does not represent a constraint on the expansion of credit supply. Changes in credit risk exposures led riskweighted assets (RWA) to grow at a faster pace than regulatory capital, resulting in a slight decline in capitalization ratios. This growth was proportionally greater in assets with higher liquidity and lower risk, such as securities (Table 1.2.4.1). As a result, the effective average risk weight—calculated as the ratio of credit RWAs to total exposures—declined to 40.4%, from 41.0% in the previous semester. The consolidated capital buffer, amounting to BRL 526 billion, corresponds to 30% of the system's regulatory capital, allowing for a significant expansion of credit operations without the need for new capital injections for regulatory purposes.

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Table 1.2.4.1 – RWA Composition

R$ billions	System			Var. (%) Dec/Jun	
	jun/25	dez/25	Var. (%)	Public	Private
Total RWA	**9,660**	**10,161**	**5.2%**	**3.7%**	**6.0%**
Credit RWA	**7,838** 81.1%	**8,301** 81.7%	**5.9%**	**4.9%**	**6.5%**
Credit-related operations1	5,178	5,461	5.5%	2.5%	7.4%
Leasing	29	31	6.8%	1.6%	7.0%
Interbank investments	164	180	9.6%	22.8%	6.8%
Securities	527	602	14.4%	17.1%	13.6%
Derivatives	172	178	3.3%	11.7%	2.7%
Fixed Assets	547	579	5.9%	8.4%	4.2%
Tax assets	497	537	8.2%	11.2%	6.6%
Other	725	734	1.2%	10.4%	-1.8%
Market RWA	**621** 6.4%	**651** 6.4%	**4.9%**	**-3.8%**	**7.3%**
Operational RWA	**1,111** 11.5%	**1,103** 10.9%	**-0.7%**	**-1.3%**	**-0.3%**
Payment Services RWA	**90** 0.9%	**105** 1.0%	**16.5%**	**-3.1%**	**16.7%**

1) Includes guarantees provided, credit commitments, and other rights with characteristics of credit operations

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Box 2 – Minimum PaidUp Capital and Net Worth

Minimum paidup capital and net worth limits constitute one of the pillars of the prudential framework, operating in a complementary manner to other regulatory requirements. The establishment of minimum thresholds for the entry and ongoing operation of supervised institutions—hereafter referred to as minimum capital—is an essential measure to ensure an adequate capital structure and is set out in the *Core Principles for Effective Banking Supervision*, issued in April 2024 by the Basel Committee on Banking Supervision (BCBS). Unlike capital requirements linked to the risk profile of assets, minimum capital constitutes an absolute floor, independent of the institution's risk profile or the volume of its operations and must be met on an individual basis by all financial institutions, including those that are part of a prudential conglomerate. This requirement acts as a mitigant of moral hazard[42] and aims to ensure that institutions are able to cover their operational costs from the outset of their activities, thereby reinforcing financial system stability.

The criteria for determining minimum capital have been significantly modernized, bringing Brazil closer to international best practices in prudential supervision. Under the previous regulatory framework, minimum capital was essentially determined by institutional segment, with most values having been set in 1999[43]. Since then, the National Financial System has undergone substantial changes. On the supervisory front, new principles and capital requirements have been incorporated to capture risks more accurately. From a marketstructure perspective, profound technological transformations have taken place, including the emergence of new types of products and services and an expansion of the scope of activities of institutions authorized to operate by the Banco Central do Brasil (BCB). Joint Resolution No. 14 of November 4, 2025, complemented by BCB Resolution No. 517 of the same date, sought to align the minimum capital framework with this new reality by replacing fixed amounts with a methodology based on authorized or performed activities, distributed across three distinct dimensions: operational activities (products and services offered), investment activities (how financial resources are allocated), and funding activities (methods used to raise resources to finance operations). In addition to activitybased requirements, supplementary requirements were established based on autonomous cost or riskgenerating factors, such as intensive use of technology or the use of the term "bank," or similar expressions, in an institution's name. As a result, minimum capital has become more sensitive to business models and independent of formal institutional segmentation.

The new calculation methodology imposes substantiallyhigherminimumcapitalrequirements, which are expected to affect a large number of

42 In this context, moral hazard refers to the possibility that financial agents take on excessive risks because they expect that material losses will be partially or fully borne by third parties rather than by themselves.

43 The minimum capital amounts applicable to most segments corresponded to those established by Resolution No. 2,607 of May 27, 1999. Credit unions, the segment with the largest number of institutions in the National Financial System, were subject to distinct minimum requirements for paidup capital and net worth set out in their own regulation, which already took into account, among other factors, the activities they were authorized to perform.

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institutions with limited representativeness in terms of system assets. Preliminary estimates[44] indicate that, based on current capital balances, 569 institutions would fall below the net worth threshold and 626 institutions below the paidup capital threshold in January 2028. Although the number of institutions required to adjust to the new limits represents approximately 40% of the supervised universe, the projected capital shortfall of this group—BRL 8.0 billion—corresponds to only 0.5% of total regulatory capital in the system. The segments most affected are expected to be those whose minimum capital had previously been set at relatively modest levels, notably peertopeer lending companies, direct credit companies, microentrepreneur credit companies, and foreignexchange brokers (Table 1.2.4.2).

Table 1.2.4.2 – Estimated non-compliance with minimum capital by segment

Segment	Number of Fis	Date of Non-Compliance				
		jul/26	jan/27	jul/27	jan/28	% jan/28
Credit Unions	769	35	79	115	155	20%
Payment Institutions	200	55	99	113	125	63%
Direct Credit Company	138	79	98	106	112	81%
Consortium Administrator	125	52	69	75	79	63%
Securities Dealer	104	39	56	63	67	64%
Foreign Exchange Broker	53	28	37	42	44	83%
Finance Company	80	11	18	21	25	31%
Microcredit Company	22	14	17	18	19	86%
Securities Broker	59	9	12	15	18	31%
Peer-to Peer Lending Company	12	10	11	11	11	92%
Multiple-Purpose Bank	130	3	5	7	7	5%
Commercial Bank	13	1	2	3	4	31%
Foreign Exchange Bank	5	1	3	3	4	80%
Invesment Bank	12	0	1	3	3	25%
Mortgage Company	5	1	1	2	2	40%
Leasing Company	18	0	1	2	2	11%
Foreign Commercial Bank Branch in Brazil	4	1	1	1	1	25%
Service Confederation	2	0	1	1	1	50%
Total	**1751**	**339**	**511**	**601**	**679**	**39%**

44 In order to identify operational activities and estimate the minimum capital requirement for each institution, inferences were made based on accounting balances, registry data, and other information made available to the BCB, which may not fully correspond to the activities actually carried out by the institutions.

The new minimum capital regulation provides for an adjustment phase proportional to its impact and to the efforts required for compliance. In order to ensure an adequate adjustment period for institutions, a transitional rule was established under which the new minimum capital limits will be phased in gradually. Beginning on July 1, 2026, 25% of the increase relative to the current limits will be added in each semester, with the new thresholds becoming fully binding only as of January 1, 2028. During this period, in addition to capital injections, institutions may anticipate potential noncompliance through different strategies, such as profit retention, a reduction in the scope of activities, mergers or acquisitions, among other solutions that allow for a reduction in minimum capital while preserving competitiveness and operational viability.

The strategies to be adopted by institutions to comply with the new requirements are expected to result in a more resilient and competitive financial system. A survey conducted among all authorized institutions indicates that, within the group that expects to fall out of compliance, the vast majority report an intention to remain in the market. In this context, the new paidup capital and net worth limits should be viewed as an opportunity for smaller institutions—which play an important role in promoting competition, access, and the diversification of products and services—to advance in the process of strengthening their capital base, streamlining organizational structures, and consolidating market segments through mergers and acquisitions, thereby contributing to a more robust and competitive National Financial System at the end of the transition period.

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Box 3 – Instruments Eligible for Regulatory Capital

Instruments eligible for regulatory capital are present in only 25.8% of institutions within the National Financial System, although these institutions account for a significant share of system assets. Of the 446 institutions classified from S1 to S4, only 115 hold capital instruments totaling BRL 344 billion. Of this amount, 14% is classified as CET1, 36% as AT1 capital, and 50% as Tier 2 capital. Within the latter two tiers of regulatory capital, instruments containing writeoff clauses under the circumstances set out in Article 15, item XV, and Article 20, item X, of CMN Resolution No. 4,955 of October 25, 2021, account for 75.9% of the amount included in regulatory capital, as opposed to instruments that provide for conversion into shares. Instruments eligible for CET1 are restricted to federally owned public banks.

Capital instruments are required to meet prudential requirements for a minority—yet relevant—group of institutions. Only ten institutions require such instruments to meet the minimum regulatory capital, Tier 1 capital, or CET1 requirements. When the capital buffer and Pillar 2 requirements are taken into account, the number of institutions requiring additional capital would rise to 35. This implies that 70% of entities holding capital instruments would meet all requirements based on riskweighted assets (RWA) and total exposure even in the absence of these instruments. The amount of instruments eligible for regulatory capital that are strictly necessary to comply with these operational limits corresponds to 28.7% of their total outstanding balance and to 7.21% of the system's CET1. It is observed that the need for such instruments to meet prudential requirements is greater among systemically more relevant institutions (Table 1.2.4.3).

Difficulties in rolling over instruments eligible for Tier 2 capital under a stress scenario would have a limited impact on compliance with prudential requirements. Instruments eligible for Tier 2 capital are the only ones that are not perpetual and are subject to a regulatory reduction for regulatory capital recognition when remaining maturity falls below five years. The average remaining maturity of these instruments in the system is 9.6 years. Under a stress scenario in which no new issuances were to occur over a oneyear period, the system's regulatory capital would decline by 0.6%, and only one additional institution would fall out of compliance with all prudential requirements.

Table 1.2.4.3 – FIs in which capital instruments are determinant for compliance with prudential requirements

Prudential segment	FIs requiring capital instruments	Total FIs	Percentage
S1	4	6	66.7%
S2	3	10	30.0%
S3	17	64	26.6%
S4	10	366	2.7%
TOTAL	**34**	**446**	**7.6%**

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Most instruments eligible for Additional Tier 1 and Tier 2 capital with holders identified by registration entities are held by investment funds. The composition of holders and beneficial owners of these securities is periodically monitored by the Banco Central do Brasil (BCB) based on registration information provided by market infrastructures, covering instruments with a market value corresponding to 84.2% of securities eligible for AT1 and Tier 2 capital. Investment funds hold 68.5% of the outstanding amount of these instruments, with most of this holding being widely dispersed among nonqualified investors. Of the resources allocated in nonconcentrated investment funds, 30.2% are invested in funds whose managers belong to the same prudential conglomerate as the issuer (Table 1.2.4.4). The remaining portion is held predominantly by legal entities.

Table 1.2.4.4 – Holders of capital instruments

Description	Amount (BRL million)	Percentage
CAPITAL BALANCE	**259,645**	**100.0%**
Investment Funds	**177,338**	**68.3%**
Concentrated	68,552	26.4%
Same Group	2,751	1.1%
Qualified Investors	2,023	0.8%
Non-Qualified Investors	727	0.3%
Third Parties	65,801	25.3%
Qualified Investors	58,118	22.4%
Non-Qualified Investors	7,683	4.3%
Dispersed	108,786	41.9%
Same Group	32,907	12.7%
Qualified Investors	2,563	1.0%
Non-Qualified Investors	30,345	11.7%
Third Parties	75,879	29.2%
Qualified Investors	10,315	4.0%
Non-Qualified Investors	65,564	25.3%
Direct Holders	**68,183**	**26.3%**
Individuals	11,136	4.3%
Legal Entities	57,047	22.0%
On-Balance Sheet Holdings	**15,839**	**6.1%**

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1.2.5 Stress tests

Stress tests[45] results indicate that the banking system presents adequate levels of capital and is resilient in all scenarios simulated. Capital stress tests show that no relevant noncompliance[46] events would occur when adverse macroeconomic scenarios are simulated. Sensitivity analyses also point to a good resilience to risk factors, when simulated on a solo basis. The liquidity stress test indicates a comfortable amount of liquid assets in the event of cash outflows in adverse conditions or shocks to market parameters in the short term.

Macroeconomic stress test

Macroeconomic stress tests comprise two sets of analyses. The solvency stress test is a dynamic exercise which projects banks' balance sheet data, subject to macroeconomic shocks pertaining to predetermined scenarios triggering multiple risk factors, simultaneously. Sensitivity analyses complement the stress test framework.

45 Details on methodology, scope and scenarios of the macroeconomic test, the sensitivity analyzes, interbank direct contagion simulation and liquidity stress test can be found in the Concepts and Methodologies annex.

46 A bank is considered non-compliant if any of the three capital adequacy indices are not met: Total Capital Ratio (TCR), Tier 1 and Common Equity Tier 1 (CET1).

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Box 4 – Description of the scenarios used in the macroeconomic stress test[47]

The scenarios used in the Macroeconomic stress test are named Baseline, Acute Recession and Confidence Crisis (Charts 1.2.5.1 to 1.2.5.5).

The Baseline scenario is built upon median market expectations, as provided by the Focus report.

The acute recession scenario is characterized by falling domestic demand, inflation and interest rates. It assumes a relevant drop in domestic demand, together with a strong decline in the global economy, from the second quarter of 2026 onwards. The magnitude of the external economic activity slide resembles that of the Covid-19 pandemic, together with a strengthening US Dollar and falling commodities prices. In the domestic economy, household consumption and gross fixed capital formation would significantly decline, and a slow recovery would follow, so that end-2025 GDP levels would be recovered by mid-2027. Reduced economic activity would trigger a relevant increase in unemployment rates. Economic idleness would lead to reduced inflation, despite the currency depreciation. In accordance with a Taylor rule, falling inflation would lead to Selic rate cuts by the BCB, aiming at achieving inflation convergence to target.

The confidence crisis scenario is characterized by falling economic activity and rising inflation and interest rates, due to significant increased uncertainty in the economy starting on the second quarter, 2026. As a result of expected fiscal and monetary deterioration, risk premia would steepen, followed by currency depreciation, elevated neutral interest rate and economic activity contraction. The building of such a confidence crisis scenario utilized as a reference the fiscal deterioration and economic uncertainty occurred between mid-2014 and the beginning of 2016. Despite the GDP drop and increased unemployment, inflationary effects of currency depreciation would prevail. FX rate peaks in the third quarter, 2026 and then starts appreciating, in response to an increased interest rate differential to international markets. In accordance with a Taylor rule, to pursue convergence of inflation rates to the target, the significant rise of inflation would lead the BCB to hike the Selic rate. Output recovery occurs more gradually than in the acute recession scenario.

47 For scenarios other than the baseline scenario, the Selic rate movement described is solely intended to keep macroeconomic consistency and does not represent any indication or compromise if any of the described scenarios materialize.

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Chart 1.2.5.1 – Inflation

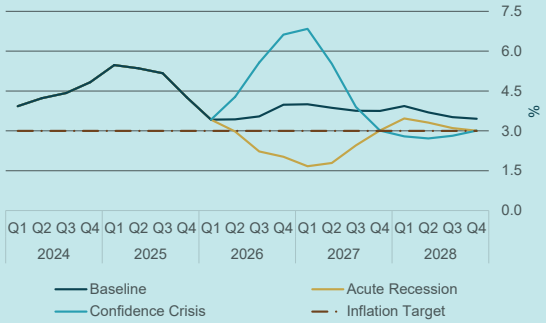


Chart 1.2.5.2 – Exchange Rate

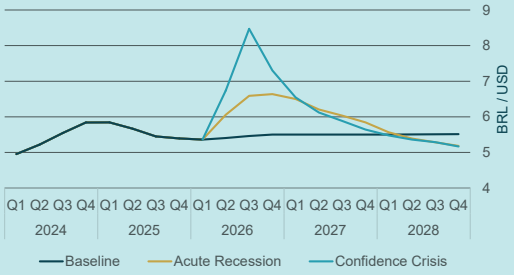


Chart 1.2.5.3 – GDP Change

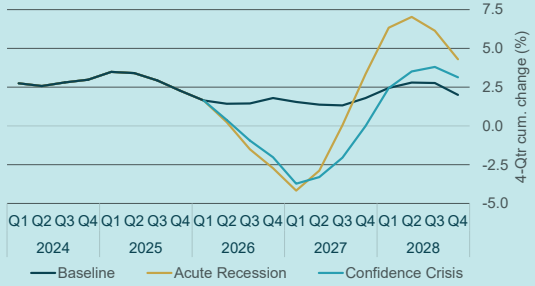


Chart 1.2.5.4 – Unemployment

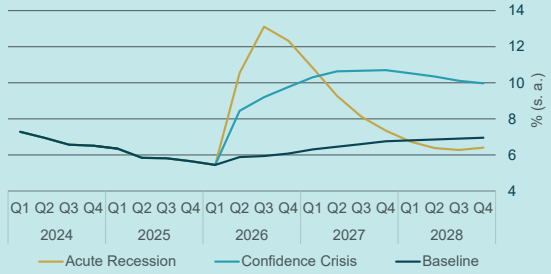
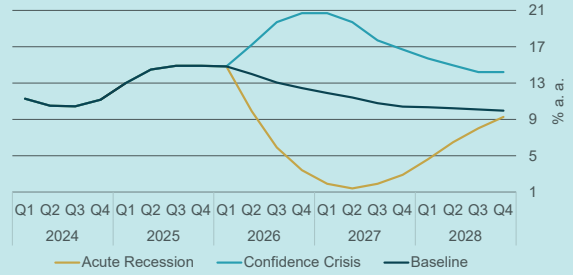


Chart 1.2.5.5 – Selic Rate



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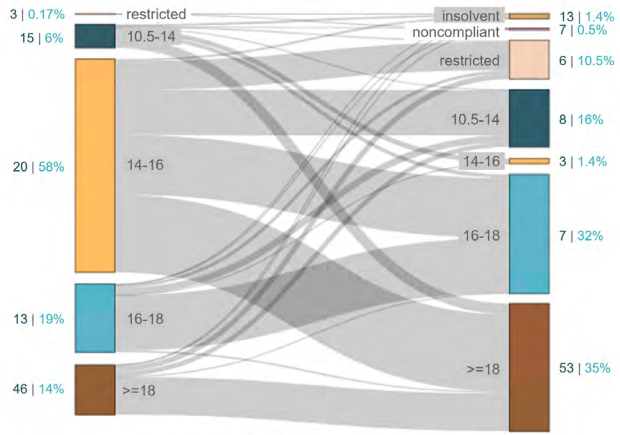
Solvency stress test

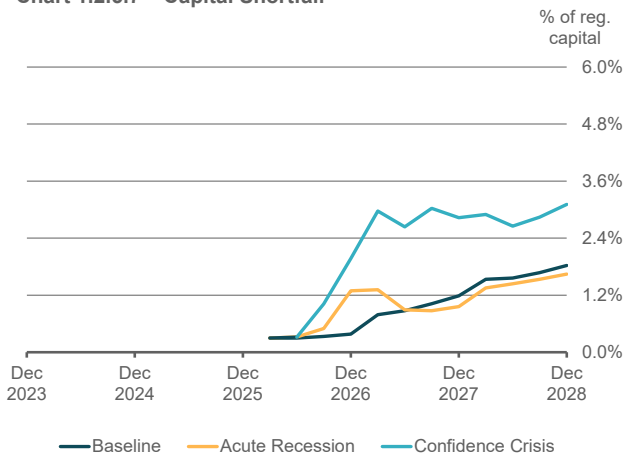
The estimated system capital shortfall[48] is low, even at the most stringent scenario, confidence crisis, confirming the adequate loss absorption capacity of the banking system. Institutions accounting for 68.7% of system's total assets would continue to present TCR above regulatory minimum of 10.5%, at the confidence crisis scenario (Chart 1.2.5.6).[49] Capital shortfall peaks[50] at 3.1% of current system's regulatory capital in the last simulated quarter, at the confidence crisis scenario (Chart 1.2.5.7). This figure is lower than the 5.3% capital shortfall presented at the previous FSR, in that case in the seventh simulated quarter. For the acute recession scenario, capital shortfall reaches 1.6% of system's regulatory capital at the last quarter, which compares to the 2% figure obtained at previous tests.

Chart 1.2.5.6 – Capital Ratio Status
Confidence crisis scenario – Dec 2025 (left) vs Dec 2028 (right)



Capital Status refers to capital ratio ranges (when above minimum, including ACP) or or to the banks status (restricted if below ACP required, noncompliant or insolvent).
Size of bars represent the total assets proportion to the financial system.
Figures external to bars: banks count | Total Assets (% of Financial System)

Chart 1.2.5.7 – Capital Shortfall



Sensitivity analysis

Sensitivity analyses consist in applying shocks to unhedged positions, one driver at a time, statically. Second order effects to other drivers are not considered, differently from what occurs during the materialization of changes in the macroeconomic environment.

The system has low sensitivity to shocks in the exchange rate. Non-compliances, if the exchange rate increases 100% over the rate observed by December 2025, occur for institutions representing 0.01% of system's regulatory capital. The small amount is explained by low net exposures to foreign currencies held by financial institutions.

48 The concept of capital shortfall encompasses amounts necessary to replenish regulatory capital to a level that fully complies with minimum requirements, inclusive of all capital buffer requirements (ACP) applicable and avoids distribution restrictions, as provided by Resolution BCB 200, of March 11th, 2022. Particularly, systemically important banks are subject to the systemic capital buffer ($ACP_{Sistêmico}$).

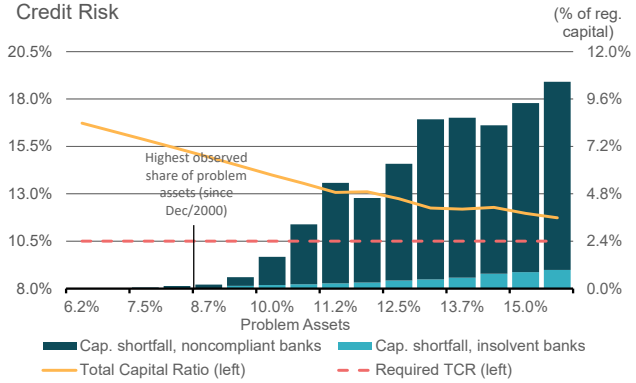
49 97 financial institutions were stress tested, representing 96.72% of system's total assets. Participation in stress tests is dependent upon availability and quality of regulatory data.

50 Tests take into account the regulatory changes enacted in January, 2025, with impacts spread over several years, namely: (i) Law 14,467 of 2022, which brings tax deductibility rules closer to accounting provisioning criteria; (ii) new provisions calculus procedures for credit risk expected losses, established by Resolution CMN 4,966 of 2021, with a transition schedule established by Resolution CMN 5,199 of 2024; and (iii) the new framework for computing operational risk risk-weighted assets (RWA_{OPAD}), as per Resolution BCB 356 of 2023.

Only very large positive shocks in the interest rate could generate some capital shortfall. A shock equivalent to the greater variation observed[51] over the last 27 years would result in a capital shortfall of 3.2% of system's regulatory capital, affecting banks accounting for 3.9% of system's total assets. Hedging policies aiming at limiting exposure to trading book assets that are sensitive to interest rates, reduce the risk of losses arising from interest rate shocks.

Incremental credit risk shocks point to a low capital shortfall if problem assets reach their highest historical mark. Capital shortfall would be 0.2% of system's regulatory capital, if problem assets reach 8.6%, the historical maximum level observed in May 2017 (Chart 1.2.5.8).[52] In an extreme situation, if the proportion of problem assets reached 250% of current levels, there would be a capital shortfall equivalent to 10.5% of system's regulatory capital.

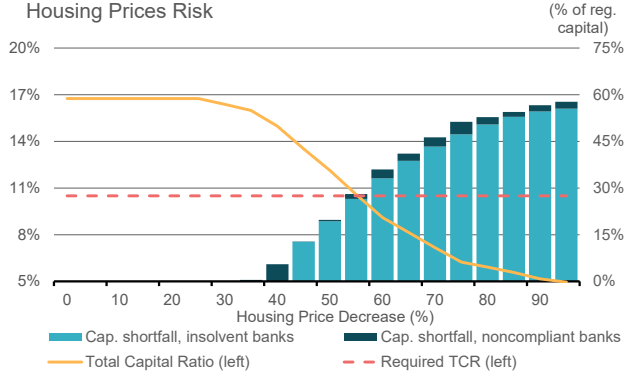
Chart 1.2.5.8 – Sensitivity Analysis
Credit Risk



Simulation of reductions in residential property prices shows a very low possibility of non-compliances. There would only be any capital shortfall in the event of nominal prices drop more than 35% of collateral prices of real estate credit operations, compared to the 36-month average of the Residential Real Estate Collateral Value Index (IVG-R). This shock resembles the 33% drop observed in the S&P Case-Shiller during the subprime crisis in the U.S. Only a 45% reduction or greater, in nominal prices would lead to insolvency, characterized by negative CET1.

