

## CREDIT OPINION

25 July 2025

### Update



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### RATINGS

#### Banco do Estado do Para S.A.

Domicile	Belem, Para, Brazil
Long Term CRR	Ba1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Ba2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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## Banco do Estado do Para S.A.

Update following rating affirmation

### Summary

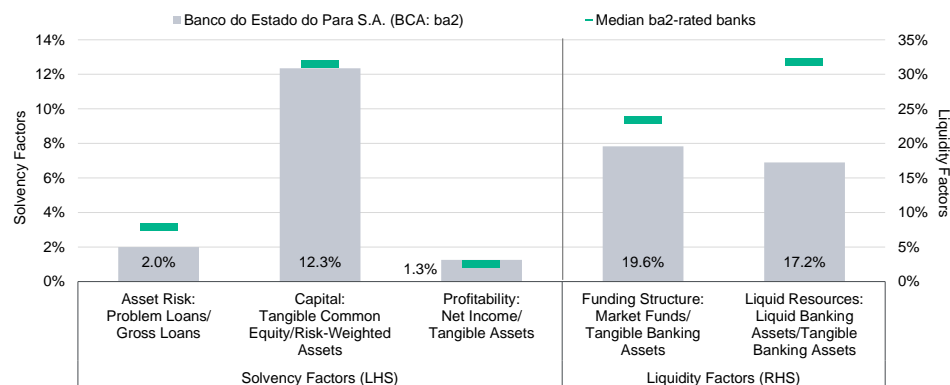
[Banco do Estado do Para S.A.](#)'s (Banpara) ba2 Baseline Credit Assessment (BCA) reflects the bank's consistently sound financial fundamentals, including high capitalization, strong funding and liquidity positions, as well as controlled asset-quality metrics. The bank has a well-established operation in the state of Para focused on low-risk secured payroll lending to civil servants, leading to low delinquency ratios. Banpara's asset quality is not entirely immune to the operating environment, especially considering its exposure to unsecured consumer and commercial loans. Low funding costs have contributed to the bank's profitability, although credit costs have increased following an expansion into new products. Furthermore, regulation on payroll lending has pressured the bank's profitability.

Banpara's ratings are constrained by its limited business diversification and geographic footprint, which expose it to downturns in the local economy and challenge its competitive position in a market that is also targeted by other large Brazilian banks. It also incorporates potential changes in regulations related to payroll lending.

Exhibit 1

### Rating Scorecard - Key financial ratios

Scorecard ratios as of March 2025



Note: Ratios are from Moody's banking scorecard. Capital ratio is as of most recent period; Asset Risk and Profitability ratios are the worse of the most recent year-to-date period or the average of the last three years and the most recent year-to-date; Funding Structure and Liquid Resources ratios are as of the most recent year-end.

Source: Moody's Financial Metrics

## Credit strengths

- » A regional franchise with entrenched loan and deposit shares in its home state despite strong competition.
- » Historically good asset-quality indicators from its low-risk payroll lending book
- » Strong capitalization provides a buffer to stress as the bank explores new businesses
- » Solid profitability and efficiency ratios, supported by a low-cost funding structure, with relatively high reliance on government resources

## Credit challenges

- » The bank's limited business diversification renders it more vulnerable to stiff competition and potential regulatory changes to its main product (payroll deductible loans)
- » Its exposure to execution risks, as the franchise expands into the local small and medium-sized enterprise (SME) segment, could affect its asset quality and lead to rapid capital consumption

## Outlook

Banpara's stable outlook reflects the bank's stable liquidity and funding, as well as the still solid asset quality, profitability and capital despite the recent expansion.

## Factors that could lead to an upgrade

Banpara's BCA could be upgraded if the bank reports a sustained improvement in business diversification without compromising its profitability and capitalization levels.

## Factors that could lead to a downgrade

Banpara's rating could be downgraded if asset quality indicators deteriorate as the bank expands rapidly beyond its core products and local regional market, such as into riskier SME segment, which could weaken profitability and capital metrics.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Banco do Estado do Para S.A. (Unconsolidated Financials) [1]

