

Banco do Estado do Para S.A.

September 24, 2025

This report does not constitute a rating action.

Ratings Score Snapshot

| SACP: bb- | | | Support: 0 | | Additional factors: 0 | |
|----------------------|-------------|----|-------------------|---|---|--|
| Anchor | bb+ | | ALAC support | 0 | <div>Issuer credit rating</div> <div>BB-/Stable/B</div> | |
| Business position | Constrained | -2 | GRE support | 0 | | |
| Capital and earnings | Adequate | 0 | Group support | 0 | | |
| Risk position | Moderate | -1 | Sovereign support | 0 | | |
| Funding | Strong | 1 | | | | |
| Liquidity | Strong | | | | | |
| CRA adjustment | | 0 | | | | |

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

| Key strengths | Key risks |
|---|--|
| High share of payroll-deductible loans, which historically have low nonperforming loan rates. | Revenue generated solely from a few business lines. |
| Sound liquidity position with diversified and low-cost retail funding structure. | Geographic concentration. |
| | Rapid credit growth could increase delinquencies on Banpará's balance sheet. |

Our rating reflects its narrow range of revenue sources, but the bank has a better-than-average capital, funding, and liquidity. In our view, Banco do Estado do Para S.A.'s (Banpará) has a narrow product and service offerings and limited client base, which mostly consists of the state's public employees and retirees in the state of Pará. Still, we think Banpará's sound capital base and liquidity, as well as its funding advantage stemming from its presence in all 144 of Pará's

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municipalities, and its close relationship with the state, partly compensate its concentrated revenues sources.

Banpará reported robust lending growth, increased diversification and expanded their

portfolio. Banpará's loan book expanded by about 10.7% in the first half of 2025, compared with the first half of 2024. This was fueled mainly by payroll-deductible loans, mortgages, and by BanparaCard. Although the bank has been increasing diversification in its credit portfolio, we expect it to continue prioritizing its traditional areas of expertise. Currently, payroll loans constitute more than 70% of Banpará's loan portfolio, and we think that they will continue to be the main income generator for the bank.

Despite lower profitability we expect relatively stable capital ratios. High policy rates in Brazil tightened Banpara's net interest margins. Consequently, the bank's profitability shrunk as its return on average equity (ROAE) fell to about 13.75% in June 2025 from 18.99% in June 2024. In the past five years, Banpará's ROAE averaged 14.9%.

Our assessment of the bank's capital and earnings is based on our forecasted risk-adjusted capital (RAC) ratio of 7%-8% for the next two years. Moreover, Banpara's regulatory capital, which entirely consisted of Tier I capital, was 13.9% as of June 2025, comfortably above the minimum threshold. Although capitalization metrics have somewhat worsened in the past year from lower profitability and considerable growth, capital has remained in line with our rating on Banpará, as observed in the 8.0% RAC ratio at the end of 2024. We expect the bank to maintain its capital level, at around 15%, following its internal threshold.

Banpará's asset quality metrics remained stable but continue to be tempered by geographic

concentrations. Banpara's risk position mainly reflects its significant geographical concentration, but it is compensated by the bank's high exposure to payroll loans, which historically have been generating low loss rates. As of June 2025, Banpara's nonperforming loans (NPLs) and charge-offs were 2.5% and 1.12%, respectively, below the Brazilian market average of 3.6%, reflecting the solid credit quality of its payroll-deductible loan portfolio. Although NPLs are increasing because banks are entering riskier products, we still think they are manageable and represent a small proportion of the credit portfolio. We project that NPLs will be at 2.0%-2.5% in the next two years.

Relative funding advantage and strong liquidity. We view Banpará's funding as stronger than the Brazilian banking system's average because of its competitive funding advantage stemming from its status as the main banking entity for the state government. Banpará's funding mainly consists of deposits from retail clients and related parties such as the state government, municipalities, and the judiciary. The bank also has a very comfortable liquidity position, given its track record of large volume of liquid assets. During the past five years, Banpará's broad liquid assets have represented about 18% of total assets and 24% of customer deposits.