Origination criteria with moderate loan-to-value (LTVs) and the low share of real estate loans to the total credit portfolio of most banks contribute to the system's ability to absorb housing price shocks in extreme scenarios. The stock of residential real estate loans had an average LTV of 54.9% in December 2025, considering collateral prices updated by IVG-R[53] and outstanding balances updated by interests, amortizations and adjusting for inflation (Chart 1.2.5.9).

Chart 1.2.5.9 – Sensitivity Analysis
Housing Prices Risk



51 In 21-day windows, since 1999, the maximum change of the six-month rate was circa 83.5%.

52 Prior to January 2012, for comparative purposes, the share of E-to-H classified loans in the total portfolio is considered.

53 The Residential Real Estate Collateral Value Index (IVG-R) is calculated and disclosed by the BCB, based on property appraisals carried out for the granting of housing loans.

Simulation of direct interbank contagion

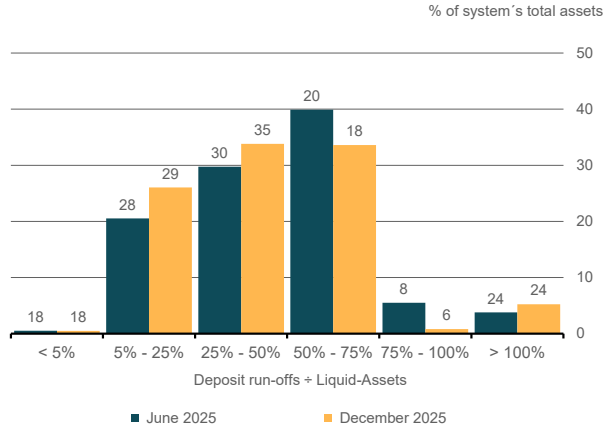
The contagion simulation suggests a low need for resources to recapitalize the system due to contagion caused by the bankruptcy of financial institutions individually. Impact from the failure of one bank is transmitted to other institutions through direct links, such as loans and interbank deposits. In the worst case simulated, the capital shortfall resulting from contagion would be below 1% of system's regulatory capital. This low impact is explained by the appropriate level of capitalization of the system and the existence of an exposure limit per client, which restricts exposures between institutions. In addition, some direct interbank exposures are collateralized, such as repurchase agreements backed by Brazilian government securities (TPFs), thus reducing the likelihood of contagion.

Liquidity stress test

The banking system holds enough liquid assets to absorb potential losses under stress scenarios and to comply with current regulations. The wide majority of FIs, including the largest ones, exhibit liquidity buffers large enough to withstand depositor outflows and potential losses under adverse market scenarios.

Depositors´ runoff stress tests indicate that the system is resilient enough to withstand extreme funding withdrawals. The depositor outflow scenario for the thirty-day horizon applies standardized outflow percentages (run-offs) to funding sources, considering clients' characteristics and funding instruments. The methodology captures the effect of deposit volatility to estimate additional withdrawals (VaR).[54] Additionally, it assumes a total withdrawal of instruments maturing over the next thirty days as well as the maturing portion available for withdrawal by its three largest counterparties, capturing concentration risk. Simulation results indicate that only a subset of institutions, representing 5.2% of total assets, have depositor run-offs exceeding 100% of their liquid assets (Chart 1.2.5.10).

Chart 1.2.5.10 – Frequency distribution off deposit run-offs[/1]



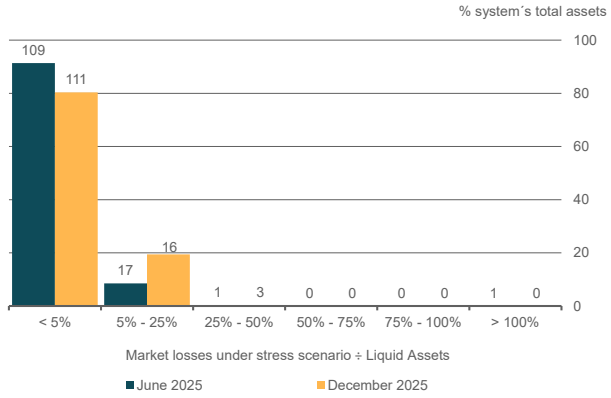
1/ The values on the top of the bars refer to the number of financial institutions with the value of the expected earlier redemptions for next 30 days (run-offs) as a share of its liquid assets belonging to the corresponding interval.

The result of shocks to market parameters indicate that banking institutions remain sufficiently resilient in the short term to withstand potential cash outflows required to meet margin calls and guarantees, as well as potential devaluation of

54 The deposit run-off stress test aggregates a subset of components of the Short-Term Liquidity Ratio methodology (IL) associated with unexpected deposit outflows: deposit profile, early redemption and brokered deposits. For further details about the IL's methodology, please refer to the Concepts and Methodologies annex (the Stressed Cash Flow component of the Liquidity Ratio).

liquid assets.[55] Greater risk aversion contributes to a stable and low ratio of market stress to liquid assets when compared to June 2025 (Chart 1.2.5.11). These simulations estimate the amount needed to cover losses resulting from market price oscillations in banks' positions in liquid assets, derivatives and other financial instruments[56]. Liquid assets, in turn, are marked to market independently of their accounting classification, eliminating potential problems stemming from the revaluation of securities classified as Held to Maturity (HTM) and accounted for at amortized cost.

Chart 1.2.5.11 – Frequency distribution for market losses under stress scenarios[1/]



1/ The values on top of the bars refer to the number of institutions with estimated market losses under stressed scenarios as a share of liquid assets belonging to the corresponding interval.

The impact of potential liquidity support to investment funds[57] **managed by bank-linked managers on the banking system participants is not a relevant matter of concern.** The step-in risk is the ratio between the value of potential liquidity support to investment funds provided by their bank linked managers, estimated in a scenario of strong withdrawals in investment funds, and the excess liquidity of their linked FIs – estimated from the liquidity stress tests performed by the BCB. The indicator grew throughout the year, representing 9% of the linked Fis' excess liquidity.

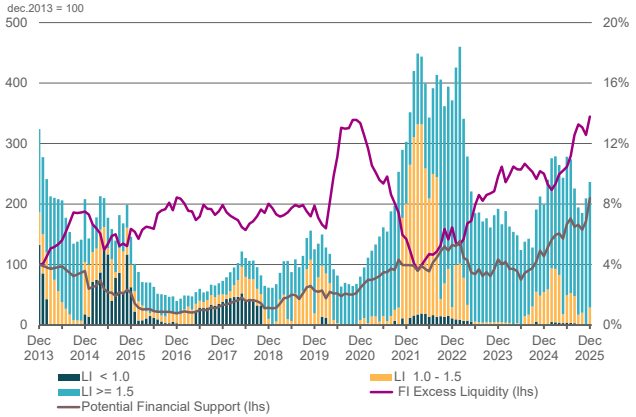
Step-in risk remains at a satisfactory level, despite the recent increase. The movement results from the potential liquidity support to funds (to BRL107 billion) growing faster than the increase in excess liquidity of the linked FIs (to BRL1,106 billion). Furthermore, most of the estimated financial support is tied to managers linked to FIs that present a LI greater than 1.5, which indicates a comfortable situation regarding the step-in risk (Chart 1.2.5.12).

55 This simulation is based on forecasts to shocks in market parameters through different scenarios for yield curve, exchange rate, currency coupons and inflation price indices. The stress tests consider the worst impact of high/low shock scenarios for the different marks risk factors, independently, for each institution; that is, we may have two independent scenarios, one shock resulting in an increase for a certain risk factor for an institution A and a decrease for the same risk factor for an institution B.

56 Resource losses/cash outflows include: (i) additional margin calls deposited in clearing houses; (ii) disbursements in positions of derivative markets; (iii) loss of value of liquid assets used as collateral for repurchase agreements or pledged as guarantees to clearing houses and BCB.

57 The concept and methodology for assessing potential liquidity support to investment funds were presented in the October 2017 FSR, available at https://www.bcb.gov.br/en/publications/financialstabilityreport/201710. Investment funds considered in the estimation of the potential support are those under Instruction CVM 555, of December 17, 2014, managed by entities belonging to the banking system, open-end and non-exclusive, not fund of funds, having a redemption no longer than thirty days and whose financial statements are not consolidated into prudential conglomerates

Chart 1.2.5.12 – Investment funds' step-in risk
Potential support as a proportion of excess of liquidity of bank-linked managers, segregated by Liquidity Index range



Sources: BCB, CVM

1.3 Financial Stability Survey (FSS)[58]

Compared with the survey conducted in August 2025, fiscal and international scenario risks remain a key concern, while worries are growing about household and corporate indebtedness, as well as legal challenges and litigation regarding the authority of the SFN regulators. As for the most important risk, respondents continue to point to concerns about fiscal risks (Table 1.3.1). When considering the three most frequently cited risks, although there has been a decline in the average frequency of mentions, international scenario risks are still the most cited (Table 1.3.2). Concerns about the high household and corporate indebtedness in an environment of high interest rates corroborate the increase in delinquency and activity risks, reflecting on in their average expected impact. Respondents also point to an increase in the average expected impact of political risks related to concerns about legal challenges and litigation regarding the authority of the SFN regulators.

Risks to financial stability[59]

Fiscal risks are considered the most relevant, exacerbated by concerns about the sustainability of public debt in an election year. The percentage of respondents naming fiscal risks as the most important rose from 38% in August 2025 to 40% in February 2026. Of particular note is the risk of fiscal targets being relaxed due to the electoral process, which would impact the yield curve, making it more difficult to conduct monetary policy. In this scenario, the rise in funding costs and the increase in market risk would negatively impact the balance sheets of financial institutions.

Risks related to the international scenario, despite the decline, remain the most frequently cited in the assessment of the three risks identified by financial institutions, with particular emphasis on geopolitical risks. Respondents highlighted the deterioration of global geopolitical conditions, with negative effects on capital flows and international trade, putting pressure on global inflation. Uncertainties surrounding the U.S. economic policy were also highlighted, increasing risk premia and search for higher-quality assets.

58 The BCB conducts a quarterly survey to identify and monitor risks to financial stability according to the perception of SFN institutions. It is noteworthy that the BCB has started publishing a quarterly FSS report since 2023Q4. The survey is published on the Thursday of the subsequent week to the Comef meeting. Opinions reported here come from the respondent financial institutions. Since the previous FSR edition, two surveys have been conducted, one from October 21st to November 2nd, 2024, and another from October 2nd to 24th, 2025, respectively with 85 and 78 financial institutions responding out of a total of 96 institutions invited (of this total, 74 are regulated by the BCB, 10 by the CVM, 7 by Previc and 5 by Susep). In February 2026, the sample with the BCB's segment of regulated institutions that responded to the latest FSS accounted for almost 90% of the assets in this segment.

59 Questions: "In the next three years, which risks to financial stability does your institution deem as most relevant, considering the probability of occurrence and their impact on the SFN?" and: "For each of the three mentioned risks, indicate the probability and the impact, considering the following classes: i) probability: low (<1%); medium-low (1%-10%); medium-high (10%-30%); high (>30%); ii) impact (SFN's total assets): very low (<0.1%); low (0.1%-1%); medium (1%-5%); high (5%-10%); very high (>10%)".

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Mentions of delinquency and activity risks increased in an environment of high household and corporate leverage. Concern was raised about the increasing of household debt-to-service ratio committed to debt servicing and about increasing delinquency in specific sectors, such as agribusiness, which could strain the supply of credit and contribute to a further slowdown in economic growth.

Operational risks remain the fourth most frequently cited risk; however, concerns about political risks have increased. The sophistication of cyber attacks continues to be a risk mentioned by respondents, with potential impacts on the reputation of the SFN. Nevertheless, references to political risks related to institutional quality have increased, with concerns regarding the BCB's operational autonomy and institutional uncertainties, which could undermine confidence in the SFN.

Table 1.3.1 – FSS – Risk considered most important by financial institutions

Risk	Frequency (%)			Probability	Impact
	Aug 2025	Nov 2025	Feb 2026	Feb 2026	
Fiscal risks	38	48	40	Medium-High	High
Delinquency and economic activity	16	26	22	Medium-High	High
Global scenario	30	11	19	Medium-High	High
Market risk	3	1	4	Medium-Low	Medium
Political risks	0	0	4	Medium-High	Medium

Table 1.3.2 – FSS – Three risks mentioned by financial institutions

Risk	Frequency (%)			Probability	Impact
	Aug 2025	Nov 2025	Feb 2026	Feb 2026	
Global scenario	0.89	0.86	0.76	Medium-High	Medium
Fiscal risks	0.71	0.71	0.74	Medium-High	High
Delinquency and economic activity	0.55	0.62	0.59	Medium-High	High
Operational risk	0.25	0.24	0.22	Medium-High	Medium
Political risks	0.07	0.06	0.17	Medium-High	Medium

Note: Financial institutions answer the following question: "In the next three years, which risks to financial stability does your institution deem as most relevant, considering the probability of occurrence and their impact on the SFN? Describe the three risks in order of importance (the most important first, considering the product between the probability of the event occurring and the magnitude of losses as a fraction of the total SFN's assets)". The BCB then classifies these descriptions into different risk categories for analytical purposes. Table 1.3.1 presents information referring only to the most important risk according to each institution, while Table 1.3.2 refers to the three risks listed by each of them.

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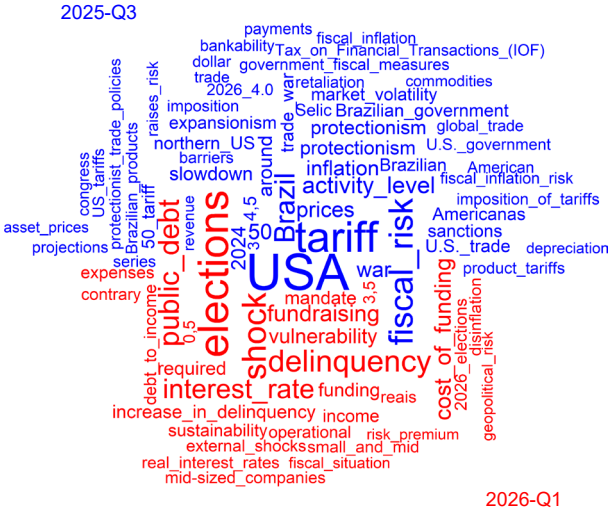
Textual analysis of the most important risk emphasizes concerns regarding delinquency and the fiscal policy and its repercussions. The terms "delinquency", "interest rates", and "inflation" are the most mentioned terms by financial institutions regarding the answers about the key risks to stability,[60] followed by "uncertainty" and terms related to the fiscal situation. In the comparison among the last three surveys, there was an increase in the occurrence of the terms "elections" and "public debt", related to the consequences of the proximity of the electoral process, "shock" and "delinquency". Conversely, references to international outlook terms such as "U.S." and "tariff" decreased (Charts 1.3.1 e 1.3.2).[61]

Chart 1.3.1 – FSS – Word cloud describing the most important risk

Note: The word cloud is compiled from the textual analysis of the most important risk described by each respondent. The size of the word is proportional to its frequency.

Chart 1.3.2 – FSS – Evolution of risk perception



Note: The comparative word cloud is compiled from the textual analysis of the most important risk described by each respondent. The color of the word indicates the FSS in which the word frequency was predominant. The size of the word is proportional to the difference between the word frequency in the corresponding FSS and the average frequency of the same word in the three surveys depicted in the figure.

The average expected impact on the SFN decreased for all risks compared with the latest surveys, except for political risks. The sum of the average expected impact of all risks reached 2.56% of the SFN assets, compared with 3.02% in the August

60 It should be noted that terms such as "inflation" and "interest" may refer to both domestic and international variables.

61 In many cases, the word cloud does not allow to distinguish whether the variable refers to Brazil or abroad. However, the assessment is complemented with a more granular analysis.

2025 survey. On the same basis of comparison, the average expected impact of fiscal risks decreased from 0.93% of SFN assets to 0.88%, although they remain the most frequently cited risks by financial institutions (Chart 1.3.3). The average expected impact of international scenario risks and delinquency and activity risks fell from 0.63% to 0.62% and from 0.62% to 0.52%, respectively. Conversely, the average expected impact of political risks increased from 0.08% to 0.10% of the SFN assets. When analyzing separately the probability of materialization and the impact of risks among the financial institutions that cite them, a decrease in the probability of the three main risks is again observed (Charts 1.3.4.a to 1.3.4.d).

Note: The average expected impact of risk r is computed as $I_r = \frac{1}{n}\sum_b probability_{br} * impact_{br}$, where n is the number of financial institutions; and probability and impact are values assigned by the respondents to the risk mentioned in the FSS. Risks are assumed to be independent so they can be aggregated into a single indicator. Hence, $I = \sum_r I_r$. All three risks pointed out by financial institutions are considered. The measure I_r refers to the expected impact of a risk type from the point of view of the group of respondents. It is not a feature of the r risk class itself but of the group's expectation about the materialization of that risk. For example, there could be a risk class with a very high expected impact mentioned by only one respondent. In this case, the average expected impact of the risk from the respondents' point of view would be low.

Chart 1.3.3 – FSS – Average expected impact

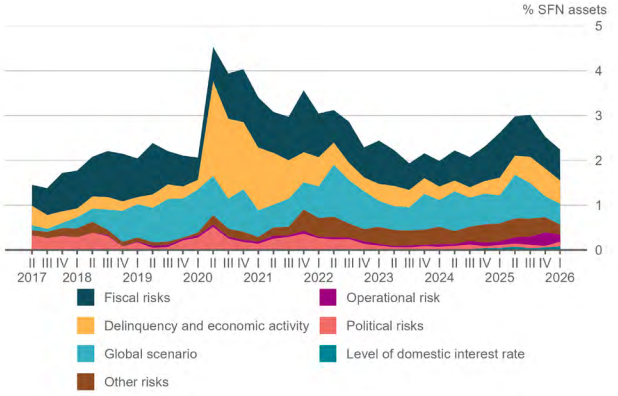


Chart 1.3.4.a – FSS – Global scenario: probability, impact and frequency

Chart 1.3.4.b – FSS – Fiscal risks: probability, impact and frequency

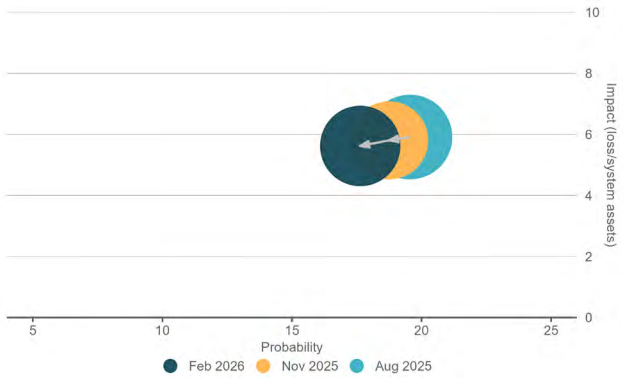
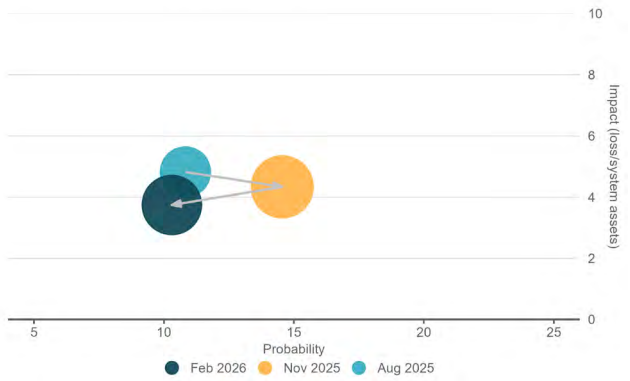


Chart 1.3.4.c – FSS – Delinquency and economic activity: probability, impact and frequency

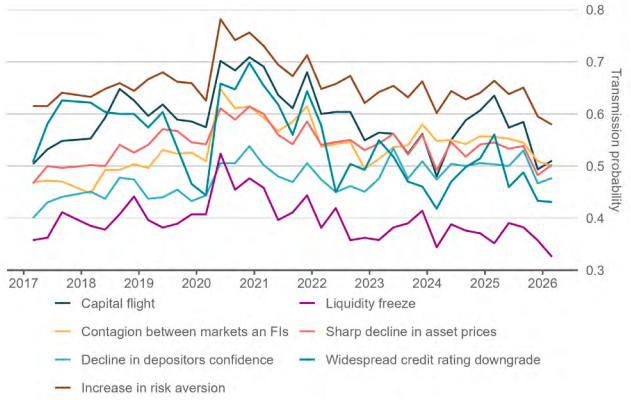
Chart 1.3.4.d – FSS – Operational risk: probability, impact and frequency



Note: The size of the circle represents the frequency of the risk. The x and y coordinates represent the midpoint of the probability and the impact classes, respectively.

The probability attributed to the transmission of shocks in the SFN decreased across all channels evaluated. Compared with the August 2025 survey, the "increased risk aversion" remained the most relevant channel, although with the lowest probability in the time series. The "capital flight" channel, despite a significant decline, remains the second most relevant channel, close to the "market and financial institutions contagion" and "price decline" channels. In addition, the probability of transmission through "liquidity freeze" remained the least relevant among the channels analyzed (Chart 1.3.5).

Chart 1.3.5 – FSS – Transmission channels of high-impact events

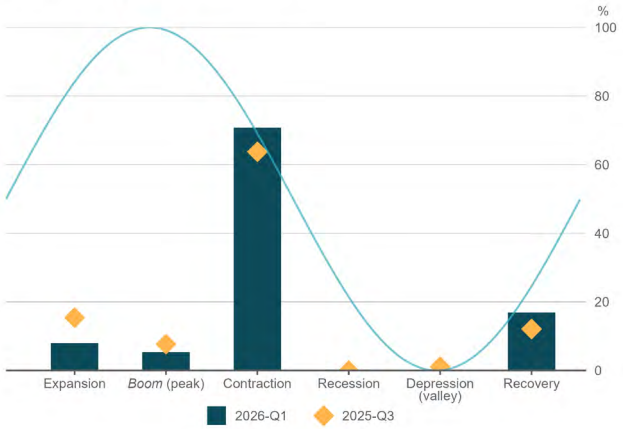


Note: Financial institutions answer the following question: "In the case of the occurrence of the event described as the most relevant to financial stability, what is the probability of this shock being carried through the channels below?"

Economic and financial cycles[62]

Most financial institutions believe that the economic cycle is in a contraction. The share of respondents who believe the economic cycle is in a "contraction" increased from 64% to 71% from August 2025 to February 2026, while the percentage of respondents who believe the economic cycle is in a "boom" or "expansion" fell from 23% to 13%. However, the assessment that the cycle is in "recovery" rose from 12% to 17% (Chart 1.3.6).

Chart 1.3.6 – FSS – Economic cycle



There has been a decrease in the number of respondents who believe that financial institutions' willingness to take risks is low, while at the same time there has been a decline in the number of financial institutions that assess

62 Questions: "How would your institution classify the current phase of the economic cycle? Classifications: Expansion; Boom; Contraction; Recession; Depression; and Recovery". and "Classify your institution's assessment of the following financial cycle factors: Credit/GDP gap; Access to funding and means of liquidity; Degree of corporate leverage; Degree of household leverage; Asset prices in relation to economic fundamentals; Willingness to take risks of institutions in your segment. Classifications: High/increasing; High/stable; High/declining; Low/declining; Low/stable; and Low/increasing".

the credit-to-GDP gap as high. Although most institutions consider the credit-to-GDP ratio to be high, this perception declined from 75% in August 2025 to 68% in February 2026. In turn, the perception of its downward trend increased from 40% to 49% (Chart 1.3.7.a). The percentage of respondents who believe that the willingness of financial institutions to take risks is low decreased from 75% to 69% over the period, while the perception of a downward trend fell from 40% to 29% (Chart 1.3.7.b).