	03-25 <sup>2</sup>	12-24 <sup>2</sup>	12-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (BRL Million)	18,712.2	17,964.4	17,063.6	15,298.1	12,518.7	13.2 <sup>4</sup>
Total Assets (USD Million)	3,267.0	2,907.9	3,512.8	2,897.5	2,245.0	12.2 <sup>4</sup>
Tangible Common Equity (BRL Million)	1,980.1	1,920.0	1,772.3	1,562.6	1,517.3	8.5 <sup>4</sup>
Tangible Common Equity (USD Million)	345.7	310.8	364.9	296.0	272.1	7.6 <sup>4</sup>
Problem Loans / Gross Loans (%)	2.0	1.0	0.8	0.8	0.6	1.1 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	12.3	13.4	13.2	14.0	16.2	13.8 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	11.8	6.0	5.1	4.8	3.1	6.2 <sup>5</sup>
Net Interest Margin (%)	11.7	13.0	12.3	10.4	12.8	12.1 <sup>5</sup>
PPI / Average RWA (%)	5.0	7.4	6.3	4.7	7.1	6.1 <sup>6</sup>
Net Income / Tangible Assets (%)	1.3	2.1	1.7	1.2	1.9	1.6 <sup>5</sup>
Cost / Income Ratio (%)	67.2	58.3	62.1	70.2	64.2	64.4 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	14.9	19.6	13.2	5.1	2.3	11.0 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	16.3	17.2	21.0	27.6	28.9	22.2 <sup>5</sup>
Gross Loans / Due to Customers (%)	112.8	120.3	104.2	85.0	81.7	100.8 <sup>5</sup>

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

## Profile

Banco do Estado do Para S.A. (Banpara) is a regional bank owned by the State of Para in Brazil and operates as a retail bank focused on the local territory. The bank has a full coverage of around 100% of the state population, offering products and services through a network of 164 traditional full branches and additional small points of sales, which provide the bank with a strong local market participation. As a government bank, Banpara is entitled to manage the payroll of the State of Para's employees. In the Brazilian banking system, as of December 2024, Banpara held market shares of 0.2% of loans and deposits. However, in its regional local market, Banpara has an entrenched and considerable share of deposits and loans.

## Detailed credit considerations

### High share of payroll loans reduced pressure from portfolio diversification and harsh operating environment

Banpara's historical asset-quality indicators are strong compared with those of its peers, reflecting its concentrated operations in secured consumer lending, particularly granular payroll loans to public-sector employees and retirees in its local market. As of March 2025, payroll loans accounted for 73.2% of the loan book, while Banparacard, a payroll credit card, accounted for another 8.2%.

In the twelve months ended March 2025, Banpara's credit portfolio expanded 10.4%. As part of the bank's diversification strategy, consumer mortgages grew 27.0% year-over-year (YoY), although they only represented 7.4% of the portfolio. Loans to companies rose 78.6% and accounted for 4.9% of gross loans. Banpara's expansion in new segments has faced challenges amid unfavorable economic conditions and subdued credit demand, however payroll's share of gross loans still dropped 331 bps in the period.

Banpara's asset quality is not entirely immune to the harsh operating environment, especially given its exposure to unsecured consumer and commercial loans. In March 2025, the bank reported a 2.0% 90-day delinquency ratio, higher than the 1.7% a year earlier. In March 2025, the problem loan ratio started to be calculated as stage 3 loans<sup>1</sup> that represented 2.0% of gross loans. Reserves for loan losses were high, covering 179% of stage 3 loans, but are likely to be challenged because Banpara is expanding its narrow range of loan products.

Our assigned Asset Risk score of ba2 for Banpara incorporates the challenges and execution risks that the bank faces as it pursues new business platforms beyond its traditional asset classes while maintaining good asset quality. The bank should be able to continue to prove its ability to manage credit risk as the franchise expands, with the enhancement of its risk management architecture and guidelines to avoid escalation of credit costs. The negative adjustment also takes into consideration the bank's concentration in a single loan class, which is highly exposed to regulations, and the concentration risk associated with one regional local market.

### Still solid profitability despite provisions associated with accounting standard change in Q1 2025

Banpara's profitability has traditionally benefited from a well-established, although modest, regional franchise, a low delinquency ratio and solid access to stable low-cost core deposit funding, an important contributor to its historically very high net interest margins. The bank's main business generates strong recurrent earnings with low risk, given that payments are deducted from public servants' payroll.

Banpara reported a net income-to-tangible assets ratio of 2.1% in 2024, higher than the 1.7% in 2023, as improved margins and efficiency mitigated the rise in provisions. Although profitability remained at a solid level, it is below the three year pre-pandemic average of 4.0%. Higher credit costs from Banpara's expansion into new products and segments, especially SMEs, are one of the main drivers for the change. Loan-loss provisions accounted for 38.3% of pre-provision income in 2024, higher than the 14.5% average of 2017 to 2019, but remained controlled. In Q1 2025, net income-to-tangible assets ratio was 1.3%, from 1.7% one year earlier, mainly due to the impact of Brazil's new accounting standards, which required one-off provisions based on expected credit losses. The payroll segment continued to be pressured by the regulatory cap on payroll lending rates, specifically the successive reductions in the maximum rate applicable to retiree payroll loans and by the rise in funding costs in a persistently high interest rate environment.