Outlook

The stable outlook on Banpará reflects our view that the ratings are unlikely to change in the next 12 months. We expect Banpará to continue focusing on payroll-deductible loans while it slowly expands into new lending segments, such as mortgages and corporate loans.

Downside scenario

We could lower our ratings on Banpará if its strategy and role to the government impair its business prospects, financial results, capital levels, funding availability, or liquidity. We could also

lower the ratings if new developments related to the bank's governance standards hurt its credit fundamentals.

Upside scenario

An upgrade is unlikely because it would depend on an improvement of Banpará's credit fundamentals, such as its business diversification, and on an upgrade of Brazil. The sovereign rating on Brazil currently constrains Banpará's credit quality due to its high exposure to sovereign risk.

Anchor: 'bb+' For Banks Operating In Brazil.

We classify the banking sector of Brazil in group '6' under our Banking Industry Country Risk Assessment (BICRA). The anchor for banks operating only in Brazil is 'bb+'.

Our economic risk assessment for Brazil's factors in its relatively low levels of income and the government's weak fiscal position. Banks operating in Brazil remain exposed to high economic risks in a relatively low-income economy. Moreover, the historically perceived lack of political commitment to containing expenditure growth has led to high inflation expectations, restrictive monetary stances, and high long-term real interest rates.

Our industry risk assessment for Brazil reflects high net interest margins, stable retail funding and sound regulation. Well-developed regulatory framework and supervision of Brazilian banks have helped the financial system withstand the last economic downturns. Brazilian banks also count with sizable and stable sources of retail funding. Moreover, profitability has been resilient and continues to benefit from banks' margins and diversification, including through insurance and asset management.

Business Position: Operations Only In The State Of Pará And Narrow Product Diversification

Banpará's business position reflects its narrow product and service offerings and its client base, which mostly consists of the state's public employees and retirees. Despite plans to expand business lines, we expect the bank to continue focusing on payroll, its traditional area of expertise, for the next few years.

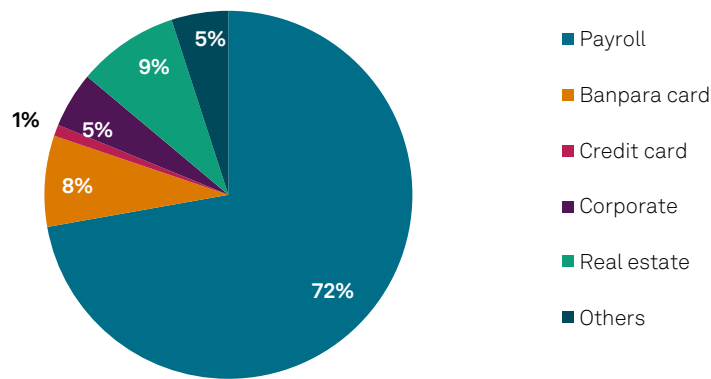
Banpará was founded in 1959 with the objective of supporting the banking needs of Pará's government. As a government-owned bank, it operates only in the state of Pará, where it controls about one-fifth of the state's banking market share, mainly because of its exclusive access to the local government's payroll. The bank's R\$19 billion in total assets represents around 0.1% of the Brazilian banking system.

As of June 2025, Banpará's loan portfolio reached R\$15.3 billion. Payroll-deductible loans constitute the largest portion (72.3%), followed by real estate (9%), and Banpará Card (8%). The bank has been increasing its exposure to mortgages, loans to small to medium enterprises (SMEs), and credit card receivables, but this exposure remains low. In addition, Banpará increased its presence in the state of Pará by expanding its branch network, growing its payroll management base through the state's municipalities, and investing in digitalization to offer better services for clients living in the larger urban areas of Pará. It is currently present in every municipality of the state.

Banpará's heavy reliance on a few revenue sources, small size, and geographic concentration limit its business position, in our view. However, its limited exposure to riskier segments and assets has contributed to sound and stable financial performance even during periods of economic distress.