Chart 1.3.7.a – FSS – Financial cycles
Credit-to-GDP gap

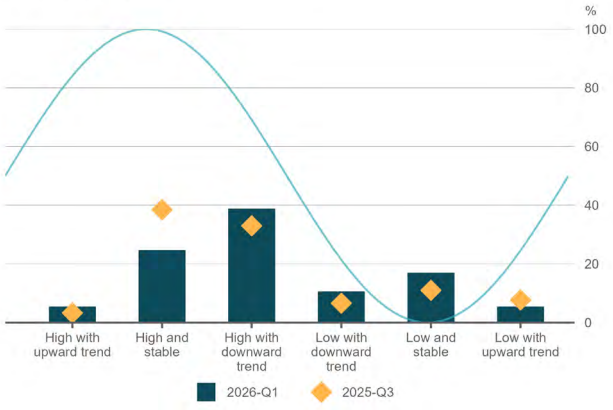
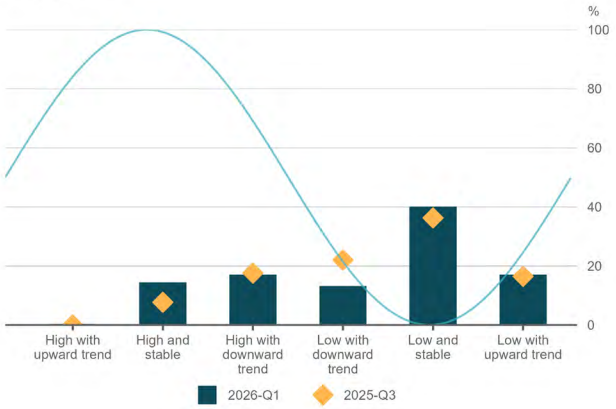


Chart 1.3.7.b – FSS – Financial cycles
Risk appetite



Household and corporate leverage levels are widely perceived as high. The share of respondents who rate household leverage as high reached 99%, with only 13% still expecting an upward trend, compared with 24% in August (Chart 1.3.7.c). Regarding companies, 79% of respondents believe that the leverage is high (78% in August 2024). The perception of an upward trend rose from11% to 17% over the period (Chart 1.3.7.d).

Chart 1.3.7.c – FSS – Financial cycles
Households leverage

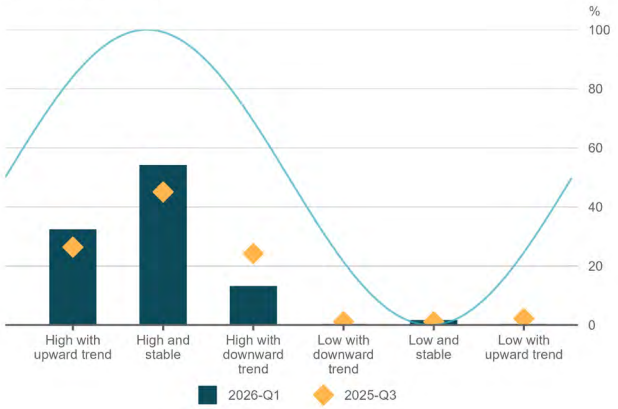
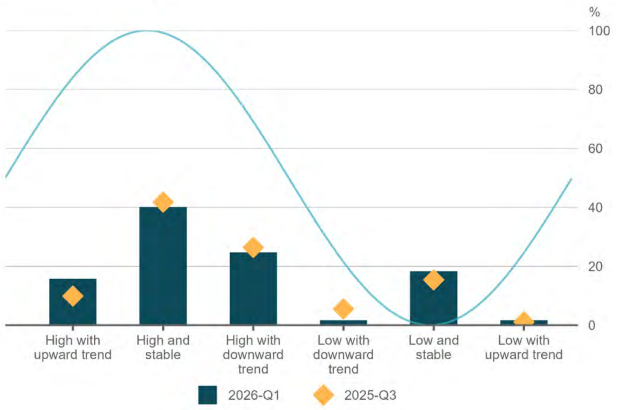


Chart 1.3.7.d – FSS – Financial cycles
Companies leverage



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The perception of a downward trend declined both in "access to funding and liquidity" – despite its assessment remaining high – and in "asset prices in relation to economic fundamentals." The share of respondents who rate access to funding and liquidity as high remained at 79%, while the perception of a downward trend declined to 32%, from 43% in August (Chart 1.3.7.e). Likewise, the perception of a downward trend in asset prices in relation to economic fundamentals declined from 32% to 23% (Chart 1.3.7.f).

Chart 1.3.7.e – FSS – Financial cycles
Funding and liquidity

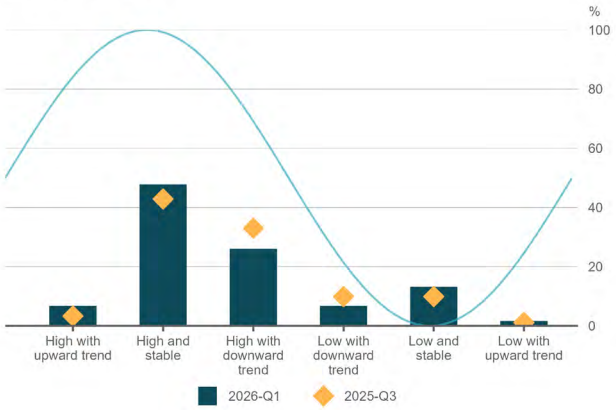
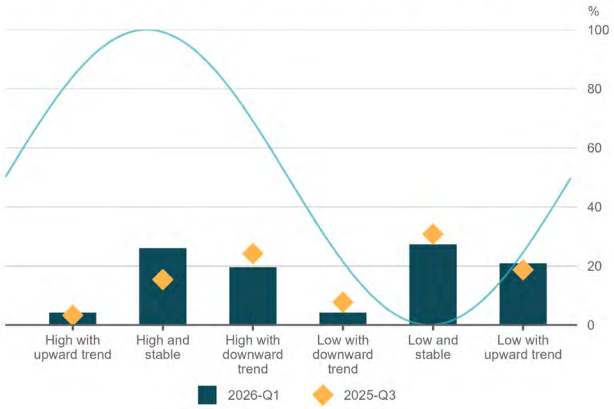


Chart 1.3.7.f – FSS – Financial cycles
Asset prices with respect to the fundamentals of the economy

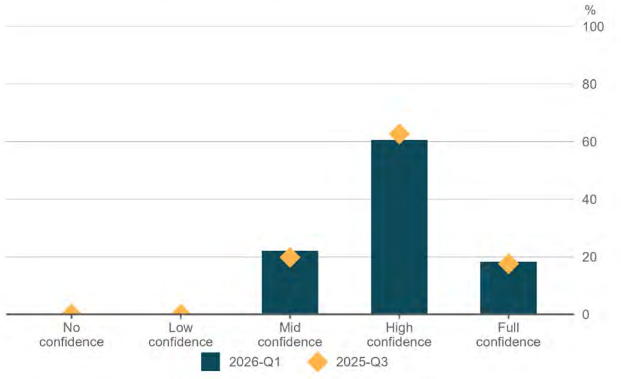


Resilience and confidence in the financial system stability

Confidence in the SFN stability remains high. According to respondents, confidence in the stability of the financial system remains high, but with a slight decline compared with the survey published in the previous FSR. Most financial institutions are very or fully confident in the SFN's resilience (78% in February, compared with 80% in August). Similarly to the previous surveys, there were no negative mentions – "little confidence" or "no confidence" (Charts 1.3.8. and 1.3.8.b).

Chart 1.3.8.a – FSS – Index of confidence in the stability of the financial system
Evolution of confidence indexes

Chart 1.3.8.b – FSS – Index of confidence in the stability of the financial system
Relative distribution of confidence perceptions



Expectations and suggestions for the Countercyclical Additional Buffer

The financial institutions regulated by the BCB subject to the CCyB expect and suggest a $CCyB_{Brazil}$ at 0%. Of those, 97% expected the $CCyB_{Brazil}$ to remain at 0% and recommended maintaining it at that level (Charts 1.3.9.a and 1.3.9.b). This result has remained relatively stable during all the surveys.

Chart 1.3.9.a – FSS – Expectations and suggestions for the Countercyclical Additional Buffer (Brazil)
Expectations

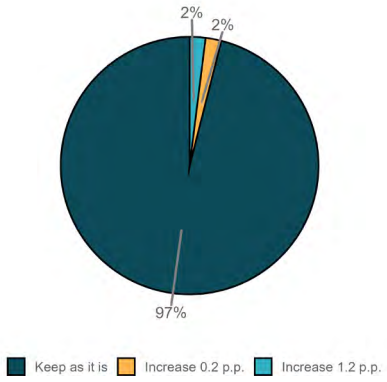
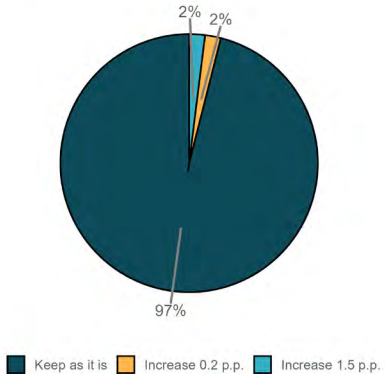


Chart 1.3.9.b – FSS – Expectations and suggestions for the Countercyclical Additional Buffer (Brazil)
Suggestions



1.4 Financial market infrastructures

In the second half of 2025, FMIs contributed to the safe and efficient functioning of the markets. The systems were compliant with regulatory requirements and applicable international principles. These are necessary conditions for the stability of the SFN.

The financial system held enough intraday liquidity[63] to ensure seamless transactions in the Brazilian Payment System (SPB).[64] Interbank market transactions were settled without any relevant issues and under low risk of intraday fund insufficiency throughout the semester (Chart 1.4.1)[65]. Every three days the Reserves Transfer System (STR) managed a turnover that roughly equals to the Brazilian GDP. During the semester, the average need for funds for daily payments (NEL) was 2.5% of the total available liquidity, with a peak of 5.4%. The Instant Payment System (SPI) reached 313 million transactions in a single day. In more than 95% of time, institutions demanded no more than 25% of their liquidity to settle payments off the STR´s operating timetable (Chart 1.4.2).

63 Aggregate balance of funds available for interbank payments and transfers.

64 Real-time gross settlement systems: Reserves Transfer System (STR), Instant Payment System (SPI) and Funds Transfer System (CIP-Sitraf).

65 FIs can transfer required reserve balances to the Reserves Account and convert Brazilian Government Bonds into Banco Central do Brasil (BCB) money by doing repo operations, both without intraday financial costs.

Chart 1.4.1 – Liquidity Potential and Effective Liquidity Needs

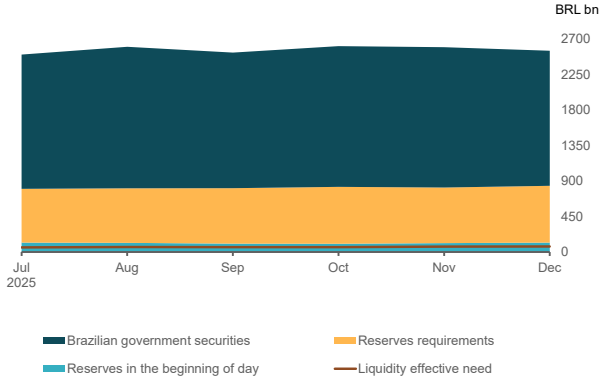
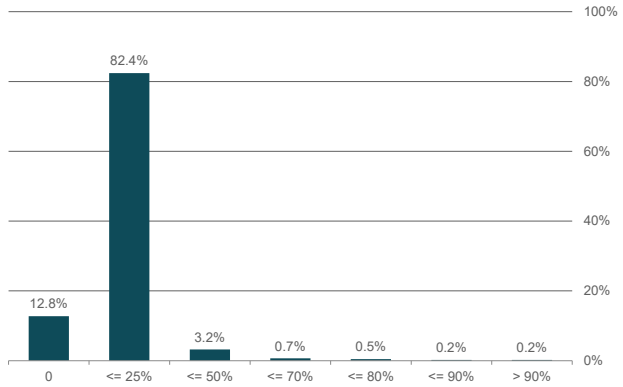


Chart 1.4.2 – After-Hours Liquidity Needs



Pix continues to increase its relevance in the SFN and SPB. In the past semester, this instant payment tool accounted for 29.0% of all retail payments. The transaction volume grew by 21.6% over the semester and 22.1% over the past twelve months (Chart 1.4.3). Transactions between individuals and businesses (P2B) became the main use case (Chart 1.4.4), surpassing transactions between individuals. The SPI maintained availability above 99.9% throughout the period, with 99% of transactions processed by the SPI within 0.449 seconds.

Chart 1.4.3 – Interbank Pix (settled by SPI) and Intrabank

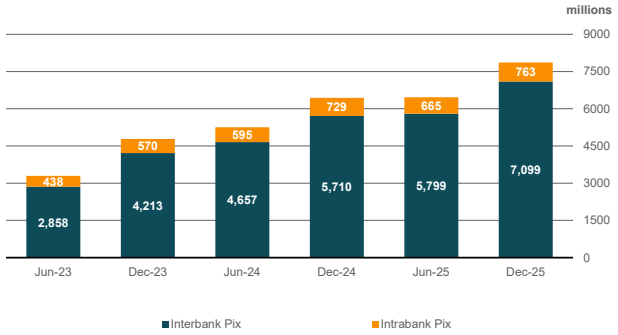
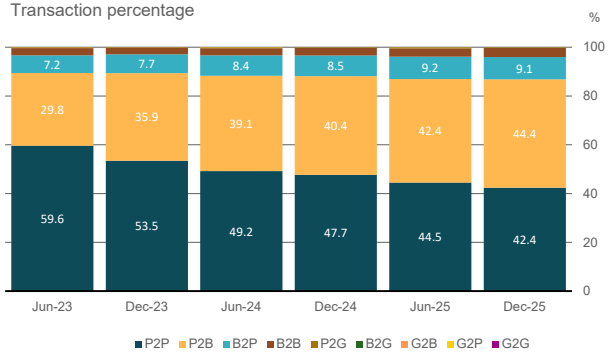


Chart 1.4.4 – Pix transactions types (Interbank Pix)
Transaction percentage



(P = Person, B = Business, G = Government)
(e.g.: P2P = Person to Person)

The financial risks of the financial assets, securities and foreign exchange markets were properly managed by the FMIs. B3 S.A. acts as CCP in two systems: the B3 Clearinghouse and the B3 FX Clearinghouse. In both cases, the initial margin model's confidence level exceeds 99%, in accordance with the Principles for Financial Market Infrastructures (PFMI).[66] The stress scenarios employed by B3 were more severe than the variations observed in the main Primitive Risk Factors (PRF)[67] in the period (Table 1.4.1). The margins required by B3 Clearinghouse were sufficient to cover the risk of a high percentage of investors' portfolios, as assessed by the BCB (Chart 1.4.5).

66 This confidence level relates to the estimated distribution of future exposure to settled financial instruments.

67 The primitive risk factor associated with a derivative contract is the designation given to the financial variables that are relevant to the contract's price formation.

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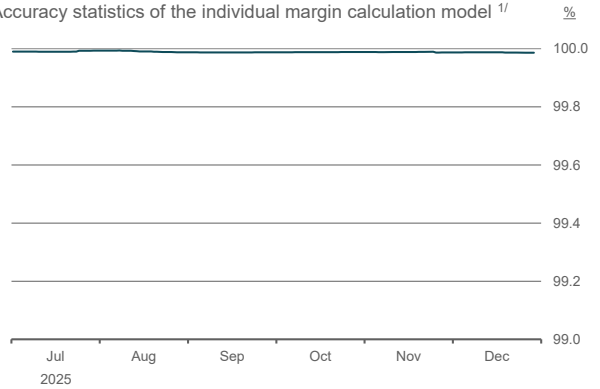
Table 1.4.1 – B3
Clearinghouse Primitive Risk Factors (PRF)

Discrimination	Low[1/]	High[1/]
Ibovespa spot	2%	15%
USD spot	14%	20%
Fixed rate 42	1%	1%
Fixed rate 126	7%	5%
Fixed rate 252	11%	9%
Fixed rate 756	12%	20%
DDI[2] 180	11%	5%
DDI 360	15%	5%
DDI 1080	18%	7%

Sources: [B] [3] and BCB
Staff calculations
1/ Highest percentage of accululated variation over 2 days considering the low and high scenarios in the 2st semester of 2025.
2/ Foreign exchange coupon.

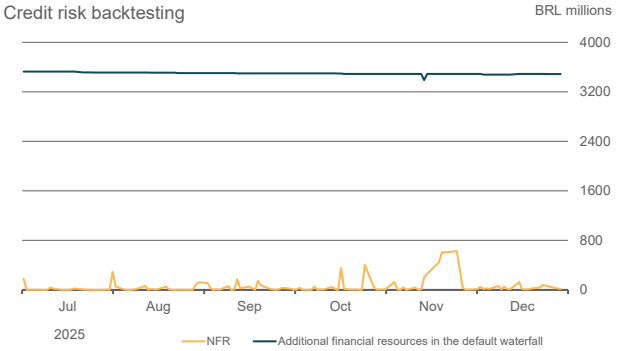
Chart 1.4.5 – B3 Clearinghouse
Accuracy statistics of the individual margin calculation model [1/]



1/ Simply put, the statistic corresponds to an average, over a moving period of 63 working days, of the ratio between (i) the number of portfolios that would not have suffered losses greater than those calculated by the individual margin model used by the CCP; and (ii) the total number of portfolios.
Sources: [B][3] and BCB
Staff calculations

The credit and liquidity exposures were adequately managed by the CCP on all days of the period.[68] In the B3 Clearinghouse, individual margin and prefunded additional resources would be sufficient to cover B3's credit exposure to the two participants whose joint default would cause the largest aggregate credit exposure (Chart 1.4.6). The liquid resources maintained by the B3 Clearinghouse would be sufficient to ensure the timely settlement of obligations for the two participants with the largest net debt positions. In the B3 FX Clearinghouse, the required collateral would be sufficient to cover its credit exposures associated with each of the participants. Liquid resources held by the B3 FX Clearinghouse would be sufficient to cover the default of the participant with the largest obligation in Brazilian reais (Chart 1.4.7) and in U.S. dollars (Chart 1.4.8).[69]

Chart 1.4.6 – B3 Clearinghouse
Credit risk backtesting



The Net Financial Result (NFR) is determined by comparing the financial result arising from the simulation of closing-out the participant's position against the value of its collateral, if it is declared in default. This result is calculated based on the close-out strategy projected by the individual margin calculation model and the actual changes in asset prices, observed in the subsequent days.
Sources: [B][3] and BCB
Staff calculations

68 The backtestings indicate that the B3 Clearinghouse and the Foreign Exchange Clearinghouse are complying with SPB legislation and the objectives of the PFMI.

69 Principle 7 of the PFMI determines: a) maintenance of sufficient liquid resources to timely settle the obligations arising from the default of the two participants, including companies controlled by them, which would generate the largest aggregate payment obligation for the CCP, in the case of CCPs that are considered systemically important in more than one jurisdiction, or that have a complex risk profile; or b) maintenance of sufficient liquid resources to timely settle the obligations arising from the default of the participant and its affiliates, which would generate the largest aggregate payment obligation for the CCP, in the case of the other CCPs. Since the B3 FX Clearinghouse is systemically important only in Brazil, does not have a complex risk profile and only settles spot dollar purchase and sale contracts, the events represented in Charts 1.4.7 and 1.4.8 are compatible with international recommendations and domestic regulations.

Chart 1.4.7 – B3 FX Clearinghouse
Liquidity shortage in BRL

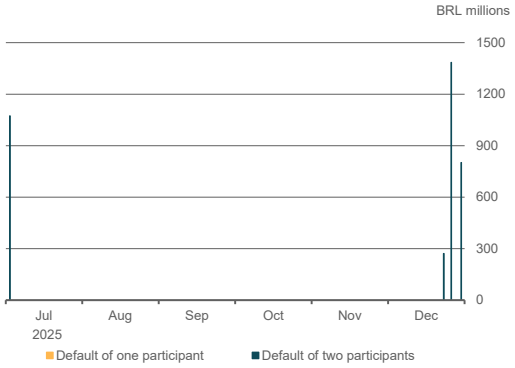
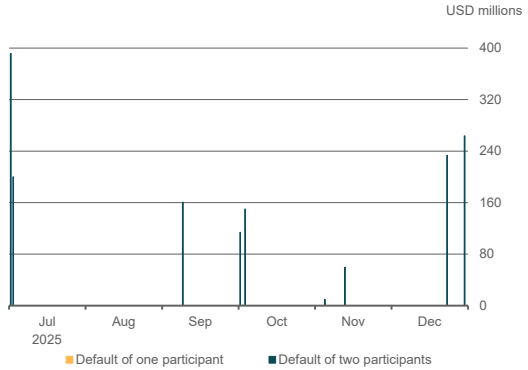


Chart 1.4.8 – B3 FX Clearinghouse
Liquidity shortage in USD



II

Selected Topics

2.1 Credit cost and spread decomposition

In 2025, the average Cost of Outstanding Loans (ICC) and its spread resumed expansion, after declining in 2024, mainly reflecting the higher funding cost and delinquency. The adjusted average ICC grew from 19.84% in 2024 to 20.93% in 2025 (Chart 2.1.1). This movement was driven by increased contributions of the funding cost, from 7.53 p.p. to 8.32 p.p., and delinquency, from 4.16 p.p. to 4.61 p.p. Administrative expenses remained relatively stable, while the ICC financial margin and taxes and Credit Guarantor Fund (FGC) declined (Table 2.1.1).[70]

Chart 2.1.1 – ICC and its spread

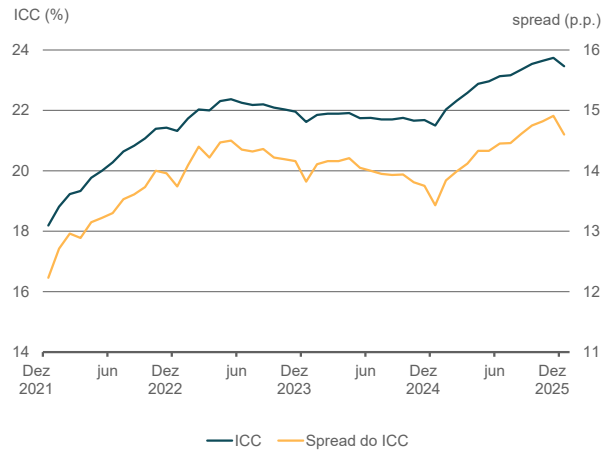


Table 2.1.1 – ICC adjusted average breakdown

p.p.

Item	2023	2024	2025	Average
1 - Funding cost	7.54	7.53	8.32	7.80
2 - Delinquency	4.51	4.16	4.61	4.43
3 - Administrative expenses	2.93	2.90	2.89	2.91
4 - Taxes and FGC	2.61	2.66	2.59	2.62
5 - ICC financial margin	2.51	2.59	2.52	2.54
Adjusted average ICC (1 + 2 + 3 + 4 + 5)	20.10	19.84	20.93	20.29

The increased ICC funding cost in 2025 is consistent with the tighter monetary policy path throughout the year. After ending 2024 at 12.25% p.a., the Selic rate was raised to 13.25% in January, to 14.25% in March, to 14.75% in May, and to 15.00% in June 2025, remaining at this level until the end of 2025.

The contribution of delinquency also increased, suggesting deterioration of the portfolio quality in an environment of more costly credit and tighter financial conditions. In line with this expansion, the total delinquency rate rose from 2.95%, in December 2024 to 4.03% in December 2025, mainly impacted by operations with households, for which delinquency grew from 3.54% in December 2024 to 5.24% in December 2025, while, for corporations, it increased from 2.03% to 2.44%.

Conversely, the contributions from the financial margin and the group taxes and FGC declined. The contribution of the group taxes and FGC dropped from 2.66 p.p. to 2.59 p.p., whereas that of the ICC financial margin fell from 2.59 p.p. to 2.52 p.p. and that of administrative expenses remained relatively stable, decreasing from 2.90 p.p. to 2.89 p.p.

The order of importance of ICC components in 2025 remained stable, with the funding cost continuing to be the main determinant of the indicator. Nevertheless, its share on the adjusted

70 For methodological details on this calculation, see the appendix of this section.

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average ICC grew from 37.95% in 2024 to 39.75% in 2025. Delinquency remained the second-largest component, with its share growing from 20.97% to 22.03%. In the sequence were the shares of administrative expenses, dropping from 14.62% to 13.81%, taxes and FGC, falling from 13.41% to 12.37%, and the ICC financial margin, decreasing from 13.05% to 12.04% (Table 2.1.2 and Chart 2.1.2).

