

Banco do Estado do Para S.A.

September 28, 2026

This report does not constitute a rating action.

Ratings Score Snapshot

SACP: bb-	Support: 0		Additional factors: 0	
Anchor	bb+		ALAC support	0
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	Narrow revenue base and limited business diversification could constrain earnings resilience
Strong liquidity and a stable funding base, supported by retail and public sector deposits	Geographic concentration in Para exposes the bank to local economic risks
	Expansion into newer lending segments could keep delinquencies above historical levels

Our rating on Banco do Estado do Para S.A. (Banpara) reflects its concentrated business profile, balanced by a stable funding base. We expect Banpara's regional franchise to support stable business volumes over the next two years, although geographic and product concentration will remain key constraints. The bank operates exclusively in Para and has a

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narrow product range and customer base, largely comprising public-sector employees and retirees.

Nevertheless, its presence in all municipalities, role as the state's primary financial institution, and access to stable retail and public-sector funding support its recurring customer relationships and lending volumes. Although Banpara is gradually expanding into mortgages and corporate loans, we expect payroll-deductible lending to remain its main business over the next two years.

We expect Banpara's profitability to improve gradually but remain below historical levels. We project return on average common equity (ROAE) of 8.0%-12.0% in 2026 and 2027, below the 15% average seen during 2021-2024. Relatively stable margins and moderate revenue growth should support earnings, but loan-loss provisions will likely constrain recovery.

S&P Global Ratings expects asset quality deterioration to moderate, although problem loans will remain above historical levels. We forecast nonperforming assets (NPAs) at 3.75%-4.25% of customer loans over the next two years--up from 3.6% in June 2026 and 2.5% a year prior--reflecting pressures in microcredit, rural lending, and selected corporate exposures. Tighter underwriting and higher collateral requirements should limit incremental risk, while intensified collection and recovery efforts should support asset recoveries. The portfolio's granularity, high share of payroll-deductible loans, and adequate reserve coverage should keep credit losses manageable.

We believe Banpara's capitalization will remain broadly stable over the next two years. We project a risk-adjusted capital (RAC) ratio of 7.5%-8.5% over this period, broadly in line with historical levels and the 8.4% RAC at year-end 2025. Internal capital generation should keep pace with moderate growth in risk-weighted assets, supporting the RAC within the projected range. In addition, the Tier 1 ratio stood at 15% as of June 2026, above the minimum requirement.

Stable deposits and moderate credit growth should support strong liquidity. Banpara benefits from stable funding relationships with retail customers, the state government, municipalities, and the judiciary. Funding increased 11.7% in the 12 months ended June 2026, outpacing customer loan growth of 4.6% and strengthening the bank's liquidity buffer. As of June 2026, broad liquid assets covered 2.7x short-term wholesale funding, providing a buffer against refinancing and deposit-withdrawal risks.

Outlook

The stable outlook on Banpara reflects our view that the ratings are unlikely to change in the next 12 months. We expect Banpara 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 Banpara if its strategy and role to the government impair its business prospects, damaging the bank's earnings generation capacity or funding stability. 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 Banpara's credit fundamentals and on an upgrade of Brazil. The sovereign rating on Brazil currently constrains Banpara's credit quality due to its high exposure to sovereign risk.

Key Metrics

Banco do Estado do Para S.A.--Key ratios and forecasts

(%)	--Fiscal year ended Dec. 31--				
	2023a	2024a	2025a	2026f	2027f
Growth in operating revenue	25.9	20.5	-2.9	5.0-7.0	5.0-7.0
Growth in customer loans	22.4	10.4	9.1	4.0-6.0	4.0-6.0
Growth in total assets	11.7	5.3	8.6	10.0-12.0	4.0-5.0
Net interest income/average earning assets (NIM)	12.7	14.1	12.9	12.0-14.0	12.0-14.0
Cost-to-income ratio	65.7	62.9	68.1	65.0-70.0	65.0-70.0
Return on average common equity	15.5	18.3	9.2	8.0-10.0	9.0-12.0
Return on assets	1.8	2.1	1.1	0.9-1.25	0.9-1.25
New loan loss provisions/average customer loans	2.3	2.9	3.1	3.0-4.0	3.0-4.0
Gross nonperforming assets/customer loans	1.7	2.1	3.2	3.75-4.25	3.75-4.25
Net charge-offs/average customer loans	1.0	1.5	1.8	2.0-2.5	2.0-2.5
Risk-adjusted capital ratio	8.1	8.1	8.4	7.5-8.5	7.5-8.5

Note: All figures include S&P Global Ratings' adjustments. NIM--Net interest margin. a--Actual. f--Forecast.