Banpara loan portfolio breakdown

As of June 2025



Source: S&P Global Ratings.

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Capital And Earnings: Sound Internal Capital Generation Supports Expansion

Our assessment of the bank's capital and earnings reflects our forecast risk-adjusted capital (RAC) ratio of 7.0%-8.0% for the next two years. In addition, Banpará's regulatory capital has been comfortably above the minimum threshold. As of June 2025, its Basel III ratio was 13.9%, which entirely consisted of Tier I capital.

Historically, the bank has maintained a robust capital ratio of approximately 15%, demonstrating its commitment to sound capital management. Although the Basel index currently falls below the minimum threshold established by the bank, proactive measures were taken to address this shortfall. In August 2025, the bank issued a Tier 2 instrument aimed at restoring its capital ratio back to its internal threshold of 15%. This strategic move underscores the bank's dedication to maintaining a strong capital foundation, ensuring financial stability and resilience in a dynamic market environment.

Our forecast RAC ratio incorporates our base-case scenario, which includes the following assumptions:

- Brazil's GDP growth of 1.9% in 2025 and 2.1% in 2026.
- Banpara's loan growth of 8%-12% in the next two years, with a steady loan mix.
- Net interest margins (NIMs) at around 12%-13% in the next two years, slightly lower than 2024 level due to the persistent high-interest rate scenario.
- Nonperforming loans (NPLs) close to 2.0%-3.0% of customer loans in the next two years.
- Return on Equity (ROE) of 10%-12% in the next two years; and
- Dividend payout of 40% of net profits in 2025-2026, in line with historical figures.

Risk Position: Sound Asset Quality Tempered By Geographic Concentrations

Our assessment of Banpará's risk position mainly reflects its significant concentration in the state of Pará, but this is mitigated by the bank's high exposure to payroll loans, which historically have low loss rates. Banpará has been moving to gradually diversify its operations, which could affect its solid credit quality ratios if the expansion results in substantially larger exposure to riskier assets.

Nonetheless, we think that the bank's historically low delinquency ratios, coupled with its sound profitability and the small share of higher riskier assets, should provide some cushion against a possible NPL increase.

As of June 2025, Banpará's NPLs over 90 days and stage 3 were 2.5%, while charge-offs were 1.12%, lower than the Brazilian market average of 3.6%, reflecting the solid credit quality of its payroll-deductible loan portfolio.

Banpará has a fragmented customer base, reflected in low customer concentration. The bank's largest borrower represented 0.36% of the total portfolio, while the 10 next largest borrowers represented about 1.88% of total loans as of June 2025. Despite that, its loan delinquency rate relies heavily on Pará's financial health, given that the state acts as the legal paying entity to the obligors of payroll-deductible loans.

Overall, we expect the NPL ratio to be stable considering the high proportion of payroll-deductible loans in the portfolio. However, as the bank's corporate and mortgage lending and credit card receivables rise, NPLs could grow if the proportion of riskier loans increases.

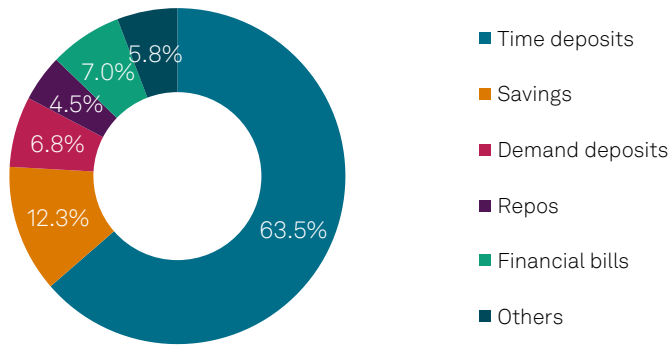
Funding And Liquidity: Relative Funding Advantage And Strong Liquidity

We view Banpará's funding as stronger than the average of the Brazilian banking system because of its competitive funding advantage, stemming from its status as the main banking entity for the state government. This has historically granted Banpará access to more stable funding sources from individuals, parties related to the state government, municipalities, and companies located in Pará.