We expect the bank's profitability to be pressured due to Selic's elevated level and the regulated nature of payroll lending.

### Strong capitalization provides a loss absorption cushion

Banpara's capital ratio supports the bank's expansion strategy beyond its traditional markets. The bank reported a common equity tier 1 ratio of 13.8% as of March 2025, lower than 15.1% one year earlier, mainly due to a new Resolution<sup>2</sup>, which modified the calculation of operational risk-weighted assets (RWAs) and resulted in an increase in total RWAs, but still well above the local minimum requirement of 8%. Adjusting to a 100% risk weight for government securities and excluding a part of the deferred tax assets from temporary differences related to loan loss provisions, in accordance with our capital concept, the bank's tangible common equity (TCE) ratio remained comfortable at 12.3% in March 2025. Banpara's TCE ratio is higher than that of other regional and local government banks in Brazil.

The bank's expansion into the competitive corporate lending business and the higher funding costs will limit its future profitability and, thus, the pace of its capital replenishment. However, the state government has agreed to restrict the dividend payout ratio to a maximum of 40% of the bank's net income annually. Additionally, the incorporation of BRL172 million and BRL130 million of reserves into its core capital, in 2021 and 2020 respectively, are signs of shareholders' support.

We expect capital metrics to remain fairly flat as the bank organic replenishment capacity is sufficient to cope with Banpara's expected growth in the next 12 to 18 months. We assign a Capital score of ba1 to the bank, reflecting the abovementioned challenges, but also acknowledging its high capitalization and comfortable loss-absorption capacity to support its growth strategy.

### Stable core funding remains a credit strength

Banpara maintains stable access to low-cost core deposits, and its significant deposit market share in the State of Pará continues to be a positive driver of liquidity. In March 2025, 34.6% of the bank's deposits were sourced from related parties, primarily the state government. The high share of core deposits in its local market and the historical stability of these resources have supported the bank's comfortable cash liquidity position and loan growth above the market average. In Q1 2025, customer deposits were stable from the previous year and accounted for 82.7% of the bank's total funding.

Although local state deposits have historically been stable, they remain correlated to the state's financial profile and are subject to withdrawal at any time. To mitigate concentration risk and support the expansion of its wholesale lending platform, Banpara has been gradually diversifying its funding base. Since 2013, the bank has accessed local capital markets through the issuance of bank notes (letras financeiras), which totaled BRL1.1 billion in March 2025 and represented 7.0% of the funding mix, from 3.5% one year earlier. We expect the bank to continue pursuing funding diversification to capitalize on Brazil's strong domestic liquidity environment.

### Banpara's credit profile reflects Brazil's Moderate Macro Profile

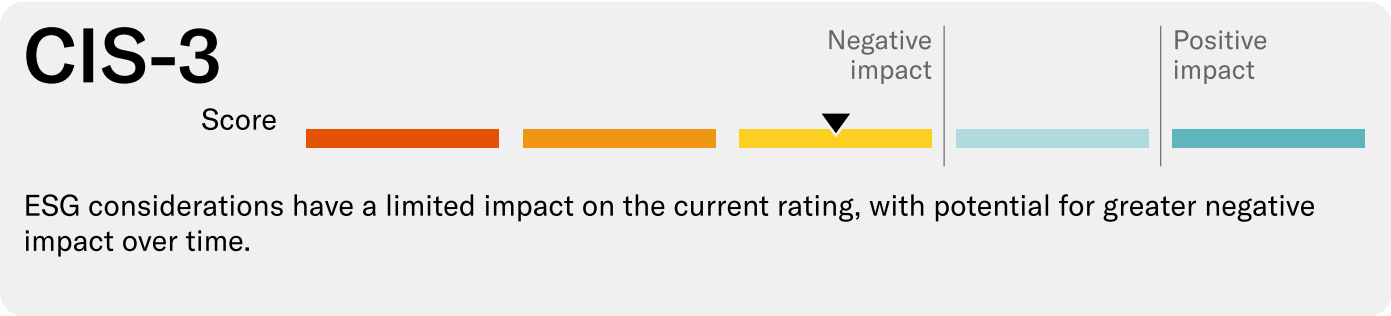
Brazil's (Ba1 stable) Macro Profile of "Moderate" is supported by the country's large and highly diversified economy with limited exposure to external financing risks. It also incorporates our improvements in the business environment for banks from recent reforms, including the independence of the central bank; the state-owned company law; labor reform; and a collateral framework that reduced uncertainties about judicial disputes and the potential for political intervention in the financial system. We forecast real GDP growth to moderate in

2025 to 2.0%, from 3.4% in 2024. Our assessment acknowledges the historically low unemployment and steady, though high, household debt, which together will help contain risks in 2025 as banks moderate risk taking. Ample domestic liquidity should keep supporting banks' funding needs.