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

We classify the banking sector of Brazil in group '6' under our Banking Industry Country Risk Assessment. 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 Para And Narrow Product Diversification

Our assessment of Banpara's business position reflects its narrow product and service offerings and its client base, which mainly comprises the state's public employees and retirees. Although Banpara is expanding into mortgages, corporate lending, and credit cards, these segments remain small relative to total loans. We expect the bank to focus on payroll-deductible lending, its traditional area of expertise, over the next few years.

As a government-owned bank, Banpara benefits from its role as the state's primary financial institution and exclusive access to the state government's payroll. The bank operates in all 144

Banco do Estado do Para S.A.

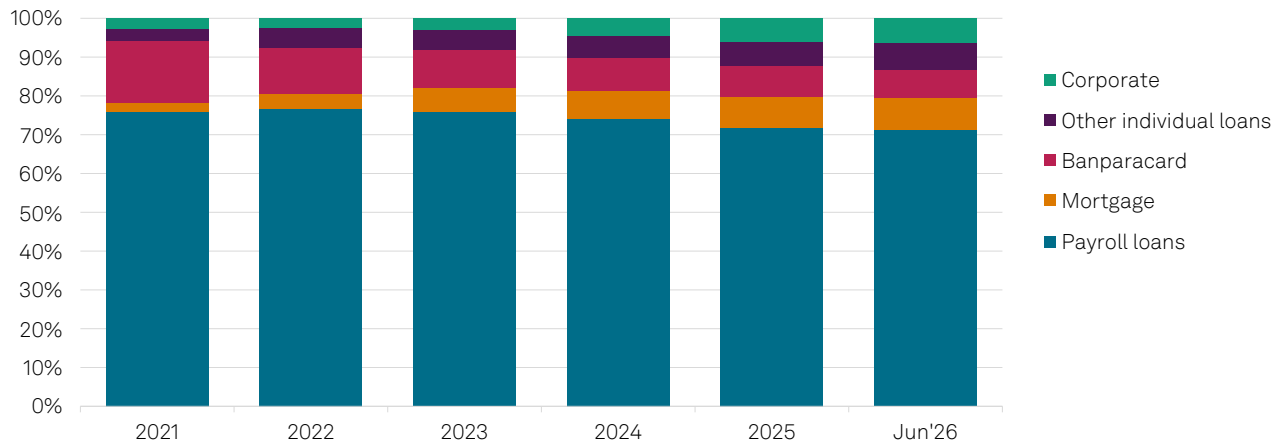
municipalities and controls about 20% of Para's banking market. As of June 2026, total assets were approximately Brazilian real (R\$) 21.4 billion, representing roughly 0.1% of the Brazilian banking system.

As of June 2026, Banpara's loan portfolio reached R\$16 billion. Payroll-deductible loans represented the largest portion (71%), followed by mortgages (8%), and Banpara Card (7%). The bank's statewide presence, expanding payroll-management base across Para's municipalities, and investments in digital channels support customer retention and recurring business volumes.

In our view, Banpara's heavy reliance on a few revenue sources, small size, and geographic concentration limits its business position. However, the predominance of payroll-deductible lending has historically supported lower credit losses and relatively stable performance during economic stress.

Chart 1

Banco do Estado do Para S.A.--Loan portfolio breakdown



Source: S&P Global Ratings.
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Capital And Earnings: Sound Capital Despite Weaker Profitability

Our assessment of the bank's capital and earnings reflects our forecast RAC ratio of 7.5%-8.5% for the next two years. In addition, Banpara's regulatory capital ratios have also remained above minimum requirements. As of June 2026, the bank's Tier 1 and Basel III ratios stood at 15.0% and 16.7%, respectively.