Table 2.1.2 – ICC adjusted average breakdown

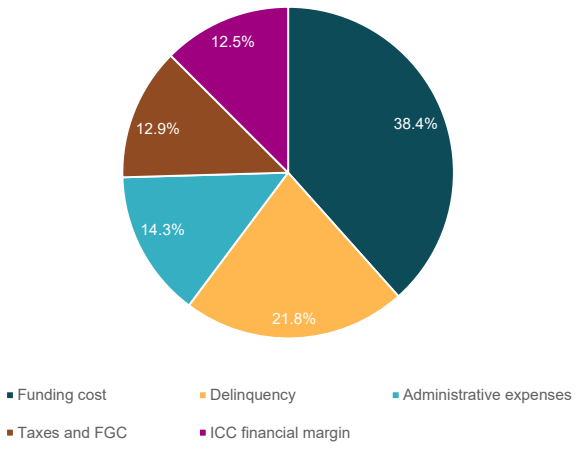
As a proportion of adjusted average ICC

%

Item	2023	2024	2025	Average
1 - Funding cost	37.51	37.95	39.75	38.41
2 - Delinquency	22.44	20.97	22.03	21.81
3 - Administrative expenses	14.58	14.62	13.81	14.33
4 - Taxes and FGC	12.99	13.41	12.37	12.92
5 - ICC financial margin	12.49	13.05	12.04	12.53
Adjusted average ICC (1 + 2 + 3 + 4 + 5)	100.00	100.00	100.00	100.00

Chart 2.1.2 – ICC breakdown

Average 2023 to 2025



The ICC spread also resumed growth in 2025, in line with higher delinquency. The average spread grew from 12.31 p.p. in 2024 to 12.62 p.p. in 2025, mostly reflecting the higher contribution of delinquency. Administrative expenses remained virtually stable, while taxes and FGC declined. Consequently, the rise in the spread observed in 2025 was primarily attributable to an increased proportion of credit risk, rather than to a widening of the financial margin (Table 2.1.3).

Table 2.1.3 – ICC spread breakdown

p.p.

Item	2023	2024	2025	Average
1 - Delinquency	4.51	4.16	4.62	4.43
2 - Administrative expenses	2.93	2.90	2.89	2.91
3 - Taxes and FGC	2.61	2.66	2.59	2.62
4 - ICC financial margin	2.51	2.59	2.52	2.54
ICC spread (1 + 2 + 3 + 4)	12.56	12.31	12.62	12.50

Delinquency remained as the key spread component in 2025, widening its relative share. Its contribution to the spread grew from 33.79% in 2024 to 36.61% in 2025. Administrative expenses accounted for 22.90%, taxes and FGC for 20.52%, and the financial margin for 19.97% (Table 2.1.4 and Chart 2.1.3).

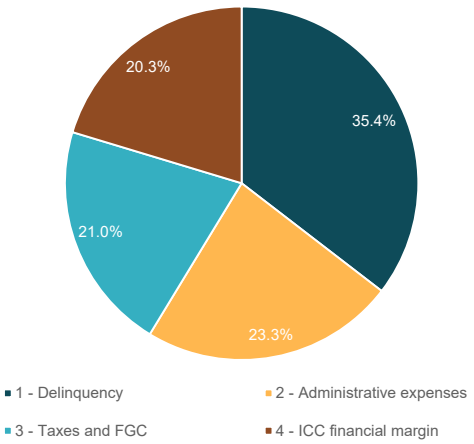
Table 2.1.4 – ICC spread decomposition

As a proportion of the spread

%

Item	2023	2024	2025	Average
1 - Delinquency	35.91	33.79	36.61	35.44
2 - Administrative expenses	23.33	23.56	22.90	23.26
3 - Taxes and FGC	20.78	21.61	20.52	20.97
4 - ICC financial margin	19.98	21.04	19.97	20.33
ICC spread (1 + 2 + 3 + 4)	100.00	100.00	100.00	100.00

Chart 2.1.3 – ICC spread breakdown
Average 2023 to 2025



The average ICC for earmarked credit and for each of its components remained significantly lower than those for non-earmarked credit in 2025. In non-earmarked credit, the average adjusted ICC increased from 27.48% in 2024 to 29.30% in 2025, whereas, in earmarked credit, it grew from 9.22% to 9.59%. The financial margin of the earmarked credit remained near zero, dropping from 0.63% to 0.27%, still reflecting the specific regulatory restrictions on the rates for these operations (Table 2.1.5 and Chart 2.1.4). The caps on interest rates for earmarked credit imposed by specific regulations explain this characteristic. Assuming the non-existence of an earmarked credit portfolio with near-zero profitability, it is reasonable to assume that the profitability of the non-earmarked credit portfolio could be lower[71], since financial institutions tend to compensate for profitability by increasing the ICC financial margin of non-earmarked credit to generate returns on the capital invested.

Chart 2.1.4 – ICC components
Non-earmarket, earmarket and total credit
Average 2023 to 2025

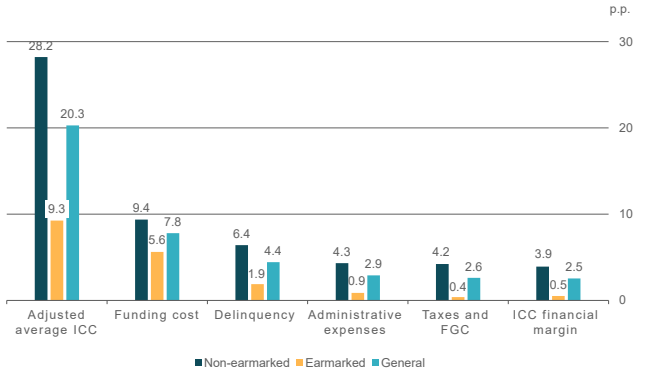


Table 2.1.5 – ICC Decomposition by Credit Type

p.p.

	Non-earmarked			Earmarket			Overall		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
1 - Funding cost	9.12	8.93	10.04	5.28	5.59	5.98	7.54	7.53	8.32
2 - Delinquency	6.38	5.97	6.85	1.78	1.70	2.17	4.51	4.16	4.61
3 - Administrative expenses	4.32	4.30	4.33	0.89	0.87	0.86	2.93	2.90	2.89
4 - Taxes and FGC	4.17	4.28	4.19	0.40	0.43	0.31	2.61	2.66	2.59
5 - ICC financial margin	3.86	4.00	3.89	0.62	0.63	0.27	2.51	2.59	2.52
Adjusted average ICC (1 + 2 + 3 + 4 + 5)	27.85	27.48	29.30	8.97	9.22	9.59	20.10	19.84	20.93

The difference between the ICC for earmarked credit and for non-earmarked credit increased in 2025, mainly reflecting the higher expansion in the funding cost and delinquency of non-earmarked operations. The difference between both segments increased from 18.26 p.p. in 2024 to 19.71 p.p. in 2025. This movement was driven by higher funding cost in the non-earmarked credit segment, more sensitive to the Selic rate trajectory, and by the stronger expansion of delinquency in this segment, from 5.97% to 6.85%, compared with expansion from 1.70% to 2.17% in the earmarked segment. The smaller expansion in the funding cost in the earmarked segment reflects its financing structure, mostly based on regulated or parafiscal sources, with rates defined by public policies with low sensitiveness to market conditions,

71 Simulations on Box 6 of the Banking Report 2017 "Methodology for Assessing the Impact of Reserve Requirements and Earmarked Credit" demonstrate that reductions in the rates of non-earmarked credit are proportional to reductions in the earmarked credit balance.

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which smooths the transmission of monetary policy to this segment. This result reinforces the understanding that a tighter monetary policy affects more strongly the non–earmarked segment.[72]

Methodological appendix

The ICC decomposition aims to identify and measure the main factors that determine the cost of credit for borrowers.[73]

In this edition, methodological adjustments were made to align calculations consistent with the accounting changes introduced from January 2025 by Resolution CMN 4,966, of 2021, the associated complementary regulation, as well as by the new Cosif 1.5 structure, highlighting the adjustments relative to the treatment of past due operations, the appropriation of revenues associated with these operations, and with the new rules concerning provisions for expected losses and the writing-off as loss.

Table 2.1.A1 shows the items used for the calculation of decomposition and its values, while Table 2.1.A2 decomposes the overall ICC into non-earmarked and earmarked credit. These items are grouped into five components, as follows (between brackets, the corresponding lines in the table):

1) "Funding Cost" (B): estimates the interest paid by financial institutions on their funding, as in the case of time deposits;

2) "Delinquency" (H + I + J): captures losses arising from non-payment of debts or interest, in addition to discounts granted;

3) "Administrative expenses" (G): captures diverse administrative expenses such as personnel and marketing, incurred by financial institutions to carry out credit operations;

4) "Taxes and FGC" (D + E + F + K.2 + M): reflects taxes on credit paid by borrowers and financial institutions. Clients pay the Tax on Financial Operations (IOF). Financial institutions pay contributions to the Social Integration Program (PIS), Contribution for Social Security Financing (Cofins), Income Tax (IR), Social Contribution on Net Income (CSLL), and also Withhold Income Tax (IRRF) on interest paid to equity owners. All these taxes, directly or indirectly, affect the ICC. Moreover, all institutions associated with the FGC shall monthly contribute to the fund with a certain percentage of the balances of guaranteed accounts;[74] and

5) "ICC Financial Margin" (N): includes the ICC share that remunerates the shareholders' capital of financial institutions for credit activity and other factors not mapped by the methodology, such as errors and omissions in the estimates.

72 Interest rates of non-earmarked credit operations respond more strongly to changes in the Selic rate. See, for instance, box "Monetary policy power" in the March 2020 Inflation Report (IR).

73 For methodological details on the ICC decomposition, see box 5 "Credit cost and spread decomposition methodology" in the Banking Report 2017, and boxes concerning methodological improvements in subsequent reports.

74 Further details on the institutions associated to the FGC and guarantees offered are available at https://www.fgc.org.br/ (Portuguese only).

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Table 2.1.A1 – ICC Composition

p.p.

Item	2023	2024	2025
A.1 - Average ICC	22.06	21.75	23.06
A.2 - Adjustment for capitalization method	1.96	1.91	2.13
A - Adjusted average ICC (A.1 - A.2)	20.10	19.84	20.93
B.1 - Funding cost	7.81	7.80	8.64
B.2 - Adjustment for capitalization method	0.27	0.27	0.32
B - Adjusted funding cost (B.1 - B.2)	7.54	7.53	8.32
C - Spread (A - B)	12.56	12.31	12.61
D - FGC expense	0.05	0.05	0.05
E - IOF	0.32	0.30	0.30
F - PIS and Cofins contributions	0.52	0.51	0.53
G - Administrative expenses	2.93	2.90	2.89
H - Loss estimate	3.40	3.19	3.68
I - Interest not received from operations with delays of 60 days or more	0.78	0.69	0.70
J - Discounts granted	0.33	0.28	0.24
K.1 - Interest on equity received by shareholders	0.52	0.50	0.56
K.2 - Withholding income tax on interest on equity	0.09	0.09	0.10
K - Interest on equity expense (K.1 + K.2)	0.61	0.59	0.66
L - ICC margin before income tax, social contribution (C - D - E - F - G - H - I - J - K)	3.63	3.80	3.58
M - Income tax and social contribution	1.63	1.71	1.61
N - ICC financial margin (L - M + K.1)	2.51	2.59	2.52

Table 2.1.A2 – ICC composition by credit type
Average 2023 to 2025

p.p.

Item	Non-earmarked	Earmarked	Overall
A.1 - Average ICC	22.06	9.65	22.29
A.2 - Adjustment for capitalization method	1.96	0.40	2.00
A - Adjusted average ICC (A.1 - A.2)	20.10	9.25	20.29
B.1 - Funding cost	7.81	5.76	8.08
B.2 - Adjustment for capitalization method	0.27	0.15	0.29
B - Adjusted funding cost (B.1 - B.2)	7.54	5.62	7.80
C - Spread (A - B)	12.56	3.64	12.49
D - FGC expense	0.05	0.04	0.05
E - IOF	0.32	0.03	0.31
F - PIS and Cofins contributions	0.52	0.16	0.52
G - Administrative expenses	2.93	0.87	2.91
H - Loss estimate	3.40	1.61	3.42
I - Interest not received from operations with delays of 60 days or more	0.78	0.15	0.72
J - Discounts granted	0.33	0.12	0.28
K.1 - Interest on equity received by shareholders	0.52	0.53	0.53
K.2 - Withholding income tax on interest on equity	0.09	0.09	0.09
K - Interest on equity expense (K.1 + K.2)	0.61	0.62	0.62
L - ICC margin before income tax, social contribution (C - D - E - F - G - H - I - J - K)	3.63	0.05	3.67
M - Income tax and social contribution	1.63	0.06	1.65
N - ICC financial margin (L - M + K.1)	2.51	0.51	2.54

2.2 Concentration indicators

The concentration in the SFN (National Financial System) decreased in 2025, following the trend of recent years. The normalized Herfindahl-Hirschman Index (HHIn) decreased for all accounting aggregates considered: total assets, total deposits and credit operations (Table 2.2.1). Considering the references from the Merger Review Guidelines (Guide), published in Communiqué 22,366, of April 27, 2012, the classification of the concentration level for all the aggregates remained at the lowest level (unconcentrated market). Similarly, the Four-Firm Concentration Ratio (CR4) showed a reduction in all accounting aggregates, maintaining the composition of leading institutions.

The reduction in SFN concentration was due to a market share increase for the credit unions segment (b3) and non-banking institutions (n1 + n2). As in previous years, institutions in the banking segment (b1 + b2) lost market share. This trend was observed in all accounting aggregates considered during the period (Table 2.2.1) and is associated with slower growth in assets, total deposits and credit operations in this segment than in non-banking institutions (n1 + n2) and credit unions (b3) (Charts 2.2.1 and 2.2.2).

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Table 2.2.1 – Summary of SFN concentration indicators

Item	Total assets			Total deposits			Credit operations		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Market share by segment (%)									
b1 + b2	87.6	86.6	85.8	90.7	89.0	87.8	85.8	85.0	83.5
b3	5.5	5.9	6.1	6.6	7.5	7.9	6.8	7.2	7.8
b4	4.5	4.7	4.9	0.1	0.3	0.5	5.3	5.2	5.7
n1+n2	2.2	2.4	3.0	2.5	3.0	3.7	2.0	2.6	3.0
n4	0.2	0.3	0.2	0.1	0.2	0.1	0.0	0.0	0.0
Market share by type of ownership (%)									
State-owned	37.4	37.4	37.2	32.6	33.3	31.8	44.1	44.0	42.7
Private	62.6	62.6	62.8	67.4	66.7	68.2	55.9	56.0	57.3
Concentration Indicators									
HHIn	0.0881	0.0870	0.0847	0.0944	0.0919	0.0862	0.0990	0.0986	0.0944
E.N.	11.3	11.5	11.8	10.6	10.9	11.6	10.1	10.1	10.6
CR4 (%)	55.3	54.7	54.1	57.9	57.1	55.3	57.8	57.9	57.1
CR4 market share (%)	CEF (15) BB (14.9) ITAU (13.8) BRADESCO (11.6)	CEF (15.1) BB (14.9) ITAU (13.6) BRADESCO (11.1)	BB (15) CEF (14.7) ITAU (13) BRADESCO (11.4)	BB (15.5) ITAU (15.1) CEF (13.9) BRADESCO (13.4)	BB (15.4) CEF (14.6) ITAU (14.5) BRADESCO (12.6)	CEF (14.4) BB (14.3) ITAU (14) BRADESCO (12.5)	CEF (19.6) BB (16.4) ITAU (11.5) BRADESCO (10.3)	CEF (19.7) BB (16.5) ITAU (11.2) BRADESCO (10.4)	CEF (19.2) BB (15.4) BRADESCO (11.3) ITAU (11.2)

There was a reduction or a stabilization in concentration levels in most relevant credit markets. In 2025, concentration levels of most of the main credit segments either declined or remained stable, as measured by both the Equivalent Number of the HHI (EN) and the CR4 metrics (Table 2.2.2). Based on EN, the largest reductions in concentration levels occurred in acquired receivables (companies) and vehicle financing (individuals). According to the Guide, in 2025, the concentration level remains high in rural and agro-financing (individuals and companies), housing financing (individuals and companies), and infrastructure and development financing (companies), whose resources are predominantly earmarked. A moderate concentration level is observed in payroll-deduced personal credit (individuals), vehicle financing (individuals), credit cards (individuals and companies), and overdraft (individuals and companies). The segments of operations with acquired receivables (companies), working capital (companies), and non-payroll personal credit (individuals) are considered unconcentrated.

Concentration by ownership type varies according to the source of funding for credit operations. In markets with high concentration, where earmarked credit predominates, the market share of state-owned banks is higher than that of private banks. By contrast, in markets with moderate concentration, characterized by non-earmarked resources, private banks prevail.

Chart 2.2.1 – Evolution of accounting aggregates in the banking segment

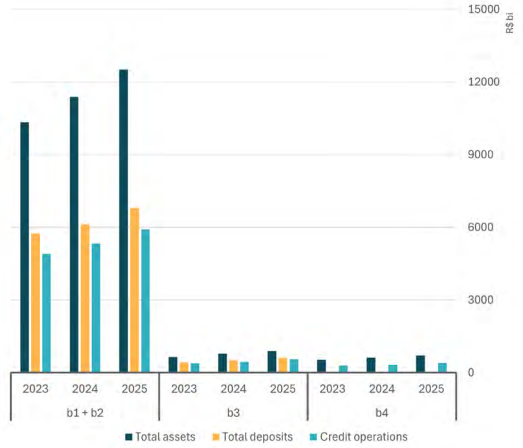

Chart 2.2.2 – Evolution of accounting aggregates in the non-banking segment

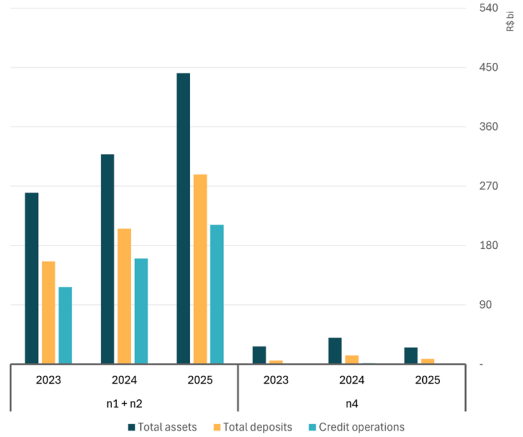

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Table 2.2.2 – Concentration indicators of SFN credit operations balance, by relevant market

Relevant markets	Concentration indicators								
	EN			CR4 (%)			Effective institutions[2/]		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Rural and agro-financing (individuals and companies) [1/]	4.0	4.0	4.2	64.0	64.2	64.6	60	59	62
Housing financing (individuals and companies)[1/]	2.1	2.1	2.0	92.6	92.6	93.0	12	12	12
Infrastructure and development financing (companies)[1/]	2.3	2.4	2.4	93.7	92.2	91.1	16	19	20
Operations with acquired receivables (companies)	9.8	10.4	11.1	55.9	54.6	52.0	31	31	33
Working capital (companies)	11.4	13.5	12.8	57.0	51.7	52.5	78	94	88
Payroll-deduced personal credit (individuals)	8.3	8.5	8.8	63.6	62.7	62.3	31	29	29
Non-Payroll Personal Credit (individuals)	14.1	14.3	13.3	46.6	49.2	51.0	62	72	68
Vehicle financing (individuals)	9.2	9.2	9.8	58.3	56.5	53.5	24	25	23
Credit card (individuals and companies)	8.8	9.4	9.4	59.5	57.4	58.1	35	34	33
Overdraft (individuals and companies)	7.2	6.9	7.0	68.0	68.0	67.9	50	56	57

1/ Unlike other relevant markets, both non-earmarked and earmarked resources were considered.
2/ Note: It was considered only financial institutions with a market share higher than 0.1% in the total active credit portfolio.

In 2025, the concentration levels in the brokerage markets (stocks, commodities and futures) were higher than in 2024. The concentration in investment products distribution decreased slightly over the same period. These patterns are observed in both EN and CR4 indicators and are related to a reduction in the number of effective institutions in those markets (Table 2.2.3). According to the references in the Guide, based on 2025 concentration levels, the stock brokerage market is classified as unconcentrated, while the markets for commodities and futures brokerage, as well as for investment product distribution, are classified as moderately concentrated.

Table 2.2.3 – Concentration indicators of transactions of stocks, commodities and futures, and investment products distribution

Relevant markets	Concentration indicators								
	EN			CR4 (%)			Effective Institutions		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Brokerage - commodities and futures	12.8	11.9	9.7	45.9	48.1	53.3	48	47	40
Brokerage - stocks	14.5	11.7	10.7	41.6	50.4	53.4	55	54	48
Investment products distribution	8.9	8.5	8.6	58.9	60.0	59.7	89	89	87

Source: B3 and Anbima.

2.3 Nonbank financial intermediation

The purpose of this section is to present an overview of nonbank financial intermediation in Brazil. It also aims to provide elements of international context that allow the Brazilian experience to be situated within the global NBFI monitoring framework. This comparison is based on Brazil's participation in working groups of the Financial Stability Board (FSB), whose work provides important benchmarks for evaluating convergence, specificities, and regulatory challenges faced by the segment in the country.

The NBFI has increased its share in the broad National Financial System (SFN).[75] The Brazilian NBFI sector is heterogeneous, subject to the oversight of multiple regulators, and has investment funds, pension funds, and insurance companies as its main components. The sector accounts for a significant share of the assets of the broad SFN, allocates most of its resources to highly liquid assets, and is the main holder of the Domestic Federal Public Debt. Its share of the broad credit is limited, despite its central role in capital markets. The investment fund segment—responsible for the largest share of assets within the Brazilian NBFI sector—exhibits low aggregate liquidity risk, but requires continuous monitoring due to its high interconnectedness, the opacity of certain investment structures, assets subject to significant valuation uncertainty and limitations in identifying the ultimate beneficial owner.

International regulators devoted increased attention to the NBFI sector after the 2008 financial crisis

The NBFI sector is heterogeneous and, in many jurisdictions, falls under the responsibility of distinct regulators. Formerly known as shadow banking, the sector encompasses all financial sector entities except central banks, deposit-taking institutions, and public financial institutions. Investment funds, insurers, and pension funds are its primary components. The sector brings together different business models and, through the complementary activities of various entities, may perform functions traditionally associated with banks, such as liquidity, maturity, and credit risk transformation. In several economies, NBFI regulation occurs outside the banking perimeter and involves capital markets, insurance, and pension authorities.

Global regulation of NBFI gained relevance after the GFC. The sector had experienced rapid expansion prior to the crisis, driven by the search for yield, financial innovation, and disintermediation. Its expansion brought benefits—such as diversifying funding sources for the economy—but also systemic risks under stress scenarios. Following the crisis, the global regulatory agenda focused on addressing vulnerabilities within the NBFI.

75 The broad SFN comprises the financial assets of the Banco Central do Brasil (BCB) and of the entities regulated by the BCB, the CVM, SUSEP, and PREVIC.

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The size of the Brazilian NBFI stands out among emerging economies, with investment funds as its main component

In March 2015, the BCB presented an overview of NBFI in Brazil. The sector was still referred to as shadow banking.[76] Since then, specific aspects of NBFI have been addressed in the FSR whenever relevant, such as the systematic monitoring of step-in risk[77] and the liquidity maintenance measures introduced during Covid-19.[78]

The NBFI sector has played a central role in the transformation of the Brazilian financial system. Investment funds have expanded their activity as providers of funding to the corporate sector, with fixed income and equity funds diversifying funding sources, Credit Rights Investment Funds (FIDCs) contributing to the anticipation and management of receivables, and private equity funds providing long-term capital. In parallel, the regulatory and technological environment has fostered the emergence of payment institutions (PIs), credit fintechs, and digital platforms, which have introduced agile financing modalities, instant payment instruments, and customized financial products.

Investment funds remain the main component of the Brazilian NBFI. Occupational and private pension funds, insurers, and reinsurers also play relevant roles. It is important to emphasize that although the entities within the NBFI sector are regulated, they are not subject to the same prudential framework applicable to the traditional banking system.[79] The Securities and Exchange Commission of Brazil (CVM) is the primary regulator, followed by the Superintendence of Private Insurance (SUSEP), the National Superintendence of Complementary Pensions (PREVIC), and the BCB, respectively (Table 2.3.1).