Banpará's funding mainly consists of deposits from retail clients and related parties such as the state government, municipalities, and the judiciary. As of June 2025, its funding base was 64% composed of time deposits, and savings accounted for 12%. The remaining proportion was composed of financial bills (7%), demand deposits (7%), repos (5%) and others (6%). The bank's stable funding ratio was about 101% as of June 2025.

Banpara - Funding breakdown

As of June 2025



Source: S&P Global Ratings.

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The bank also has a comfortable liquidity position. In June 2025, its broad liquid assets represented 13.75% of total assets and 20% of customer deposits. As of the same period, Banpará's broad liquid assets totaled R\$2.7 billion, covering its short-term wholesale obligations by 1.37x. We view Banpará's liquidity coverage as strong.

Support: No Uplift To The SACP

We view the likelihood of government support to the bank as moderate. The bank has a role as the state's financial agent and was able to accomplish its mission of expanding its services to Pará's isolated municipalities. Despite the government's majority control of the bank, which owns 99.98% of Banpará, we believe that another lender could eventually replace Banpará's services, thereby limiting the likelihood of government support.

Environmental, Social, And Governance

ESG factors do not have a material influence on our credit rating analysis of Banco Do Estado do Pará, similar to industry and domestic peers.

Brazil has been proactive in ESG matters since adopting a green protocol in 1995, with the regulator implementing various resolutions to promote social and environmental responsibility, particularly in agribusiness because of the country's connection to the Amazon forest.

In September 2020, the Central Bank of Brazil (BCB) launched a sustainability agenda, leading to regulations that require financial institutions to address social, environmental, and climate risks. In December 2022, banks began publishing annual reports detailing their exposure to these risks and mitigation policies.

Banpará has implemented various ESG practices to ensure a sustainable and responsible approach to its operations. One of the key initiatives is the pre-qualification of suppliers, which is a systematic process of investigation and analysis to evaluate the adequacy of suppliers in terms of capacity, reliability, integrity, and conformity with regulations, laws, and sustainable best practices.

The bank's ESG practices also include implementing a new model of governance, which aims to increase the maturity of its management and ensure sustainable economic and social results. The bank has set objectives for 2024-2028, including expanding its operations to all

municipalities in the state, being recognized as the financial agent for the state's development, and modernizing its technology and processes. The bank has also taken steps to improve its risk management, including the creation of dashboards to guide the risk assessment process, automation of data analysis, and the creation of guides to educate employees on social, environmental, and climate risks. Additionally, the bank has institutionalized the risk assessment process for operations with financial institutions and created a system to record losses related to social, environmental, and climate risks.

Key Statistics

Rating Component Scores

| | |
|-----------------------------|------------------------|
| Issuer Credit Rating | BB-/Stable/B |
| SACP | bb- |
| Anchor | bb+ |
| Business position | Constrained (-2) |
| Capital and earnings | Adequate (0) |
| Risk position | Moderate (-1) |
| Funding and liquidity | Strong and Strong (+1) |
| Comparable ratings analysis | 0 |
| Support | 0 |
| ALAC support | 0 |
| GRE support | 0 |
| Group support | 0 |
| Sovereign support | 0 |
| Additional factors | 0 |

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

Related Criteria

- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Methodology For National And Regional Scale Credit Ratings](#), June 25, 2018
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

Ratings Detail (as of September 12, 2025)*

| | | |
|--|-----------------------|---------------------|
| Banco do Estado do Para S.A. | | |
| Issuer Credit Rating | | BB-/Stable/B |
| Issuer Credit Ratings History | | |
| 14-Jun-2021 | | BB-/Stable/B |
| 18-Aug-2017 | | BB-/Negative/B |
| 23-May-2017 | | BB-/Watch Neg/B |
| 20-Dec-2021 | Brazil National Scale | brAA+/Stable/brA-1+ |
| Sovereign Rating | | |
| Brazil | | BB/Stable/B |
| *Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees. | | |

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