ESG considerations

Banco do Estado do Para S.A.'s ESG credit impact score is CIS-3

Exhibit 3  
ESG credit impact score



Source: Moody's Ratings

Banpara's **CIS-3** reflects the limited credit impact of environmental and social factors on the rating to date. However, the score also reflects possible increase in corporate governance risks over time because of concentrated government ownership and the high potential for senior manager turnover every four years upon changes of gubernatorial administration.

Exhibit 4  
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Banpara faces low exposure to environmental risks. The bank has limited exposure to carbon transition risks because its loan book is concentrated in loans to individuals, namely payroll deductible loans to civil servants.

Social

Banpara faces moderate social risks related to customer relations. The bank's developed policies and procedures, mitigate risk associated with the distribution of financial products such as conduct, regulatory and reputational risks, as well as exposure to litigation; Banpara has activities primarily in Brazil, a country which has imposed only moderate penalties in relation to consumer protection. Continued investments in technology and the bank's long track record of handling sensitive customer data, as well as appropriate culture and governance that ensure adherence to regulatory standards, help to manage high cyber and personal data risks.

Governance

Banpara's governance risks are moderate, reflecting mostly the bank's concentrated ownership by the State of Para and the potential of political interference in the bank's management. Banpara's senior management is appointed by the government, which results in potential change of management every four years. In addition , recent delays on the publication of audited financial statements with qualified opinions also adds governance risk associated with compliance and reporting.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Support and structural considerations

In the absence of a bail-in resolution regime framework in Brazil, the ratings of subordinated debt, bank hybrids and contingent capital securities follow the additional notching guidelines, in accordance with our Banks methodology. In these cases, the approach takes into account other features specific to debt classes, resulting in additional notching from the Adjusted BCA of the issuer.

### Government support

Notwithstanding the strong track record of support from the state government, the bank's rating does not benefit from any uplift from the support of its owner because the State of Para is unrated. Nor does the rating benefit from any uplift because of support from the Brazilian government because we do not expect the bank to receive support from the federal government in an event of financial stress, given its low deposit market share in the country.

### Counterparty Risk (CR) Assessment

#### Banpara's CR Assessment is Ba1(cr)/Not Prime(cr)

Banpara's CR Assessment is Ba1(cr), which is one notch above the bank's Adjusted BCA of ba2 and, therefore, above the bank's deposit rating, reflecting our view that its probability of default is lower for the operating obligations than for deposits. The CR Assessment of Banpara does not benefit from government support because this support is not incorporated into the bank's deposit ratings.

## Methodology and scorecard

### About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating methodology and scorecard factors

Exhibit 5

### Rating Factors

Macro Factors							
Weighted Macro Profile		Moderate	100%				
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	2.0%	baa1	↔	ba2			
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	12.3%	baa3	↔	ba1			
Profitability							
Net Income / Tangible Assets	1.3%	baa2	↔	baa3			
Combined Solvency Score		baa2		ba1			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	19.6%	baa3	↔	baa3			
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	17.2%	ba2	↔	ba2			
Combined Liquidity Score		ba1		ba1			
Financial Profile		baa3		ba1			
Qualitative Adjustments				Adjustment			
Business Diversification				-1			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				-1			
Sovereign or Affiliate constraint				Ba1			
BCA Scorecard-indicated Outcome - Range				ba1 - ba3			
Assigned BCA				ba2			
Affiliate Support notching				0			
Adjusted BCA				ba2			
Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating	
Counterparty Risk Rating	1	0	ba1	0	Ba1	Ba1	
Counterparty Risk Assessment	1	0	ba1 (cr)	0	Ba1(cr)		
Deposits	0	0	ba2	0	Ba2	Ba2	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

## Ratings

Exhibit 6

Category	Moody's Rating
<b>BANCO DO ESTADO DO PARA S.A.</b>	
Outlook	Stable
Counterparty Risk Rating	Ba1/NP
Bank Deposits	Ba2/NP
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba2
Counterparty Risk Assessment	Ba1(cr)/NP(cr)

Source: Moody's Ratings

## Endnotes

- [1](#) In light of the revised Brazilian accounting standards of Resolution CMN No 4,966 effective in 2025, Moody's changed the definition of problem loans to stage 3 loans. Up to 2024 for Banpara, problem loans were calculated as overdue installments rated between E to H risk categories according to local regulation.
- [2](#) Resolution 356/2023



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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454