The BCB regulates a limited share of the Brazilian NBFI. These entities do not take deposits and are therefore classified as nonbank institutions. Although many of them—as well as part of the investment fund industry—belong to banking conglomerates and are therefore subject to the prudential framework applicable to financial institutions within those groups, they continue to be classified as NBFI.

76 The change in terminology occurred in the Global Monitoring Report on NBFI, published in 2019.

77 The monitoring of step-in risk has been reported in the Financial Stability Report (FSR) since the October 2017 edition, which presented the calculation methodology (available at https://www.bcb.gov.br/content/publicacoes/ref/201710/RELESTAB201710-refPub.pdf).

78 October 2020 edition of the Financial Stability Report (FSR), available at (https://www.bcb.gov.br/content/publicacoes/ref/202010/RELESTAB202010-refPub.pdf).

79 For instance, accounting frameworks, liquidity and solvency metrics, capital requirements, and other reporting information vary from one regulator to another.

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Table 2.3.1 – Composition of the broad Financial System in Dec-24

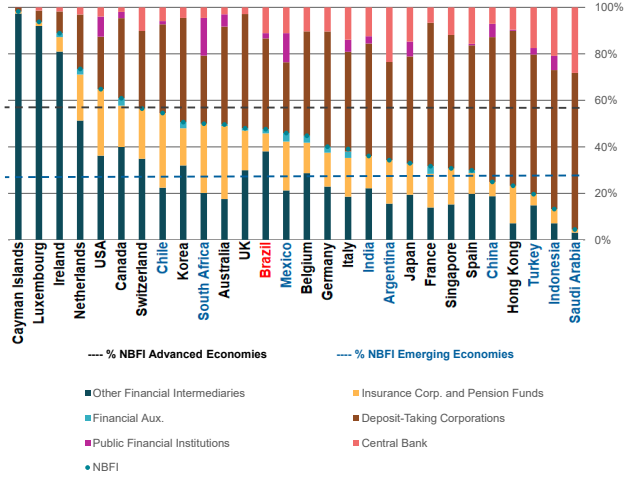
Subsector	Fin. Assets (BRL bn)	Regulator
Other Financial Intermediaries	**15,079**	
Investment funds	14,154	**CVM**
Fund of Funds	4,213	
Non-Fund-of-Funds	9,941	
Securitization companies	518	
Broker Dealers and Finance Companies	341	**BCB**
Raffle	45	**SUSEP**
CCP (B3)	21	**BCB/CVM**
Insurers and Pension Funds	**3,056**	
Insurance companies and reinsurers	296	**SUSEP**
Private Pensions (EAPCs)	1,489	
Occupational Pensions (EFPCs)	1,271	**PREVIC**
Financial Auxiliaries	**716**	**BCB**
Payment Institutions (PIs) and Peer-to-Peer Lending Companies (SEPs)	716	
NBFI Subtotal	**18,851**	
Deposit-Taking Corporations	**15,443**	**BCB**
Banks	14,169	
Credit Unions and consumer finance companies	1,274	
Public Financial Institutions	**891**	**BCB**
Development Banks and Agencies	891	
Central Bank	**4,395**	
Total	**39,580**	
NBFI / Broad SFN	**48%**	
NBFI / GDP	**161%**	

Sources: BCB, CVM, Susep, Previc and B3.

NBFI financial asset amounts are not directly comparable to the values presented in other sections of this report, because they are based on distinct methodologies. In the case of NBFI, measurement follows the IMF's Monetary and Financial Statistics Manual, according to which the sector is measured as the sum of the financial assets of its constituent entities. In contrast, other sections of this report apply the prudential consolidated methodology, which consolidates financial statements and eliminates reciprocal positions among entities of the same group, avoiding double counting of assets and liabilities within the conglomerate.

Among emerging market economies (EMEs), the Brazilian NBFI is the second largest in absolute terms. China ranks first, but if the NBFI is scaled relative to the size of the financial system, Brazil surpasses China, placing itself between the average levels observed in emerging and advanced economies (Chart 2.3.1). The Brazilian regulatory framework partly explains the size of its NBFI, as it results in multiple layers of asset counting within investment funds and increases interconnectedness.[80] Although NBFI compositional structures vary across jurisdictions, the "Other Financial Intermediaries" category—predominantly composed of investment funds—also prevails internationally, as in Brazil.

Chart 2.3.1 – International comparison of the nonbank financial intermediation sector
Dec-24



Source: Global Monitoring Report on Nonbank Financial Intermediation 2025

The Committee for the Regulation and Supervision of the Financial, Capital Markets, Insurance, Pension, and Capitalization Markets (COREMEC) is the forum responsible for coordinating and enhancing the actions of the regulators of the Brazilian NBFI. Coordinated by the BCB and composed of the CVM, Previc and Susep, COREMEC seeks to promote the stability of the Financial System (SFN) through the articulation among the entities

80 See further below, the discussion on FoFs, insurance companies, and private pension plans.

responsible for the regulation and supervision of these various segments, the improvement of regulatory and supervisory practices, and the facilitation of information exchange.

The Brazilian NBFI sector has a reduced share of broad credit and allocates its resources to liquid assets

The Brazilian NBFI holds a reduced share of broad credit. Despite accounting for nearly half of the broad financial system's assets, the NBFI is responsible for only 13% of the credit supplied to households and nonfinancial corporations.[81] Broad credit assets represent only 8% of the total financial assets of the NBFI and are concentrated in debentures — mainly held by fixed income funds — and in receivables held by FIDCs. The NBFI prioritizes investments in highly liquid instruments, such as Brazilian government securities (TPF) and repurchase agreements backed by TPFs.

Despite its low participation in aggregate credit, the Brazilian NBFI plays a relevant role in the capital market. Its strong presence in the debenture market and the expansion of FIDCs lead the NBFI to account for 49% of the capital-market assets that compose broad credit. These two instruments are the main drivers of the growth in the NBFI's share of broad credit.

Monitoring credit financed by the NBFI is relevant for the conduct of monetary and financial stability policies. Tracking credit assets outside the banking system is important for monetary policy purposes because NBFI institutions also influence the cost and availability of financing in the economy. From a financial stability perspective, monitoring supports the calculation of measures such as the credit-to-GDP gap and enables the identification of the relevance of different sectors of the economy as credit providers.

Brazilian government securities (TPF) and TPF-backed repurchase transactions (reverse repos) represent the primary investment allocation for investment funds, insurers, and pension funds in Brazil. Together, these entities are the main holders of government debt (Domestic Federal Public Debt - DPMFi). Investments in TPFs and reverse repos occur either directly (via their balance sheets) or indirectly (via investment funds). TPFs are one of the main sources of liquidity for the NBFI and also serve as collateral in financial transactions.

The Brazilian NBFI sector is highly interconnected

Investment funds play a key role in the interconnectedness of the SFN. The investment fund sector is highly interconnected, and the widespread use of Fund-of-Funds (FoFs) structures contributes significantly to this configuration. These structures often serve as a mechanism to apply differentiated fees to indirect investors in the same fund. This practice originated under the regulatory framework that preceded the current CVM Resolution 175,[82] under which all investors of a fund belonged to the same class and were subject to the same management fee. The current regulation allows for classes and subclasses within the same fund, potentially reducing interconnectivity in the sector.

The size of the Fund-of-Funds industry in Brazil stands out internationally. While FoFs account for only 1.0% of global financial system assets, in Brazil they represent 10.6%, according to data reported annually to the FSB/ NMEG.[83] Additionally, the country accounts

81 The concept of broad credit is set out in the Concepts and Methodologies annex.

82 Instructions CVM 409/2004 and CVM 555/2014.

83 Jurisdictionlevel disaggregated data are not publicly available. The Global monitoring report is available at https://www.fsb.org/2025/12/global-monitoring-report-on-nonbank-financial-intermediation-2025/.

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for 14% of global FoFs assets despite holding just 1.3% of global financial assets. Brazil's contribution to the global FoFs industry is surpassed only by Luxembourg and slightly by Canada. However, the financial systems of these jurisdictions are respectively roughly twice and 1.5 times larger than Brazil's.

The regulation of private pension plans contributes to the interconnectedness within the NBFI sector and to the growth of investment funds. Insurance companies are required to allocate the resources of private pension plans in investment funds.[84] Most of the resources from private pension plans are invested in FoFs. This structure also has a multiplying effect on the investment fund industry's assets, since each amount invested in private pension products is replicated at least once within the fund industry.

The high degree of interconnectedness in the fund industry requires continuous monitoring. FoFs accounted for 29% of the total assets of the investment fund industry in December 2025, and the number of connections among funds is high. Allocations of funds in other funds significantly increase the complexity of investment chains and may intensify procyclical dynamics, especially in stress episodes, when simultaneous reallocations tend to propagate across multiple segments.

Investment funds are the main financial link between the NBFI sector and the banking sector. Aggregate liquidity in investment funds is high, and the banking sector intermediates the channeling of this liquidity to the BCB through repurchase operations backed by Brazilian government securities.[85] Investment funds also act as important providers of funding to the banking sector by acquiring Bank Deposit Certificates (CDBs) and Financial Letters (LFs).

Activities carried out by banking conglomerates add elements to interconnectedness. Several conglomerates consolidate investment funds, brokerage firms, securities dealers, leasing companies, and payment institutions whenever prudential control is characterized.[86,87] Banks are significant fund managers and administrators, and some financial institutions are relevant shareholders of insurance companies. There are also banks that sponsor defined benefit plans and are exposed to potential actuarial deficits in occupational pension funds. Finally, banks, investment funds, insurance companies, and pension funds are indirectly connected through their investments, mainly Brazilian government securities and debentures.

The FSB uses the narrow measure to monitor vulnerabilities in the NBFI sector

The FSB developed the "narrow measure," a methodology used to monitor potential financial stability risks originating from the NBFI sector. The methodology was proposed in 2013 and implemented in the annual NBFI report published in 2015.[88,89] The narrow measure is the main tool for assessing credit

84 See Resolutions CNSP 463 and 464, of February 19, 2024, regulated by SUSEP Circulars 698 and 699, of April 4, 2024, respectively.

85 Investment funds are not allowed to conduct repurchase operations with the BCB and therefore require bank intermediation. These operations are rolled over on a daily basis and entail low risk.

86 Resolution CMN 4.950, of September 30, 2021.

87 In December 2025, approximately BRL 650 billion in assets of the investment fund industry were prudentially consolidated in banking groups, primarily of mixed funds, fixed income funds and FIDCs. Within the NBFI sector supervised by the BCB, this amount totaled approximately BRL 605 billion, notably of payment institutions and securities brokerage firms (CTVMs). As they are consolidated, all these entities are subject to prudential treatment aligned with the banking framework.

88 See the *Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities*, available at: https://www.fsb.org/uploads/r_130829c.pdf

89 See the *Global Shadow Banking Monitoring Report 2015*, available at: https://www.fsb.org/uploads/global-shadow-banking-monitoring-report-2015.pdf

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intermediation conducted outside the banking system. It includes only NBFI entities involved in activities that could give rise to bank-like risks — such as maturity or liquidity transformation, use of leverage, or imperfect credit risk transfer — and/or activities involving regulatory arbitrage. These entities perform activities that may amplify vulnerabilities and generate contagion effects under stress scenarios.[90]

Authorities must monitor the narrow measure to map potential systemic risks and guide policies to mitigate them. To this end, the BCB has undertaken several initiatives in recent years. The BCB developed a methodology to assess the impact of potential liquidity support to funds managed by bank-linked managers.[91] It also contributed, during the Covid-19 crisis, to the design of measures aimed at maintaining the functionality of secondary markets for capital market and credit instruments.[92] Currently, the BCB receives and monitors the full base of investment fund shareholders in Brazil and of FIDCs credit receivables.

The evolution of the financial market requires a revision of the current concept of the narrow measure. The metric, created in 2013, does not adequately capture, for example, private credit origination activities, a market that has grown strongly in recent years.[93] A large share of this activity is not included in the narrow measure because it is carried out by closed-end funds with low leverage and no dependence on short-term wholesale funding. The expansion of this market, combined with potential vulnerabilities—such as opacity, borrower fragility, multiple layers of leverage, and growing interconnections—reinforces the need to update the narrow measure framework.[94]

Investment funds are the main component of the narrow measure in Brazil

One-third of NBFI assets are included in the narrow measure, with investment funds standing out. Fixed income and mixed funds that are not consolidated within prudential conglomerates and are subject to run risk—open-ended and non-exclusive funds—as well as FIDCs not subject to prudential consolidation, account for more than 98% of the narrow measure. Its remaining components comprise credit facilitation insurance underwritten by insurance companies and the following entities not consolidated within banking conglomerates: broker dealers, leasing companies, and microfinance institutions (Table 2.3.2).

90 Further details on the calculation of the narrow measure can be found in Annex 5 of the *Global Monitoring Report on Nonbank Financial Intermediation*, December 2025, available at: https://www.fsb.org/uploads/P161225.pdf

91 See the step-in risk discussed in section 1.2.5 of this FSR.

92 See section 2.1 of the October 2020 FSR, available at: https://www.bcb.gov.br/content/publicacoes/ref/202010/RELESTAB202010-refPub.pdf

93 In summary, it involves the provision of credit to nonfinancial corporations, with maturities and payment terms negotiated on a case-by-case basis and on a private basis. For further information on the topic, see: *IMF – Global Financial Stability Report, April 2024: The Rise and Risks of Private Credit*, available at: *https://www.imf.org/-/media/files/publications/gfsr/2024/april/english/ch2.pdf*

94 For further information on the topic, see: *FSB – Global Monitoring Report on Nonbank Financial Intermediation, December 2025*, available at: https://www.fsb.org/uploads/P161225.pdf

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Table 2.3.2 – Composition of the Narrow Measure in Brazil in Dec-24

Narrow Measure	Entities/Activities	Fin. Assets (BRL bn)
CVM		**6,080**
Investment funds subject to runs	Open-ended fixed income and mixed funds that are non-FoFs, not consolidated within banking groups, and non-exclusive.	5,507
Securitization-based credit intermediation	Non-FoFs FIDCs not consolidated within banking groups, excluding Petrobras and Vale.	573
Susep		**60**
Facilitation of credit intermediation	Credit insurance provided by insurance companies.	60
BCB		**40**
Market intermediation dependent on short-term funding	Broker dealers that are not consolidated in banking groups.	31
Lending dependent on short-term funding	Leasing companies not consolidated in banking groups and Microfinance institutions	9
Total *Narrow Measure* (NM)		**6,179**
NM / Broad SFN		**16%**

Sources: BCB, CVM, Susep.

The BCB monitors the main risks to financial stability stemming from open-ended funds and from FIDCs. Monitoring of assets is based on accounting data — made available by the CVM — combined with granular information collected from market infrastructures such as B3 and Selic, as well as records in the SCR. The composition of fund investors is submitted monthly to the BCB by fund administrators.

Liquidity risk in investment funds subject to runs is low. In aggregate terms, the percentage of liquid assets in these funds is high, especially Brazilian government securities and reverse repos, which mitigate liquidity risk. However, a portion of the industry represented by corporate debt funds — which hold corporate debt and securities issued by financial institutions — structurally displays higher liquidity risk.[95] Unusually large outflows from these funds can affect credit spread levels, with direct implications for corporate financing.[96]

The subordination structure typical of FIDCs causes the transaction arranger to retain most of the credit risk. The FIDC industry is an alternative source of funding for both financial and nonfinancial firms. Individual identification of operations in the SCR, when receivables are sold with risk retained by the originator, allows the identification of the debtor and key characteristics of the receivable held by the FIDC. However, concerns persist regarding improving the quality of SCR records, properly measuring credit risk, and valuing illiquid and nonstandardized assets.

Challenges faced by the BCB in assessing the potential impacts of the fund industry on the functioning of the banking system

Investment fund allocations to assets subject to significant valuation challenges or with material information gaps represent a source of concern for financial stability. Environmental assets, litigated credit claims, court-ordered government liabilities (*precatórios)*, and credit receivables with deficiencies in the origination process, as well as investments abroad, in unlisted companies, and in real estate projects, among others, may be present in fund portfolios, particularly in structured funds. The low liquidity of these assets and the limited availability of complete and reliable information regarding their true quality, exposure, and recoverability add uncertainty to their valuation. The complexity is heightened when other vehicles—such as FoFs or multimarket funds—acquire shares in these funds, creating additional layers of opacity and hindering the

95 Corporate debt funds are the main sources of risk in the step-in test described in item 1.2.5 of this FSR.

96 The BCB monitors this market, as discussed in item 1.2.2 of this FSR

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aggregate assessment of risks. These assets already total BRL 2 trillion as of December 2025, of which the exposure of entities authorized to operate by the BCB amounts to BRL 99 billion, including BRL 28 billion in indirect exposure.

Information gaps hinder progress in the assessment of vulnerabilities in investment funds. Non-standardized contractual clauses complicate the pricing of over-the-counter derivatives—often due to the lack of identifiable parameters—and the assessment of the leverage generated by some of these instruments. There is limited information regarding investments abroad, including holdings of offshore fund shares, potentially leveraged positions, and the credit risk of unidentified counterparties.

There are limitations in identifying the ultimate investors in investment funds. Current regulation requires administrators and distributors to submit monthly information on the composition of the investor base to the BCB.[97] However, the ultimate beneficial owners of shares corresponding to around 10% of the industry's net asset value are not identified, as these shares are held by nonresident investors or by entities for which ownership information is restricted, such as privately held companies and unincorporated joint ventures.

97 Resolution BCB 38, of November 11, 2020 and Normative Instruction BCB 94, of April 8, 2021.

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Boxe 5 – Private credit and the Brazilian context

Private credit is concentrated in the United States and Europe, and its vulnerabilities require regulatory attention

A specific form of corporate lending provided by the NBFI sector has experienced strong growth in the United States and Europe since the 2008 financial crisis. In the post-crisis period, tighter regulation led banks to reduce the overall risk of their portfolios, while the prolonged period of low interest rates encouraged investors to seek higher-yielding alternatives. At the same time, a segment of companies—considered too large or too risky for commercial banks and too small to access public debt markets—continued to demand financing. These factors drove the expansion of an alternative credit market, predominantly composed of managers that raise resources from institutional investors through closed-end funds and lend directly to mid-sized companies.

Private credit offers benefits to both investors and borrowing companies. Investors benefit from stronger contractual covenants and more attractive returns.[98] Borrowing companies, in turn, find more flexible conditions for negotiating long-term loans aligned with the cash flows of their projects.

The private credit ecosystem presents relevant vulnerabilities to financial stability. The arrangement involves multiple layers of leverage along the intermediation chain and opaque interconnections involving banks, insurance companies, pension funds, and private equity managers. In addition, risks are associated with the low liquidity of investment vehicles and with the opacity and lag in loan valuations.

The vulnerabilities and growth of private credit call for action by regulators. Although the IMF assesses that immediate risks are contained, the rapid growth of this asset class, its opacity, and limited prudential oversight suggest that authorities should adopt a more proactive regulatory and supervisory approach to this fast-growing and highly interconnected segment.

The FSB identified the need to standardize the definition of private credit

The growth of private credit globally led the FSB to conduct a dedicated assessment on the topic. The FSB has access to authorities covering approximately 90% of global GDP and conducted a structured survey to map private credit in these economies. The objective was to identify the definitions adopted, assess the size of this market and the participating entities, and identify potential information gaps that may affect the analysis of this segment.

The FSB highlighted the need for a standardized definition of private credit at the global level. Many jurisdictions do not have a well-established definition for monitoring and statistical purposes.[99] The absence of a standardized definition of private credit complicates data collection by authorities, limits international comparability of data, and hinders the comprehensive assessment of the growth and risks associated with the sector.

98 International Monetary Fund. 2024. Global Financial Stability Report: The Last Mile: Financial Vulnerabilities and Risks. Washington, DC, April, available at https://www.imf.org/-/media/files/publications/gfsr/2024/april/english/text.pdf.

99 Financial Stability Board. 2025. Global Monitoring Report on Nonbank Financial Intermediation, available at https://www.fsb.org/uploads/P161225.pdf.

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The FSB adopts a definition that incorporates convergent concepts across jurisdictions. The selected concept is: "*Typically issuing debt instruments to corporates. The terms and conditions of such debt instruments are negotiated and tailored on a bilateral basis or among a small group of non-bank lenders. These debt instruments often fall into the category of direct lending, but may also include mezzanine debt, special situations, distressed debt, venture debt, and real asset debt. Bank-syndicated loans and other forms of lending provided by banks are excluded. Debt funding provided through publicly traded assets such as corporate bonds are also excluded.*". This definition is similar to that adopted by the IMF in the aforementioned report.

The volume of private credit is not relevant in the Brazilian context.

In Brazil, corporate lending is carried out by entities regulated by the BCB. Investment funds, insurance companies, and pension funds do not grant loans directly to companies. Alternatively, these entities may buy credit receivables or invest in corporate debt instruments, such as debentures. Thus, there is no specific Brazilian regulation that defines or addresses entities or structures characteristic of private credit, as observed in other countries.[100]

It is important to distinguish the concept of "private credit" from the term "corporate debt funds" as traditionally used in Brazil. The latter has long referred to funds that allocate more than half of their resources to time deposits at financial institutions and to debt securities issued by companies and financial institutions, such as debentures, commercial paper and financial bills (please refer to footnote 21). In contrast, private credit refers to nonbank direct lending to companies or through private corporate debt issuances, both of medium and long terms and with payment conditions negotiated on a bilateral basis.

The BCB assessed the size of the Brazilian private credit market using a definition aligned with the IMF and the FSB and adapted to domestic context. The objective was to identify medium- and long-term credit to nonfinancial corporations, originated by nonbanks and not publicly traded.[101] Private issuances of debt securities and securitized instruments (such as CPR, debentures, CRI, and CRA) were analyzed, as well as receivables held by FIDCs.[102,103,104]

The share of private credit in Brazil's total broad credit is limited. The stock of private credit is estimated at BRL 104 billion in December 2024, corresponding to around 0.9% of the broad credit (Table 2.3.3). The estimation methodology is being refined based on improvements in data availability and on the evolution of the international definition of private credit.

100 In the United States, for instance, there are Business Development Companies and private credit funds

101 In Brazil there are the Simple Credit Companies (ESCs), established by Complementary Law No. 123, dated December 14, 2006. They were not included in the assessment due to the lack of official statistics and the small size of the sector. ESCs may conduct lending, financing, and the discounting of credit instruments exclusively with their own resources, with counterparties limited to individual micro-entrepreneurs, microenterprises, and small enterprises. According to Sinfac-SP, the total capital of ESCs in 2025 was below BRL 0.8 billion. Source: https://www.sinfacsp.com.br/conteudo/estatisticas-esc-brasil.

102 Commercial notes were excluded given their short-term nature.

103 Main criteria for financial instruments: (i) debentures identified as private issuances in Anbima and B3; (ii) CRIs and CRAs without a registry classification as public issuance and backed by assets other than CCBs, LFs, LFSs, and home equity; (iii) CPRs with financial settlement and not originated by entities authorized by the BCB.

104 Criteria for FIDCs: credit receivables of corporate borrowers, originated from operations acquired from non-financial institutions, with an original maturity of more than one year, in modalities such as acquired receivables and discounting of other securities or credit claims (source: SCR). FIDCs backed by court-ordered government liabilities and those related to Petrobras and Vale were excluded.

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Table 2.3.3 – Estimate of Private Credit in Brazil as of Dec- 2024

Instrument	Estimate (BRL bn)
Debt securities and securitized instruments	79
Receivables in FIDCs	30
(-) double counting in debt securities and securitized instruments	-5
Total	104
% broad credit	0.90%

Source: BCB, CVM, Anbima, B3. BCB staff calculations.

Most investors in private credit in Brazil are identified. Nonfinancial corporations, households, and FIDCs are the main holders of these financial instruments. FIDCs that hold receivables classified as private credit operate in fund structures, which are predominantly closed-end and have households and non-residents as their main investors.

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2.4 Social, Environmental, and Climate Risk Document

Exposures in sectors that are more vulnerable to physical climate and environmental risks suggest that future climate shocks may increase the sensitivity of the SFN to specific sectoral losses. Quantifying these risks remains a challenge. This perception reflects the risk assessments reported in the Social, Environmental, and Climate Risk Document (DRSAC). The management of social, environmental, and climate (SEC) risks is evolving. There is no uniform definition for qualitative risk levels – for example, institutions may have different definitions of what constitutes a low level of SEC risk – and there is also a lack of stability in assessments. Nevertheless, the data point to a warning regarding higher exposure in certain sectors and highlight the importance of advances in standardizing concepts and recording risks.

Since 2022, institutions in segments S1 to S4 have annually published the Social, Environmental, and Climate Risks and Opportunities Report (GRSAC Report)[105] and all entities supervised by the Banco Central do Brasil (BCB) must integrate SEC risks into their risk management framework.[106] This movement reflects the importance the topic has attained internationally[107] and the need for transparency and comparability of information.[108] However, attention to policies and risks related to sustainability is older. Since 2008, institutions operating in rural credit have been required to ensure client compliance with environmental and social criteria defined in regulation.[109] And since 2015, supervised institutions have been required to establish and disclose their Social and Environmental Responsibility Policy, which now also encompasses climate responsibility (PRSAC). This regulation has included requirements regarding governance structures and the identification and management of social and environmental risks for over a decade.[110]

At the same time, as of December 2022, financial institutions began reporting their SEC risk assessments to the BCB on a semiannual basis through the DRSAC.[111] Institutions in segments S1 to S4 are required to report. Among the 444 individual institutions and conglomerates in these segments, 256 submitted some information in December 2025 DRSAC, which is considered as the universe analyzed in the following paragraphs. The other 188 institutions filed an "empty report," indicating that they do not have the information required in the DRSAC.

The operations, clients, or sectors of activity – according to the National Classification of Economic Activities (CNAE) – assessed in the DRSAC represent 35.3% of the SFN's credit. Considering these three levels of analysis, the assessments covered most (69.3%) of corporate credit and 14.1% of retail credit, whose presence in DRSAC is mainly composed of rural credit. In the corporate portfolio, which represents 75.3% of the DRSAC, assessments were balanced between more granular

105 Resolution BCB 139, of September 15, 2021.

106 CMN Resolution 4,943, of September 15, 2021, which amended CMN Resolution No. 4,557, of February 23, 2017.

107 See *Guide for Supervisors Integrating climate-related and environmental risks into prudential supervision* (NGFS, 2020). Available at: https://www.ngfs.net/system/files/import/ngfs/medias/documents/ngfs_guide_for_supervisors.pdf) and *Stocktake on Nature-related Risks: Supervisory and regulatory approaches and perspectives on financial risk* (World Bank, 2024). Available at: https://www.fsb.org/uploads/P180724.pdf.

108 See *A framework for the voluntary disclosure of climate-related financial risks* (BIS, 2025) in: https://www.bis.org/bcbs/publ/d597.pdf, *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* (2023) in: https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/), and *IFRS S2 Climate-related Disclosures* (2023) in: https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/.

109 See the Rural Credit Manual (BCB) at https://www3.bcb.gov.br/mcr, specifically section 1.1.2.9.

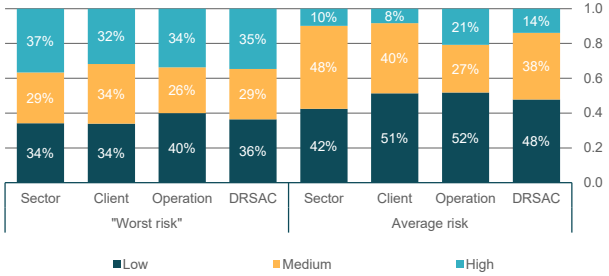
110 See CMN Resolution 4,327 of April 25, 2014, replaced by CMN Resolution 4,945 of September 15, 2021.

111 BCB Resolution 151, of October 6, 2021.

levels (36.6% at the operation level and 19.2% at the client level) and sector-level assessments (50.6%). In retail credit, 63.5% of the portfolio was assessed at the operation level, 19.6% at the client level, and 16.9% at the most aggregate level (sector).

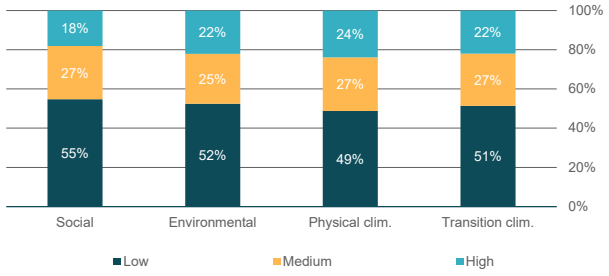
Regarding risk levels, 34.6% of the assessed portfolio (BRL893 billion) were classified as high risk in at least one SEC risk dimension. Another 28.9% were classified as medium risk. When, instead of taking the worst assessment among risk dimensions (social, environmental, physical climate, and transition climate), the average across them is calculated, 14.0% of the assessed portfolio is considered high risk and 38.2% medium risk (Chart 2.4.1).[112]

Chart 2.4.1 – Distribution of the Assessed Portfolio by Risk
By level of analysis – December 2025



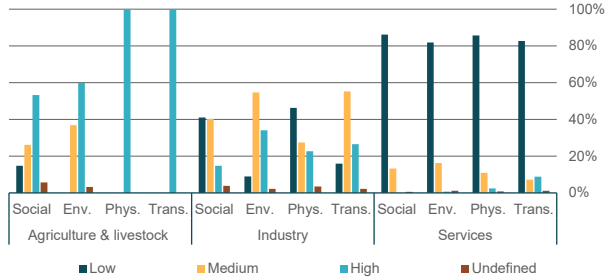
When assessed by dimension, the distribution of the portfolio by risk level shows minor variations. According to institutions' assessments of their exposures, the main source of risk proportionally is physical climate events, with 23.9% of the assessed portfolio classified as having high exposure to this type of risk (Chart 2.4.2). In the social dimension, there is the highest relative share of low risk (54.7%). The balance among the portfolio's risk distributions across the four dimensions is explained by identical assessments for all types of risk analyzed in a significant portion of the records across most institutions. This invariability in risk level is more pronounced when the risk is low, but it still occurs when the risk is medium or high in a considerable volume of records and institutions, and across a significant share of the portfolio.

Chart 2.4.2 – Distribution of the Assessed Portfolio by Risk
By risk dimension – December 2025



Risk is concentrated in agriculture, livestock and industry – especially extractive activities – when considering sector-level assessments (Chart 2.4.3).[113] Except in service activities, where risk appears only sporadically, classifications at the high level (agriculture and livestock) or at medium and high levels combined (industry) are predominant across all dimensions when considering the mode of institutions' assessments, rather than the assessed portfolio, which tends to be influenced by the largest exposures.

Chart 2.4.3 – Distribution of CNAE by Modal Risk
Mode across assessments – December 2025



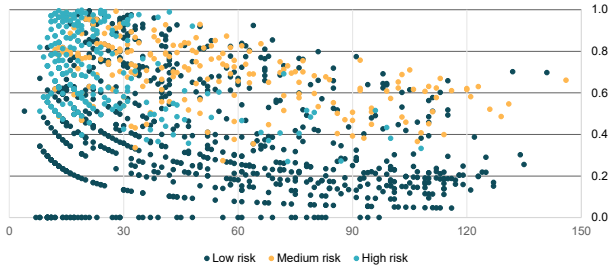
112 In the DRSAC, the risk levels that may be reported are high, medium, low, and negligible. For the purposes of this Report, negligible risk was treated as low.

113 Among the institutions that submitted assessments in the DRSAC, 191 (74.6%) evaluated sectors in accordance with the CNAE and, together, covered all 1,332 economic activities defined by CNAE subclasses of the Brazilian Institute of Geography and Statistics (IBGE). Agriculture and livestock refer to CNAE subclasses in Section A; industry comprises Sections B to F; services encompass the remaining sections, from G to U.

The low variation in modal risk across different activities within a section may indicate a limitation in the granularity of the assessments carried out by institutions. In agriculture and livestock (Section A), high risk is the mode across all 122 activities in climate dimensions (Chart 2.4.3). In extractive industries (Section B), high risk again appears as the mode across all 45 activities in the environmental and physical climate dimensions. On the other hand, this concentration may also be associated with the qualitative risk levels, which are few and lack conceptual standardization. In the same vein, changes in the modal risk of activities over time, especially outside service activities, reinforce the indication that the assessment process is still evolving.

There is heterogeneity among institutions in the assessment of the same sector. Economic sectors with high modal risk receive fewer assessments and exhibit greater dispersion in risk. By contrast, sectors with low modal risk are evaluated by more institutions and show lower dispersion (Chart 2.4.4).[114] Most sectors with high modal risk are concentrated in the upper-left corner of the chart – fewer assessments and greater divergence in assigned risk – whereas sectors with low modal risk are more common in the lower half of the chart and predominate among the most frequently assessed activities.

Chart 2.4.4 – Dispersion in Sector Assessments
Number of FIs assessing × Dispersion of assessments
Physical climate risk – December 2025



114 This dynamic is independent of the dimension. Chart 2.4.4 is an example for physical climate risk, displaying the assessment of all sectors with a defined modal risk. Each point represents a CNAE segment; the X-axis shows the number of institutions that assessed the activity; the Y-axis shows the dispersion of the assessments; and the colors indicate the risk level of the most frequent assessment.

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Box 6 – More on DRSAC and the analysis methodology

The DRSAC was created in 2021, with mandatory reporting by financial institutions in segments S1 to S4. With phased adoption, the first to report were S1 institutions, with a base date of December 2022. Thereafter, each semester a new segment began submitting the document. Thus, since June 2024, the DRSAC has received semiannual submissions from all four segments (BCB Resolution 151, of October 6, 2021).

In the DRSAC, institutions report their assessments at three levels of analysis: (i) sector of economic activity, (ii) client, and (iii) transaction (credit or securities). The text presented provides a brief overview of the data across these three levels of analysis, excluding securities, and highlights certain aspects of sector-level assessments.

Sectors are defined by the 1,332 subclasses of the CNAE of the Brazilian Institute of Geography and Statistics (IBGE). Although the use of the most recent CNAE version (2.3) is recommended, DRSAC accepts any version. In this analysis, only codes using version 2.3 are considered.

The CNAE structure is defined across five hierarchical levels: section, division, group, class, and subclass. Section is the broadest level of aggregation and, in some cases, groups together activities with quite distinct characteristics. The 1,332 subclasses are grouped into 21 sections.

At each level of analysis, qualitative assessments (high, medium, low, or negligible) are requested for four dimensions or types of risk defined in CMN Resolution 4,557, of February 23, 2017: social, environmental, physical climate, and transition climate. For the purposes of this analysis, negligible and low levels were grouped together and classified as low. The average number of institutions assessing each CNAE segment is around 45 for social, environmental, and physical risks, and 41 for transition risk.

To calculate the average SEC risk, low, medium, and high risk levels are assigned the values 0.15, 0.50, and 0.85, respectively. First, the climate risk value is computed as the simple average of the transition and physical risk scores. Then, again using a simple average of the social, environmental, and climate dimensions, the average SEC risk is obtained. The weight of any dimension not assessed is distributed equally among those that are assessed.

No information in the DRSAC is mandatory: institutions report only the data collected or generated as part of their risk management policies. Thus, not all S1 to S4 institutions submit data, and among those that do, not all levels of analysis or risk dimensions are evaluated. In December 2025, 191 institutions reported sector assessments; 222 reported client assessments; 137 reported credit transaction assessments; and 94 reported securities assessments.

An S1–S4 institution that does not have the required information for the DRSAC submits an "empty report." This situation may occur when the institution's business model does not entail material exposure to SEC risks or when the institution is still working toward initiating the assessment of these risks.

In all analyses, non-informative records were excluded. Non-informative records are transactions (or clients) that received exactly the same assessment as their corresponding client (or sector) across all evaluated risk dimensions and factors. They are therefore records at more granular levels that add no additional information relative to a broader level of analysis. Accordingly, more than 1.47 million (32.7%) of the 4.5 million credit transactions in the DRSAC were excluded; an additional 150 thousand transactions had no exposure and were also excluded from the analyses. In six of the 137 institutions that assessed

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credit transactions, all transactions were discarded. Among clients, 571 thousand (10.6%) out of a total of 5.41 million were excluded. In seven institutions, 100% of clients were discarded.

The dispersion among sector assessments was approximated using the Shannon index, calculated based on the distribution of risk levels in sector assessments. When the Shannon index is equal to zero, all institutions that assessed the activity reported the same risk level. The index equals 1 if, and only if, the three risk levels received the same number of assessments.

In calculating the values of both the assessed portfolio and the total SFN credit, the following are excluded: loans granted to legal entities belonging to the prudential conglomerate; loans from public programs or funds; transactions acquired from an SFN entity in which the transferor retains risk; and transactions transferred to a non-SFN entity without risk retention by the transferor.

Finally, it is worth highlighting that data availability and the methodology for managing sustainability-related risks are still evolving. This was emphasized by the Bank for International Settlements (BIS) in 2022,[115] noting that banks should continuously enhance their capabilities and ensure adequate resources for managing climate-related risks. Other jurisdictions also recognize these gaps and have been making progress.[116]

115 Available at: https://www.bis.org/bcbs/publ/d532.pdf.

116 For more information on the subject, see The ECB Blog, available at: https://www.ecb.europa.eu/press/blog/date/2025/html/ecb.blog20250711~f5c6a0259f.en.html.

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2.5 Financial Stability Survey[117] – Climate risks

The percentage of institutions affected by climate events in 2025 returned to 2022 and 2023 levels; however, the perceived long-term impact was rated as low to moderate for both physical and transition risks, and there were improvements in governance and management maturity regarding this type of risk. Following the peak associated with the extreme events that occurred in 2024, the percentage of institutions affected by climate-related events in 2025 returned to levels similar to those of previous years. From a long-term, forward-looking perspective, institutions assess the expected average impact of acute and chronic physical events on their assets as low. Institutions continue to indicate as main transmission channels of physical risks to financial risks the impacts on the assets and productive procedures and in income, which would affect the credit market and delinquency. The number of respondents that manage transition risks – which would be transmitted to the National Financial System (SFN) mainly through the increase of the cost for complying with the regulation and the policies for a low-carbon economy and through assets repricing – remained relatively stable. The maturity level of institutions in adopting climate risk-related actions has slightly increased, reflecting progress in various dimensions.

Climate physical risks[118]

Following the significant severity of extreme events in 2024, the impact of climate risks in 2025 returns to the level seen in previous years, though still affecting various sectors, particularly agriculture. The percentage of financial institutions that reported experiencing some impact resulting from the materialization of climate risks in 2025 fell to less than half of the figure reported in 2024, returning to 2023 and 2022 levels, when the Financial Stability Survey – Climate Risks (FSS – Climate Risks) was first conducted (Table 2.5.1). The affected institutions reported no significant impact, with some of them pointing out that they used the experience gained from the extreme climate events of 2024 to improve climate risk management. Among the extreme events of 2025 cited by the institutions, the most notable were storms in Southern Brazil, severe weather in the interior of the state of São Paulo, floods, and drought. Institutions were primarily affected through rural credit, with a rise in delinquency rates. However, they point out that delinquency in agribusiness is driven by multiple factors and that it is not possible to determine exactly how much of it is attributable solely to climate events.

Table 2.5.1 – Materialization of climate risks in the previous year

Responses (%)	2025 Survey	2026 Survey
Yes	44	21
No / No answer	56	79

117 The BCB conducts an annual survey to identify the perceptions of institutions about the effects of climate risks on the SFN financial stability. The data collection period was from January 9 to February 6, 2026. Of the 96 institutions invited (74 regulated by the BCB and 22 by the CVM, Previc, and Susep), 71 responded (corresponding to 94% of the total assets of the sample).

118 Questions: "A. Consider the physical climate events (acute/chronic) below. Assuming the occurrence of each event, indicate the respective impact in your institution in terms of losses of total assets of your financial institution over a horizon of up to five years (from 5 to 30 years)" and "B. Indicate the probability of occurrence of climate events listed in Question A over a horizon of up to five years (from 5 to 30 years)" For questions related to physical risks, short-term refers to a horizon up to five years and long-term, from 5 to 30 years. The parameters to answer these questions are: (i) physical acute events: drought, storm, waterlogging/floods, fire, and frost/hailstorm (ii) physical chronic events: change in the rainfall regime or in the temperature, desertification, soil degradation and compression and siltation of rivers, scarcity of natural resources, and rising sea level; iii) impact: very low (<0.1%); low (0.1%-1%); medium (1%-5%); high (5%-10%); very high (>10%); and (iv) probability: low (<1%); medium-low (1%-10%); medium-high (10%-30%); high (>30%)."

Institutions consider that, in the long-term, the average expected impact of extreme physical climate risks is low, remaining droughts as the events of largest concern. Respondents believe that the long-term probability of storms and floods has increased, but they continue to consider their impacts as low. From the institutions' perspective, the probability of drought has decreased slightly, while its impact has declined more significantly. Based on these assessments, the expected average impact of all acute physical events considered in the study is now classified as low over the long-term horizon. Despite the significant reduction in the probability of drought, this event remains the most significant in terms of expected average impact on the institutions' assets (Chart 2.5.1).

Chart 2.5.1 – Acute physical risks and their long term effects on financial institutions' assets (5 to 30 years)

Chronic physical risks also showed a low expected average impact. There was an almost universal reduction in the probability and impact of the chronic physical events assessed, causing the average expected impact to remain low in the long term for all events considered (Chart 2.5.2). The greatest reductions in impact were observed for events involving changes in the rainfall regime or temperature, scarcity of natural resources, and rising sea level. Reductions in the probability and impact of events may result from improvements in respondents' internal processes regarding the management and measurement of their own institution's climate risk impacts, such as the incorporation of new climate-related information and new client risk assessment processes.

Chart 2.5.2 – Chronic physical risks and their long term effects on financial institutions' assets (5 to 30 years)

Transition climate risks[119]

With regard to the management of transition climate risks, although most institutions focus on the short term, there has been an increase in the number of institutions reporting that they consider a long-term horizon. The percentage of responding institutions that include climate risks in their risk management remains stable compared with previous surveys, with the short-term horizon being the most commonly considered one. However, the percentage of institutions reporting that they consider the long-term horizon has increased and now matches the percentage of institutions using the medium-term horizon. The average number of years has decreased across all horizons considered – long, medium, or short – but remains highly variable, as indicated by the standard deviation of the time horizons measured in years (Table 2.5.2). These movements can be partly explained by an increase in the number of time horizons considered by a single institution. Some institutions that previously considered only one time horizon reported two or more in this FSS. Regarding the effects of the transition risks

119 Questions: "Is transition climate risk incorporated into your institution's risk management?", "Which (is/are) the time horizon(s) considered in the transition climate risk analysis in your institution?", "What is the impact of the transition risk on your institution in terms of asset losses in the time horizon(s) considered?" and "Describes the methodology used by the financial institution to evaluate transition risk (scenario, etc)."

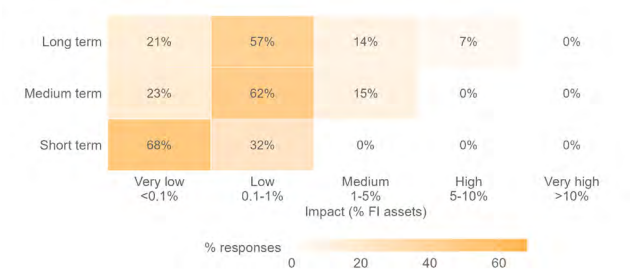
on institutions' assets, in terms of percentage losses, most respondents consider the impact to be "very low" in the short-term horizon and "low" in the medium- and long-term ones (Table 2.5.3).

Table 2.5.2 – Transition climate risk management

Transition risks management?	FIs (%)	Mean (Years)	Std dev
Yes	39	–	–
Long Term	25	15	9
Medium Term	25	7	3
Short Term	32	2	1
No	61	–	–

Note: The percentage values in the column "Does the institution manage transition risk?" refer to the entire sample.

Table 2.5.3 – Effects of transition risks on financial institutions' assets



Note: The percentages in each cell show the share of respondents indicating "very low", "low", "moderate", "high", or "very high" impact within a certain horizon (short-, medium-, or long-term). That means that the sum of shares for the same horizon is always one.

The Brazilian Sustainable Taxonomy (TSB) is now being used in transition risk management. The tools and methodologies cited in previous studies for monitoring and assessing the climate risks to which they are exposed – such as scenarios from the Network for Greening the Financial System (NGFS), the Intergovernmental Panel on Climate Change (IPCC), and the green taxonomy and sensitivity rule of the Brazilian Federation of Banks (Febraban), as well as ratings and questionnaires covering Environmental, Social, and Governance (ESG) dimensions – continue to be used. The highlight of this FSS – Climate Risks is the launch of the TSB, developed by the government with the participation of the BCB.

Climate risks and transmission channels[120]

Credit risk (delinquency) remains the most significant financial risk in the transmission of physical and transition climate risks to the SFN. In the view of the responding institutions, there have been no significant changes in the channels through which physical climate risks are transmitted to financial risks. The institutions continue to consider the following as the most relevant ones: (i) damage or repricing of assets for households and companies; (ii) decline of corporate productivity due to business interruption or assets idleness; (iii) loss/reduction of households' income; and (iv) reduction in agricultural sector productivity. The materialization of physical climate risks would primarily impact institutions through credit risk (delinquency) and, to a lesser extent, market risk, and credit risk due to collateral depreciation (Chart 2.5.3). Regarding transition climate risk, delinquency also remains the most significant financial risk. However, the transmission channels of transition risk to traditional financial risks are more spread, with certain channels being particularly noteworthy: (i) increased costs due to policies/regulations for a low-carbon economy and (ii) market barriers due to international regulatory and policy changes (Chart 2.5.4).[121]

120 Question: "Considering the main physical risks (transition risks) listed by your financial institution, indicate the three main transmission channels of these risks to financial risks by relevance (the most relevant first) for your institution and indicate the respective risk to which your financial institution is exposed. Choose the transmission channel and the associated risk: Transmission channel (Financial risk)".

121 The most relevant channels included in "Other transmission channels" are: "Increased cost/consumption of energy", "Changes in the agricultural productive area", "Climate litigation".

Chart 2.5.3 – Transmission channels of physical climate risks to financial risks

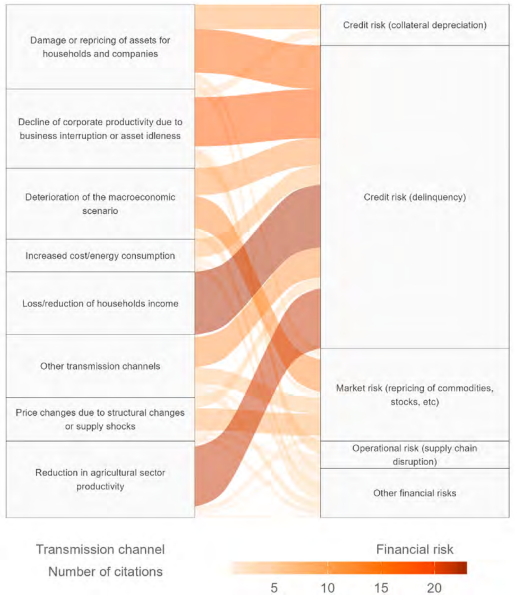
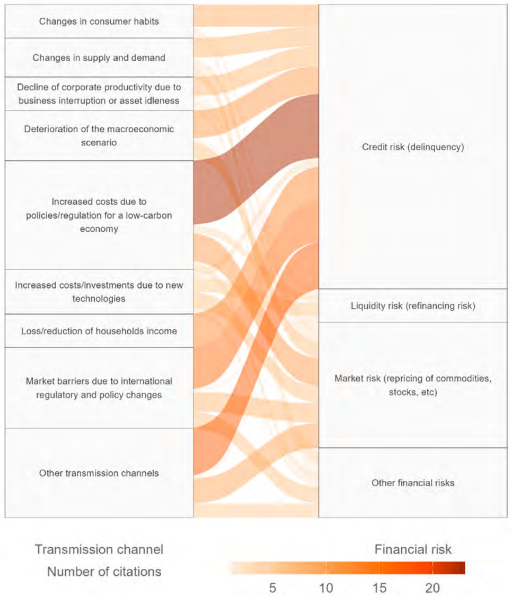


Chart 2.5.4 – Transmission channels of transition climate risks to financial risks



Note: "Other transmission channels" is relevant in terms of the amount of frequently mentioned responses. This channel encompasses less frequently cited transmission channels, the most significant of which are: damage to or repricing of household and corporate assets, price changes due to structural shifts or supply shocks, and increases in energy costs and consumption.

Climate risks and possible threats to financial stability[122]

The responding institutions believe that the effects of extreme climate events on financial stability would stem primarily from damage to assets and production processes. The respondents believe that climate events can cause damage to assets and production processes, leading to a loss of income or increased costs for borrowers and, consequently, to a rise in delinquency rates. In addition, the increase in extreme climate events could affect a country that already faces an infrastructure deficit, heavy reliance on climate-sensitive commodities, and strained public finances, leading to macroeconomic deterioration and market volatility, with repercussions for the credit market, liquidity, and the financial performance of institutions. Respondents also state that, in the event of a high concentration of institutions exposed to sectors or regions that are more vulnerable to climate risks, the occurrence of an extreme climate event could affect a considerable number of institutions, which could have negative repercussions on the stability of the financial system. However, institutions assess that these scenarios are unlikely to happen (Chart 2.5.5).

122 Question: "How does your institution believe that climate risks could threaten the SFN financial stability?"

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The costs associated with the transition to a low-carbon economy and the possibility of a sudden repricing of assets are the main critical risks to financial stability. Respondents believe that the implementation of climate regulations and investments in a low-carbon economy may impose additional costs on companies in emission-intensive sectors, reducing their profit margins and market value. Moreover, companies in these sectors may have their economic activities affected by environmental restrictions or bans. If these risks were to materialize, borrowers might default on their loans, leading to an increase in delinquency rates. It could also lead to a sudden repricing of assets, causing market volatility or compromising guarantees. In either case, financial institutions would incur greater losses, undermining financial stability (Chart 2.5.5).

Chart 2.5.5 – Financial stability impacts from climate risks

Note: This word cloud comprises all responses to the question regarding how climate, physical, and transition risks may jeopardize the stability of the SFN.

Climate risks and governance[123]

The maturity level[124] of institutions in adopting climate risk-related actions has slightly increased, reflecting progress in various dimensions, among large, medium, and small institutions. The maturity level increased, whether calculated using a weighted average based on assets or a simple average, indicating improvements in climate risk management among both large and smaller institutions. The Governance and Culture Dimension progressed, with an increase in the percentage of institutions that have implemented methodologies and in those that use methodologies to measure impact and set targets. There was also a slight increase in the percentage of institutions that reported being signatories to initiatives aimed at fostering a more sustainable economy (Alignment Dimension).[125] The percentage of institutions that

123 Questions: "Has your institution identified any effect on its operations and/or business model arising from the materialization of climate risk in the last year?", "What actions is your institution taking to mitigate the impacts arising from physical and transition climate risks?", and "What actions does your institution recommend the regulator to take to mitigate the impacts of physical transition climate risks on the SFN?".

124 The level of maturity was built based on the textual description of measures used by the financial institution to mitigate the effects of climate risks. Responses were classified into one or more of the following dimensions: (i) Governance and culture – encompasses the methodologies for analyzing climate risks. This dimension is subdivided into four items and reflects the stage the financial institution is at: 1 – Own activities – when the financial institution has sustainable actions limited to administrative activities (e.g., water reuse); 2 – Methodology under analysis – when it has defined the methodology and indicators associated with climate risks, but has not yet implemented them; 3 – Methodologies implemented – when the methodologies and indicators are already used to analyze climate risks; and 4 – Impact and target setting – when the financial institution not only has and calculates indicators related to climate risks, but also includes institutional targets associated with these risks; (ii) Alignment – indicates whether the financial institution is a signatory to global, national, or regional initiatives encouraging a sustainable economy; (iii) Downstream – indicates that the financial institution has actions or develops products aimed at clients that encourage a sustainable economy; (iv) Upstream – indicates that the financial institution has mitigation actions aimed at suppliers; and (v) Society – indicates that the financial institution develops actions that engage several actors, from employees to society in general. The financial institution's level of maturity regarding the existence of actions to mitigate the effects of climate risks is given by a sum of the five dimensions: in governance and culture, the financial institution can score from zero to 0.5 point, with 0.125 point added for each stage advance (zero for the own activities stage and 0.5 for the impact and goal-setting stage). In the other four dimensions, the institution can score zero or 0.125 point, depending on whether or not there are mitigating actions in that dimension. In this methodology, the maturity level ranges from zero to one.

125 These initiatives include the Principles for Responsible Banking (PRB), the Net-Zero Banking Alliance (NZBA), and the Principles for Responsible Investment (PRI). These initiatives were established or jointly created by the United Nations Environment Programme Finance Initiative (UNEP-FI).

have implemented measures in their risk management to improve the selection of clients with greener production processes and lower exposure to climate risks has also increased (Downstream Dimension), as has the percentage of institutions with initiatives involving stakeholders (Society Dimension). These increases were reflected in a slight rise in the maturity index of the 2026 survey compared with that of 2025 (Table 2.5.4).

Respondents reiterate their recommendations to the regulator aimed at standardizing climate risk management practices. Respondents continue to recommend that the regulator provide standardized data and information, as well as publish detailed guidelines on methodologies and stress testing tailored to the Brazilian context. They emphasize the importance of increasing transparency in practices that directly affect greenhouse gas emissions. They also recommend regulation commensurate with the institution's complexity and initiatives to promote training, engagement, and collaboration on climate risks, such as partnerships with other agencies, organizing seminars and workshops, hosting forums, disseminating studies, and engaging in dialogue with institutions. The respondents' recommendations are evident in the textual description through the words "practice", "data", "standardization", "disclosure", and "partnerships" (Chart 2.5.6).

Table 2.5.4 – Actions to mitigate climate risks impacts

Action dimensions / focus	2025 (% FIs)	2026 (% FIs)
Governance and culture		
In-house activities	4	1
Methodologies under analysis	8	4
Implemented methodologies	30	35
Impact and target setting	30	32
Alignment		
The FIs a voluntary signatory	13	15
Downstream		
Clients	38	51
Upstream		
Suppliers	8	8
Society		
Stakeholders	5	11
Maturity index (sum of dimensions – from 0 to 1)		
Simple average	0,37	0,41
Asset-weighted average	0,60	0,62
Memo:		
FIs with at least 1 action	82	83
FIs that did not report actions	18	17

Chart 2.5.6 – Recommendations to the regulator

2.6 Positive neutral Countercyclical Capital Buffer: literature and international experience

Following the COVID-19 pandemic, several jurisdictions began adopting a positive cycle-neutral (PCN) level for the countercyclical capital buffer (CCyB), an approach currently under consideration in the Comef discussion agenda. International experience—particularly during the pandemic—demonstrated the importance of having flexible macroprudential tools to reduce the procyclicality of bank credit during adverse economic periods. Countries that had built up capital buffers

ahead of crises displayed more stable credit flows[126] during stress periods, reinforcing the importance of preventive accumulation. In this context, Comef has begun examining the possibility of adopting a positive neutral level for the CCyB as part of a medium-term structural agenda.[127]

Activating the countercyclical buffer early in the financial cycle expands the scope for macroprudential[128] policy to deal with shocks of various origins. The adoption of a reference rate – pursued during periods when cyclical systemic risks are neither low nor elevated – has proven to be an effective strategy to ensure that releasable resources are available to absorb losses at any stage of the domestic credit cycle, including those triggered by events unrelated to the credit cycle. Although the CCyB was originally designed to address shocks arising from excessive aggregate credit growth, in practice all releases of the buffer have been driven by macroeconomic shocks associated with geopolitical events and the pandemic. It can also be used to address systemic shocks stemming from climate, operational, or cyber risks, among others.

Preventive activation also ensures that capital is available to cover potential cyclical risks that have not yet been identified or are not yet captured in the data. In some circumstances, cyclical systemic risks may not be adequately reflected in established indicators due to data lags or the aggregation of multiple dimensions of risk. Calibrating a positive neutral level does not depend directly on the financial cycle, so uncertainties in its measurement or in identifying vulnerabilities no longer constrain the dynamic and preventive accumulation of resilience.

Brazil's experience during the pandemic highlighted limitations associated with a CCyB calibrated at a zero neutral level. The *ad hoc* reduction of the capital conservation buffer (CCoB) helped sustain credit (Bandeira and Ornelas, 2026), but also exposed shortcomings in the framework, as Brazil's CCyB has remained at zero since its implementation in 2015, limiting the scope for macroprudential policy. Under Basel III, the original design assumes a neutral rate of zero in periods without elevated cyclical risks. This restricts the gradual build-up of capital over the cycle and its subsequent use during stress episodes.

The benefits during crises outweigh the effects associated with higher capital requirements, especially for banks with lower capital headroom. Recent research (Couaillier et al., 2022a; 2022b; Bedayo and Galán, 2024) shows that banks with limited buffers above regulatory minima are those that constrain credit the most during crises. Temporary relief from requirements significantly increases their capacity to sustain financial intermediation without inducing excessive risk-taking. The literature also highlights a strong asymmetry between the effects of increasing and releasing the CCyB. In benign periods, increases tend to have limited impact on credit, especially when banks build capital through retained earnings (Behn et al., 2022; Lang and Menno, 2023). In stress conditions, however, releasing the buffer operates through the credit quantity channel, with significant effects in supporting lending.

In response to these lessons, international bodies have explicitly supported adopting a positive neutral CCyB. The BCBS and the IMF have emphasized the benefits of building releasable capital in advance, recommending its adoption to expand macroprudential

126 The international experience with the adoption of a positive neutral rate was compiled by the Basel Committee on Banking Supervision (BCBS) and published in 2024: *Range of practices in implementing a positive neutral countercyclical capital buffer*.

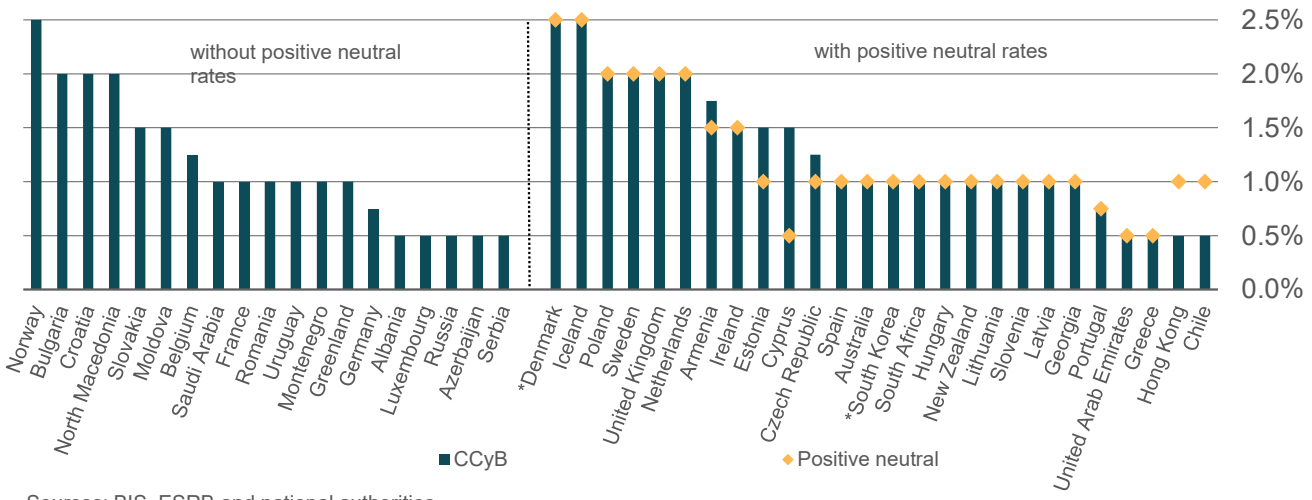
127 As recorded in the Committee's minutes, the Banco Central do Brasil (BCB) has been assessing the concept, international experience, and discussing calibration methodologies.

128 Understood as the portion of capital for which the regulatory framework explicitly allows for its the possibility of release in times of crisis.

space and strengthen financial system resilience (BCBS, 2022b; Miettinen and Nier, 2025). BCBS studies show that releasing the CCyB helped mitigate credit contraction, particularly for banks with limited capital margins (BCBS, 2021; 2022a). Similarly, the European Central Bank (ECB) has emphasized gains in predictability, usability, and credibility of the prudential framework (ECB, 2024). The IMF has also endorsed this practice in Financial Sector Assessment Program (FSAP) evaluations and Article IV consultations, including for Brazil.[129]

The adoption of a positive neutral CCyB calibration has become a trend in international macroprudential frameworks. Among more than sixty jurisdictions[130] with a CCyB regime, 45 have activated it, and 26 (58%) adopt a positive neutral level, converging toward values between 1% and 2% of risk-weighted assets. While this range is widely observed, calibration methodologies, the scope of risks covered, and transition paths vary across countries, reflecting institutional differences and risk assessments.

Chart 2.6.1 – Countries adopting positive CCyB values



Sources: BIS, ESRB and national authorities
*Denmark and South Korea operate with positive neutral rates in practice, but without an explicit defined target rate

Calibration of a positive neutral CCyB combines quantitative and qualitative techniques to align capital levels with the regulator's risk tolerance. In general, the neutral value is defined as a positive target rate to be pursued under normal conditions. This target may be expressed as a percentage of a maximum CCyB[131] limit or as an independent share of capital resources. It can be calibrated using stress tests, historical losses, risk indicators, and econometric or structural models. In addition, discretionary judgment remains essential to incorporate national characteristics, non-modeled risks, and regulatory considerations, including interactions with other macroprudential instruments. (Table 2.6.1)

129 Available at: *Brazil: 2025 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Brazil.*

130 BCBS members that have activated the CCyB: Belgium, Saudi Arabia, France, Germany, Luxembourg, Russia, Sweden, the United Kingdom, the Netherlands, Spain, Australia, South Korea, South Africa, and Hong Kong. BCBS members that have not activated the CCyB: Argentina, Brazil, China, the United States, India, Indonesia, Italy, Japan, Mexico, Singapore, Turkey, Canada, and Switzerland.

131 In Brazil, the limit is set at 2,5% of RWA.

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The majority of jurisdictions adopting a positive neutral CCyB have already reached their neutral level. Where current CCyB levels differ from neutral, deviations are typically justified by idiosyncratic conditions related to the phase of the credit cycle or the gradual implementation process. These cases illustrate how calibration reflects both quantitative assessments and qualitative macro-financial conditions.

Table 2.6.1 – Approaches to the Calibration of the Positive Neutral CCyB

Country / Implementation Process	Approach to Defining the Positive Neutral CCyB
United Kingdom: Since 2021, it has initiated a process of convergence towards a 2% neutral rate through two increases of 1 p.p. (in 2021 and 2022, respectively). The implementation of increases typically allows for up to 12 months, although this period may be shortened in exceptional cases. In 2016, the country suspended a previously announced activation of the CCyB following the Brexit referendum, demonstrating the flexibility of the tool in the face of systemic shocks.	Bank balance sheet developments: capital, leverage, ROE, liquidity, etc. Corporate sector balance sheet developments: credit-to-GDP, credit growth, external debt-to-GDP, etc. Markets: interest rates, VIX, spreads, etc.
Netherlands: In February 2022, it set the neutral CCyB at 2%, following a review of its framework in light of the pandemic, which highlighted the importance of releasable buffers. As no CCyB was active at the time, the Netherlands temporarily reduced the systemic buffer for its three largest banks. The CCyB was implemented through two increases of 1 p.p., in 2022 and 2023, completing the transition to the neutral level.	Macroeconomic environment: real GDP, PMI, consumer confidence, current account (% of GDP), etc. Financial sector: profitability (ROA), loan flows across stages; CET1, leverage, LCR; risk appetite, among others. Non-financial sectors: total credit to households and firms (% of GDP, real growth); debt sustainability, real estate indicators, etc. Financial markets: equity valuations; stress indicators, etc.
Poland: The CCyB was initially activated in March 2024 at 1% and subsequently increased to the 2% neutral level in September 2025.	Uses Early Warning Indicators (EWI) models, which estimate the probability of a banking crisis in the coming quarters. These models assess the dynamics of macro-financial variables (e.g., credit, asset prices, bank capital) and generate warning signals when patterns similar to pre-crisis periods are detected.
Czech Republic: Between 2021 and 2022, the CCyB was raised to 2.5%, above the 1% neutral level, reflecting the stage of the financial cycle, accumulated risks, and uncertainty. Since June 2023, the buffer has been gradually reduced amid a continued decline in risks on banks' balance sheets, currently standing at 1.25%.	Macro-financial indicators: composite financial cycle indicator; credit growth; financial conditions; house prices; systemic stress indicator, etc. Banking sector indicators: provisions, asset quality; evolution of RWA and capital; capital needed to sustain credit; estimates of unexpected losses, etc. Stress test results and other macroprudential tools.
New Zealand: The positive neutral CCyB was initially set at 1.5% under the capital framework reform conducted between 2017 and 2019, with gradual implementation until 2028. In December 2025, following new evidence, public consultations	Assessment of excessive credit growth as a systemic risk category, using indicators such as the credit-to-GDP gap, house prices/credit growth, household debt, and other relevant indicators across systemic risk categories and/or to identify additional sources of risk.
Spain: It set the neutral CCyB at 1% and outlined a potential timeline for convergence to this level. Initially, the CCyB was activated at 0.5% in October 2024, and in October 2025 it was increased to the 1% neutral level, with entry into force in October 2026.	16 core indicators, grouped into 4 blocks (macroeconomic, macro-financial, market, and banking system), to assess the level of risk and the position in the cycle; 4 complementary indicators to assess solvency, liquidity, efficiency, and banks' funding costs; Combined with additional qualitative and quantitative information.

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Table 2.6.1 – Approaches to the Calibration of the Positive Neutral CCyB

Country / Implementation Process	Approach to Defining the Positive Neutral CCyB
Portugal: In December 2024, the neutral CCyB rate was set at 0.75%. Banks are given twelve months to comply with CCyB increase decisions, except in exceptional cases. In periods of risk materialisation, the CCyB may be released immediately to preserve credit supply. The policy aims to ensure flexibility and adaptability to economic and financial conditions	Quantitative rules, such as the deviation of the credit-to-GDP ratio from its long-term trend; Risk accumulation indicators: seven categories, including house prices, credit developments, external imbalances, bank balance sheets, private sector indebtedness, spreads, and other composite indicators; Risk materialization indicators: composite financial stress indicator, economic sentiment indicator, and sovereign spread relative to other countries.
Chile: The CCyB activation was announced in May 2023 at a rate of 0.5%. Subsequently, a neutral level of 1% was defined, with the start of the transition planned for 2026, conditional on the completion of Basel III implementation and an assessment of macro-financial conditions.	Assessment of economic conditions and systemic risks: analysis of macroeconomic vulnerabilities and risks to the financial system; Banks' capacity to absorb changes in capital requirements without impairing credit supply; Credit dynamics: monitoring private sector credit and analyzing supply and demand across segments (households and firms); Quantitative modelling: macro-financial models, stress tests, and forward-looking exercises identifying vulnerabilities affecting borrowers' repayment capacity.
Iceland: It established a neutral CCyB range of 2% to 2.5%. The CCyB has been maintained at the upper bound of this range to preserve flexibility to respond to shocks that could result in significant losses to the financial system or a contraction in credit supply.	Cyclical systemic risk / financial cycle indicators, such as the deviation of debt-to-GDP from trend, excessive debt growth, and other relevant quantitative and qualitative factors; Complementary and structural indicators, including features specific to the Icelandic economy, stress test results, capital ratios, exposure of small open economies to external shocks, and comparisons with peer economies.

Source: Central bank and supervisory authority websites for each jurisdiction, based on the sample analyzed at the 64th Comef Meeting.

Theory and international experience indicate that adopting a positive neutral CCyB should be gradual. This allows increased requirements to be absorbed into banks' capital planning in an orderly manner, reducing the risk of abrupt adjustments and undesired procyclical effects on credit supply. Countries implementing the positive neutral CCyB typically allow at least one year to reach the neutral level after announcement, and in some cases longer depending on methodology or specific approaches. This underscores the importance of gradualism and predictability in the activation process.

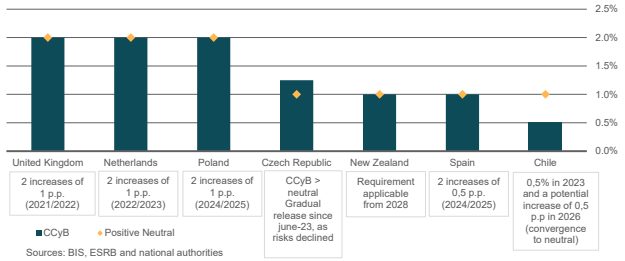
Clear communication and continuous assessment of macro-financial conditions help align expectations. Comparative studies also highlight the importance of transparent and predictable communication regarding objectives, rationale, and conditions for the CCyB, enhancing banks' ability to adjust. Moreover, the pace of transition should be conditioned on evolving macro-financial conditions. Flexibility in implementation ensures the continued effectiveness of the prudential framework and mitigates potential impacts on the real economy.

Table 2.6.2 – Countries with a CCyB at a level different from the neutral rate

Jurisdiction	CCyB	Neutral CCyB	Difference (p.p.)	Rationale for deviation from the neutral CCyB
Armenia	1.75%	1.50%	0.25	In 2024, the CCyB was raised to 1.75% (0.25 p.p. above the neutral rate), based on stress tests indicating a need for additional capital at the current phase of the cycle.
Estonia	1.50%	1.00%	0.50	In 2022, it was assessed that credit growth had increased financial cycle risks. In this context, the CCyB was raised to 1.5%, 0.50 p.p. above the neutral rate.
Cyprus	1.50%	0.50%	1.00	Between 2023 and 2025, the CCyB was increased to 1.5% (1 p.p. above the neutral rate) in response to rising cyclical systemic risks and potential macroeconomic and reputational impacts.
Czech Republic	1.25%	1.00%	0.25	Between 2021 and 2022, the CCyB was raised to 2.5%, above the neutral rate, due to accumulated risks and cycle-related uncertainties. Since June 2023, the buffer has been gradually reduced amid a continued decline in risks on banks' balance sheets.
Hong Kong	0.50%	1.00%	-0.50	In 2024, the CCyB was reduced by 0.5 p.p. to a level below the 1% neutral rate, citing uncertainty in the external and domestic economic environment, particularly affecting sectors such as SMEs that continue to face operational challenges.
Chile	0.50%	1.00%	-0.50	In 2026, the authority intends to converge to the 1% neutral rate, provided that macro-financial conditions allow, with at least a one-year implementation period.

Source: Central bank and authority websites for each jurisdiction, based on the sample analyzed at the 64th Comef Meeting

Chart 2.6.2 – Transition to the neutral rate



Sources: BIS, ESRB and national authorities

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Banco Central do Brasil Management

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Banco Central do Brasil Management

Board of Governors

Gabriel Muricca Galípolo
Governor

Ailton de Aquino Santos
Deputy Governor

Gilneu Francisco Astolfi Vivan
Deputy Governor

Izabela Moreira Correa
Deputy Governor

Nilton José Schneider David
Deputy Governor

Paulo Picchetti
Deputy Governor

Rodrigo Alves Teixeira
Deputy Governor

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Abbreviations

$ACCP_{Brasil}$
Countercyclical Capital Buffer for Brazil

AE
Advanced economy

AI
Artificial intelligence

API
Application Programming Interface

BaaS
Banking as a service

BCB
Banco Central do Brasil

BCBS
Basel Committee on Banking Supervision

CCP
Central counterparty

Comef
Financial Stability Committee

DI
Interbank deposit

DSTI
Debt service-to-income ratio

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortization

EME
Emerging market economy

FGC
Credit Guarantee Fund

FI
Financial institution

FMI
Financial market infrastructure

FSR
Financial Stability Report

FSS
Financial Stability Survey

FVA
Fair value adjustment

GDP
Gross Domestic Product

G-SIB
Global Systemically Important Bank

ICR
Interest Coverage Ratio

IL
Short-Term Liquidity Ratio

ILE
Structural Liquidity Ratio

IVG-R
Residential Real Estate Collateral Value Index

KYC
Know your customer

LCA
Agribusiness Credit Bill

LCI
Real Estate Credit Bill

LCR
Liquidity Coverage Ratio

LGD
Loss given default

LGFV
Local Government Financing Vehicle

LTV
Loan-to-value

MSME
Micro, small, and medium-sized enterprise

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NAC
Network Access Control

NII
Net Interest Income

NIM
Net Interest Margin

NSFR
Net Stable Funding Ratio

ONI
Oceanic Niño Index

PA
Problem asset

PD
Probability of default

PSTI
Information Technology Service Provider

PTC
Quarterly Credit Conditions Survey (Pesquisa Trimestral de Condições de Crédito, in Portuguese)

RoE
Return on Equity

RSFN
National Financial System Network

RWAOPAD
Component of risk-weighted assets related to operational risk

S1
Segment 1

S2
Segment 2

S3
Segment 3

S4
Segment 4

SCR
Credit Information System

SFN
National Financial System

SOI
Southern Oscillation Index

SPB
Brazilian Payment System

SPI
Instant Payment System

SPI
Standardized precipitation index

SRisk
Systemic risk indicator

SST
Sea Surface Temperature

STR
Reserves Transfer System

TPF
Brazilian Government Security

VaR
Value at risk

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Concepts and Methodologies

Broad credit – For the purpose of calculating the broad credit-to-GDP gap, the following sources of broad credit are considered:

- **Total loans – Households:** includes SFN bank credit, consortiums operations, pension funds loans (EFPC), constitutional funds (Fundo Constitucional de Financiamento do Nordeste - FNE, Fundo Constitucional de Financiamento do Norte – FNO, Fundo Constitucional de Financiamento do Centro-Oeste – FCO, and Fundo de Financiamento Estudantial – FIES). For constitutional funds, these are operations not considered in the SFN bank credit.

- **Total loans – Companies:** includes SFN bank credit, credit operations from Agência Especial de Financiamento Industrial S.A. (Finame) and BNDES Participações S.A. (BNDESPAR) – institutions from the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) group -, consortiums operations, and constitutional funds.

- **Capital market:** includes debentures (except from leasing companies), commercial papers, CRI, CRA, FIDC (credit rights), CPR and CCB without co-obligation.

- **External market:** consists of the balance of funds raised abroad by loans (including intercompany) or bond issuance, i.e., the credit operations from non-residents to residents.

Broad credit-to-GDP gap – The broad credit-to-GDP gap is defined as the difference between the ratio of private nonfinancial sector broad credit to GDP and its long term trend, obtained with the use of a Hodrick-Prescott (HP) filter, with a λ parameter of 400,000. This calculation excludes the foreign exchange variation due to its impacts on the broad credit, as discussed in the April 2016 issue of FSR (box "Countercyclical Capital Buffer", section 4, "Credit-to-GDP gap in Brazil").[132]

Capital Buffer – Additional CET1 requirement corresponding to the sum of the following installments: conservation, countercyclical and systemic. The value of the conservation buffer. corresponds to 2.5 per cent of RWA. The value of the countercyclical buffer is currently zero for exposures in Brazil and is limited to a maximum of 2.5% of RWA. The systemic buffer depends on the ratio between total exposure and GDP and is currently equal to 1% of RWA for S1 institutions, under the terms of Resolution CMN 4,553, of January 30, 2017. Failure to comply with the capital buffer results in the restrictions described in article 9 of Resolution CMN 4,958, of October 21, 2021. As the excess of CET1 used to meet the other minimum requirements cannot be used to fulfil the capital buffer, this requirement is added to all three minimum requirements described in Total Capital Ratio, Tier 1 Capital Ratio, and Common Equity Tier 1 Ratio (CET1 Ratio).

Capital stress tests – Comprised by a macroeconomic stress test and sensitivity analyses to risk factors deemed relevant, these stress tests are simulations to estimate losses arising from extreme events, though plausible, and assess the resilience of an institution or the financial system. Hence, it is possible to determine the impact on the capital of institutions taking into consideration unexpected, and thus, not provisioned losses caused by acute changes in macroeconomic variables. For each stress scenario, new capital ratios (Total Capital Ratio, Tier 1, and CET1) are calculated. An FI is considered as non-compliant whether any of its capital ratios is below the minimum required and classified as insolvent in the case of total depletion

132 References: (i) Drehmann, M., Borio, C., & Tsatsaronis, K. (2011). *Anchoring countercyclical capital buffers: the role of credit aggregates*, BIS Working Papers 355. (ii) Drehmann, M., and Juselius, M. (2013). *Evaluating early warning indicators of banking crises: Satisfying policy requirements*, BIS Working Papers 421. (iii) BCBS (2010). *Guidance for national authorities operating the countercyclical capital buffer.*

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of the CET1. The relevance of non-compliant and/or technically insolvent institutions is assessed, as well as the additional capital needed so that no bank might become non-compliant is calculated. The relevance of an institution is based on of its Total Assets (ATA) as a proportion to the banking system.

The positive effects of the eventual activation of Tier 2 and Additional Tier 1 capital triggers, in which values are converted into CET1 capital, are classified as income.

Furthermore, when computing capital shortfall, all applicable capital buffer requirements (ACP) are taken into account, as determined by Resolution CMN 4,958, of October 21, 2021.

Finally, the framework also considers the potential changes of registration and uses of deferred taxes and its implications on regulatory capital calculus, according to Resolution CMN 4,955, of October 21, 2021, and later modifications.

i. Macroeconomic stress test – The macroeconomic stress test framework is an exercise that consists of the application of adverse macroeconomic scenarios and simulation of balance sheet responses on an individual basis. Based on these results, capital shortfall for the entire financial system is estimated.

ii. Scenario design – Three macroeconomic scenarios are built, for a time horizon of twelve quarters, based on market information and the following macroeconomic variables: 1) economic activity (GDP); 2) exchange rate (quarter average of the Brazilian real vs US dollar parity); 3) Brazilian Benchmark Interest Rate (quarter average of the Selic rate); 4) inflation (consumer prices given by the Extended National Consumer Price Index – IPCA – cumulative twelve months) and 5) unemployment rate (calculated by IBGE – *Instituto Brasileiro de Geografia e Estatística*).

The baseline scenario is built upon the median of market expectations (Focus report). Scenarios stress 1 and stress 2 used for simulations are described in Box – Scenarios used in the macroeconomic stress test.

iii. Stress simulation – The stress simulation is conducted by projecting seven basic income statement accounts, representing operational performance, presented in the last income statement (non-operational income is not considered in the test): 1. Net interest income comprises net credit income, accrued income from bonds and securities and funding costs; 2. Noninterest incomes: mark-to-market effects, hedges and exchange rates fluctuations; 3. Fees & commissions; 4. Gains from non-consolidated companies; 5. Administrative expenses and; 6. Provision expenses; and 7. Other results.

In the 'net interest income' account, credit, and bonds/securities incomes as well as funding costs are modeled based on the Selic rate behavior. Funding volumes are adjusted according to loan portfolio volumes, in a 1:1 proportion. Provision expenses are estimated based on problem assets (PA) evolution given by each of the scenarios.

Non-interest incomes are modeled by the application of market risk shock on positions observed in the date the test starts and adds the historic average of this account. The stressed market risk factors are obtained out of the macroeconomic scenario, and positions are then recalculated. The result is the difference between stressed and initial values. This amount is applied on the first quarter of projection and incorporated to earnings.

"Fees & Commissions", "Non-consolidated companies" and "Administrative Expenses" accounts are modeled by use of dynamic panel data models, obtained with the same macroeconomic variables provided by the scenarios.

"Other results" account is modeled by the average of all other income statement items not included in the six previous accounts, e.g. non-operational results, other operational incomes and treasury results.

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Besides the performance simulation, verified through income statement items, the BCB has incorporated the interfinancial contagion into the macroeconomic stress test framework. For each quarter in the test time horizon, it is verified whether any institution falls below the Core Tier 1 capital ratio minimum threshold of 4%. If this is the case, inter-financial contagion is estimated. Uncollateralized interbank exposures issued by the affected institution are assumed as losses into the creditors´ balance sheet, and its new capital position is recalculated. If any institution also falls below the abovementioned threshold, the process is repeated iteratively until there is no new institutions falling below the threshold. The stress test continues with the new affected capital levels and the process is repeated in all quarters of the projection, until the end of the time horizon.

iv. Sensitivity analyses are aimed at complementing the macroeconomic stress test. Sensitivity analyses assess the individual effects of credit or market risk factors that might affect institutions' regulatory capital, causing eventual capital shortfalls. Those analyses are conducted by applying incremental variations to individual risk factors, while keeping other factors fixed.

a. Sensitivity analysis – changes in market risk factors – exposures subject to interest rate changes (e.g., fixed rates, currency coupons, price indexes and interest rates) listed in the trading book are stressed. The positions at all vertices (from 21 to 2,520 days) are recalculated after the application of shocks as well as the financial impact on banks' capital positions. Stressed exposures also affect risk weighted assets components (RWA_{JUR1}, RWA_{JUR2}, RWA_{JUR3}, RWA_{JUR4}). In the case of fixed rates, new regulatory parameters of capital requirements are recalculated based on each yield curve generated by a shock.

Exposures to gold, foreign currency, and other instruments subject to changes are also stressed. Impacts due to exchange rate fluctuations on regulatory capital and capital requirements (RWA_{CAM}) are then recalculated. It is assumed that all exposures subject to exchange rate fluctuations are revalued following the percentage points projected for the stressed USD/exchange rate.

Shocks alter, individually, interest rates and the exchange rate, in 10 percentage points steps, downward until it reaches 10% of the original value, and upward until an increase of 100% of the original value is reached. After assessing impacts, new capital ratios are calculated, and then regulatory capital adequacy and the solvency of banks are verified.

b. Sensitivity analysis – increases in problem assets – This analysis aims at measuring the effect of problem assets increases on the regulatory capital of institutions. Problem assets are raised to 250% of its current level in several steps. For each step, additional provisions required are estimated, and regulatory capital and RWA_{CPAD} suffer the impacts from additional provisioning. After impacts are applied, new capital ratios are computed, and solvency and capital adequacy status of banks are evaluated.

c. Sensitivity analysis – fall in housing prices – The objective of this analysis is to estimate the impacts of falling residential real estate prices on the regulatory capital of institutions with mortgages to households in their loan portfolio. Prior to the simulations, real estate prices are updated using the IVG-R index, by the incorporation of the variations measured by the index since each loan's inception up to the date of the simulation.

Adverse shocks are applied to prices, in sequential steps of 5 percentage points. In each step, loans whose collaterals do not amount to 90% of the loan's outstanding balance are considered as delinquencies.

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The loss of each delinquent loan is estimated as the difference between the outstanding balance and the present value of the amount recovered from the foreclosure process. To compute the recovered amount, residential real estate prices after applied shocks are considered, and deducting an estimate for taxes, maintenance, and auction costs. Furthermore, the auction sale is considered to occur at a discounted price proportionate to the price fall due to the applied shock. This amount's present value is obtained by discounting the sale proceeds by the 1-year future rate. New regulatory capital ratios of each institution are calculated considering the estimated losses associated to each step of housing prices decline.

Common Equity Tier 1 Ratio (CET1 Ratio) – It consists of the ratio between CET1 and RWA. The minimum CET1 requirement established by Resolution CMN 4,958, of October 21, 2021, and Resolution BCB 200, of March 11, 2022, is 4.5 per cent of RWA.

Companies' size – Defined by an intern algorithm, which considers three sources of information: i) size of micro and small enterprises set by Federal Revenue of Brazil; ii) size mode informed by FIs in the Credit Information System (in case of tie, it is considered information of the FI in which the company has the greatest volume of debt); (iii) corporate indebtedness amount (bank credit, capital market, internalized external debt) to enclose size's boundaries. The criteria (i) and (ii) take into consideration annual gross revenue standards of Complementary Law 123, of December 14, 2006, and Law 11,638, of December 28, 2007. The criteria (iii) are residual and classifies companies' sizes not set by criteria (i) or (iii).

Concentration indicators – To systematically monitor the concentration levels of different segments of the SFN, the BCB uses the Normalized Herfindahl-Hirschman Index (HHIn), the "HHIn equivalent number" (EN), and the Four-Firm Concentration Ratio (CR4) in the accounting aggregates related to total assets, credit operations, and total deposits in Brazil.

The HHI is used by domestic and international antitrust authorities as an auxiliary tool for assessing levels of economic concentration. In its normalized version, the HHIn is obtained by the sum of the square of each financial institution market share, in the decimal form, resulting in a number between 0 and 1. According to Communiqué 22,366, of April 27, 2012 (BCB's Merger Review Guidelines, 2012), the BCB considers markets with HHIn values:

a) up to 0.10 to be unconcentrated;

b) above 0.10 and up to 0.18 to be of moderate concentration; and

c) above 0.18 to be of high concentration.

The "HHIn equivalent number" (EN) indicates which would be the number of financial institutions (FI) with equal share in the market that would generate the same observed HHIn (HHIn = 1/EN).

The CR4 measures the concentration degree by adding up the market shares of the top four financial institutions in each market.

These indicators are analyzed for three accounting aggregates[133] and consider the following adjustments:

a) for total assets, it is used the Adjusted Total Assets (ATA), which excludes investments in

133 The monetary values of the accounting aggregates considered the IF.data prudential conglomerate concept, available at https://www3.bcb.gov.br/ifdata/. Prudential conglomerates include, in addition to the institutions belonging to the financial conglomerate: i) consortium management; ii) payment institutions; iii) companies that perform the acquisition of credit operations, including real estate or credit rights; iv) other companies headquartered in the country whose exclusive corporate purpose is to hold equity stakes in the aforementioned institutions; v) investment funds in which the institutions that make up the prudential conglomerate substantially assume or retain risks and benefits.

interfinancial deposits, interfinancial transfers, and investments in institutions authorized by the BCB;

b) for total deposits, it is used total deposit (-) interfinancial deposits (+) Agribusiness Credit Bills (LCA) (+) Real Estate Bills (LCI) (+) Financial Bills, and, in the case of the non-banking segment (b3 + b4 + n1 + n2 + n4), Exchange Bills are included; and

c) for credit operations, the balances of the outstanding portfolio of all the institutions' credit operations are considered.

Regarding the concentration level in credit operations, in addition to the general analysis, an assessment is also carried out for each relevant market, i.e. for each set of close substitute products.[134] This type of analysis contributes to greater transparency of the environment in which competition takes place in the SFN and to the improvement of the BCB's role in defending competition. The set of relevant markets is made up of:[135] rural and agribusiness financing (individuals and companies),[136] housing financing (individuals and companies),[137] infrastructure and development financing (companies),[138] operations with acquired receivables (companies),[139] working capital (companies),[140] payroll-deducted personal credit (individuals),[141] non-payroll-deducted personal credit (individuals),[142] vehicle financing (individuals),[143] credit card (individuals and companies),[144] and overdraft facility (individuals and companies).[145] Together, the relevant markets analyzed account for 74.42% of the total outstanding SFN credit operations on December 31, 2025. Indicators refer to credit operations granted with both non-earmarked

134 For details on the definition of a relevant market, see the BCB's Merger Review Guidelines.

135 Data from Document 3040 – Credit Risk Data, whose information is incorporated into the Credit Information System (SCR) database – were used for the modalities analyzed.

136 It covers sub-modalities 801 (costing and pre-costing), 802 (investment and working capital for agribusiness financing), 803 (sale and pre-sale), and 890 (project financing).

137 It covers sub-modalities 901 (housing finance from the Housing Finance System – SFH) and 902 (housing finance - mortgage portfolio).

138 It covers sub-modalities 1101 (infrastructure and development financing), 1190 (project financing), and 490 (project financing – BNDES). Sub-modality 490 includes other types of BNDES operations, in addition to those directly related to infrastructure and development.

139 It covers sub-modalities 250 (loan-acquired receivables), 450 (financing-acquired receivables), and 1350 (other receivables-acquired receivables).

140 It covers sub-modalities 215 (working capital with a maturity of less than 30 days) and 216 (working capital with a maturity of 30 days or more).

141 It covers sub-modality 202 (payroll-deducted personal credit).

142 It covers sub-modality 203 (non-payroll-deducted personal credit).

143 It covers sub-modality 401 (acquisition of goods - motor vehicles).

144 It covers the following sub-modalities: 204 (revolving credit linked to a credit card); 210 (purchase, invoice in installments or withdrawal financed by the card-issuing institution); 406 (purchase or invoice in installments by the card-issuing financial institution), 1304 (cash purchase and in installments from a shopkeeper), and 218 (not migrated).

145 It covers sub-modality 213 (overdraft facility).

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and earmarked resources[146] in the banking and non-banking segments (b1+b2+b3+b4+n1+n2+n4).

In addition, the concentration of the relevant markets of brokerage and distribution of retail investment products is analyzed.[147] The source of brokerage market data is the B3 and refers to the annual financial volume, while the distribution market data is the Brazilian Financial and Capital Markets Association (Anbima) and refer to the consolidated annual financial volume of distribution of traditional retail and high-income products, except savings.

The brokerage segment encompasses relevant markets of stocks and of commodities and futures due to the low level of substitutability between the products traded on the stock market and those traded on the commodities and futures market. This reflects the differences concerning traded assets, business environments, operating platforms, and customers profiles.

Household debt service-to-income ratio (DSTI) – Defined as the ratio between monthly debt service and monthly income. A methodological review of the measure presented in the FSR issues of September 2014, March 2015 and October 2015, this measure uses data from BCB's Credit Information System (SCR) to calculate the ratio for each debtor in the SFN and, from individual data, calculates measures of central tendency for the SFN and other aggregation levels.

Leverage ratio (LR) – Basel Committee on Banking Supervision international concept, consisting of Tier 1 Capital to Total Exposure ratio. In Brazil, the Circular BCB 3,748, of February 27, 2015, established the LR methodology. This index intends to complement the current prudential requirements, through a simple, transparent and non-sensitive risk metric. The leverage ratio minimum requirement of 3.0% was established by the Resolution CMN 4,615, of November 30, 2017, which is effective from January 2018 on, applicable for institutions classified as S1 or S2, accordingly to the Resolution CMN 4,553, of January 1, 2017.

Loan-to-Deposit ratio (LTD) – It measures the ratio between the loans granted by the Financial Institution and the volume of deposits of its customers, constituting a complementary metric for liquidity assessment. A high LTD ratio means that the volume of loans granted corresponds to a relevant portion of the Financial Institution's deposit base, which may lead to an increase in its liquidity risk. Conversely, a low LTD ratio may be an indication that the Institution is not adequately monetizing its assets, as a significant proportion of its deposits may be allocated to less profitable assets than credit ones. The scope for calculating the LTD ratio is that of the prudential conglomerate and repo operations are excluded from the funding base for calculating the indicator.

Monthly debt service – Credit outstanding due in 30 days, except for: a) real estate financing, whose 30-day due amount is estimated by a constant amortization system; b) overdraft, whose debt service is defined as its monthly interest; and c) other revolving facilities, whose 30-day due amount is estimated by a Price amortization system. It considers all household loan modalities, except for rural and business modalities, even when loaned by an individual. Even though it is calculated, 30-day due amount in credit card purchases are not considered in the DSTI base measure, being included only in alternate measures of the indicator.

Monthly income – As a customer's income may vary when informed by different FIs, the following

146 Credit operations granted with non-earmarked resources, except housing, rural, and agribusiness, and infrastructure and development financing, whose resources are both earmarked and non-earmarked.

147 The following products are considered: investment funds 555 (fixed income, multimarket, mutual privatization fund (FMP), foreign exchange and shares, except those arising from Decree-Law 157, of February 10, 1967), structured funds (credit rights investment funds, real estate investment funds, equity investment funds, and fixed and variable income Exchange Traded Fund (ETF), and securities (shares, government securities, private securities, and structured operations certificates).

procedure applies: i) in case of more than one income bracket, the mode is used to select a single income bracket for the customer – if there is a tie among income brackets, the one with the largest amount of credit outstanding is chosen; ii) among the FIs which informed the selected income bracket, the largest informed income is chosen, capped by the lower and upper bounds of the income bracket; and iii) an estimate of income tax and social security contribution is deducted from the selected income.

Short-Term Liquidity Ratio (IL) – Conceptually like the Liquidity Coverage Ratio (LCR), it is the ratio between the stock of liquid assets held by the institution and the net stressed cash flows (estimated disbursements in the next 21 business days under a stress scenario). Therefore, institutions with IL above one (100%) have enough liquid assets to withstand this stress scenario.

i. Liquid assets – liquid resources available for each conglomerate/institution to meet its stressed cash flows for the next 21 business days. The methodology does not consider different accounting classification methods. In other words, it marks securities to market or by the price disclosed for collateral under repurchase agreement operations with the BCB. It is the sum of highly liquid assets, release of required reserves (due to deposits run-off) and supplemental resources.

a. Highly liquid assets – these include: i) unencumbered Brazilian sovereign bonds held by the institution or received as a collateral in reverse repurchase agreement operations (reverse repos); ii) stocks listed in Ibovespa index; iii) liquid quotas of investment funds; iv) cash; v) free central bank reserves and vi) voluntary deposits at the BCB.

b. Release of required reserves – amount of the required reserves that would be released to the institution due to the deposit run-off estimated in the stressed cash flows calculation.

c. Supplemental resources – other options for monetization in the scenario's time-horizon, such as: Bank Deposit Certificate (CDB), Bank Deposit Receipt (RDB), Interbank Deposit (DI), long positions in box strategies (options), reverse repurchase agreements (reverse repos) backed by private securities.

ii. Stressed cash flows – an estimate of the amount of cash that the institution needs within the scenario's timeframe (21 business days) under a stress scenario. The analyses take into account retail deposits run-off, wholesale funding run-off, market stress and net contractual cash flows.

a. Retail deposits run-off – estimate of the necessary amount to cover the retail-customers withdrawals in demand deposits, term deposits, savings accounts, box strategies, securities issued by the bank, and repurchase agreements (repos) backed by private securities.

b. Wholesale funding run-off – estimate of the necessary amount to cover the possibility of early redemption of the liability positions from the three largest market counterparties.

c. Market stress – estimate of the necessary amount to cover losses arising from market movements affecting the liquid assets or others positions that may cause a cash outflow of the institutions in the stress scenario. The losses comprise: i) margin calls; ii) pre-settlements of derivatives contracts; iii) losses on the marked-to-market values of the liquid assets.

d. Net contractual cash flow – payments due in derivatives positions and in contractual cash flows (assets and liabilities positions) with market agents, maturing within the horizon of the scenario.

Structural Liquidity Ratio (ILE) – It is the ratio between the available stable funding (part of the equity

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and liabilities on which the institution can rely for a one-year horizon) and the required stable funding (part of the assets, including off-balance-sheet assets, which must be financed by stable funding because they have long maturities and/or low liquidity). Institutions with ILE equal or above one (100%) are less susceptible to future liquidity problems. The calculation methodology is based on the final version of the Net Stable Funding Ratio (NSFR), which was introduced as a minimum mandatory compliance in October 2018.

i. Available stable funding – the funding that shall remain in the institution for at least a year. The main sources of banks' stable funding are the capital; non-redeemable liabilities with residual maturities above one year regardless of counterparty; and funding with no maturity or with a maturity of less than a year coming from retail customers.

ii. Required stable funding – the amount of stable funding needed to finance the long-term activities of financial institutions (FIs). Therefore, it takes into account the liquidity and the maturity of the assets of the institution. The long-term assets are mainly the credit portfolio maturing in over a year; nonperforming assets; less liquid or encumbered securities (i.e., margin requirement in clearings); fixed assets; and the items deducted from the regulatory capital.

Tier 1 Capital Ratio – It consists of the quotient between Tier 1 Capital and RWA. The minimum T1 Ratio requirement established by Resolution CMN 4,958, of October 21, 2021, and Resolution BCB 200, of March 11, 2022, is 6%.

Total Capital Ratio – Basel Committee on Banking Supervision international concept, consisting of the system regulatory capital (RC) divided by the system RWA. The minimum RC requirement in relation to RWA is defined by Resolutions CMN 4,958, of October 21, 2021, and CMN 4,606, of October 19, 2017, and Resolutions BCB 198 and 200, both of March 11, 2022. For S1 to S4 institutions, the default value of the factor is 8.0%. For conglomerates led by PIs and with no member institution authorized to operate by the BCB, the factor is 12%. Single credit unions not affiliated to central credit unions and not opting for the simplified methodology defined in Resolution CMN 4,606, of October 19, 2017, have their minimum capital requirements increased by 4%. For institutions adopting the simplified methodology, the value of the factor is 12% for single credit unions affiliated to central credit unions and 17% for other institutions.

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632 ***Competing for Loan Informal Seniority: Theory and Evidence***
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Como as cadeias de suprimentos se adaptam a eventos climáticos extremos
Thiago C. Silva et al.

Atuação do Banco Central do Brasil na Defesa da Concorrência entre Instituições Financeiras
Alex N. Caetité e Daniel P. Canhete

Consequências Redistributivas do Teto de Juros do Consignado
José Renato Haas Ornelas

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