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

- Brazil's GDP growth of 1.9% in 2026 and 1.6% in 2027;
- Banpara's loan growth of 4.0%-6.0% in the next two years;
- Net interest margins at 12%-14% in the next two years;
- NPAs close to 3.75%-4.25% of customer loans in the next two years;
- ROAE of 8.0%-10.0% in 2026 and 9.0%-12.0% in 2027; and
- Dividend payout of 40% of net profits in 2026-2027, in line with historical figures.

We expect ROAE to remain below its 15% average reported during 2021-2024, averaging 8.0%-12.0% over 2026-2027. Relatively stable margins and moderate loan growth should support revenue generation, but high funding costs and credit-loss provisions will weigh on earnings.

Risk Position: Asset Quality Deterioration Should Remain Manageable

Our assessment of Banpara's risk position reflects its significant concentration in Para. This risk is partially mitigated by the bank's high share of payroll-deductible loans, which have historically generated low loss rates, as well as the portfolio's low single-name concentration and adequate reserve coverage. We expect the portfolio to remain granular, with the 20 largest borrowers accounting for less than 5% of total loans. Loan-loss reserves covered about 102% of NPAs as of June 2026. However, the bank's gradual expansion into microcredit, rural lending, and selected corporate exposures has increased its exposure to higher-risk segments and contributed to weaker credit metrics.

As of June 2026, Banpara's NPAs increased to 3.6% of customer loans from 2.5% a year earlier, above the bank's historical average of about 2% but below the 4.6% Brazilian banking system average. We forecast NPAs at 3.75%-4.25% of customer loans over the next two years. We believe that tighter underwriting standards and higher collateral requirements should limit the inflow of new problem loans, while enhanced collection and recovery efforts should support asset recoveries.

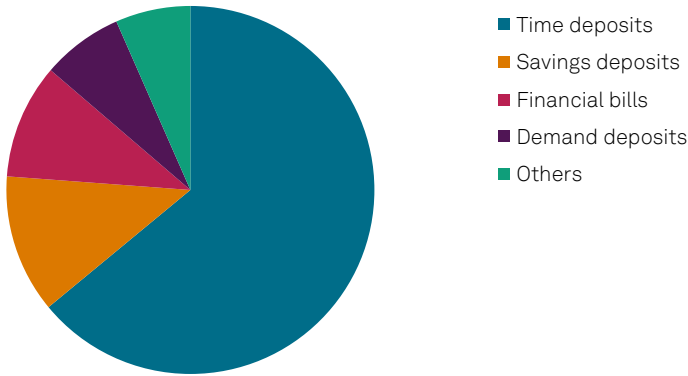
Although NPAs will remain above historical levels, we expect the ratio to stabilize within the projected range and credit losses to remain manageable.

Funding And Liquidity: Relative Funding Advantage And Strong Liquidity

We view Banpara's funding as stronger than the Brazilian banking system average, reflecting its role as the state government's primary financial institution and its access to stable deposits from retail and public-sector customers. As of June 2026, time deposits represented 64% of the funding base, savings deposits 12%, financial bills 10%, demand deposits 7%, and other sources 7%.

Chart 2

Banco do Estado do Para S.A.--Funding breakdown
As of June 2026



Source: S&P Global Ratings.
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Funding increased 11.7% in the 12 months ended June 2026, outpacing customer-loan growth of 4.6%. This funding growth, together with moderate credit expansion, supported an increase in liquid investments and strengthened the bank's liquidity buffer. We expect deposit inflows to remain stable and loan growth to remain moderate. In addition, broad liquid assets covered 2.7x short-term wholesale funding as of June 2026.

Support: No Uplift To The Stand-Alone Credit Profile

We view the likelihood of government support to the bank as moderate. The bank serves as Para's financial agent, process the state government's payroll, and provides banking services across all municipalities. Despite the state government's majority control of the bank, which owns 99.98% of Banpara, we believe that another lender could eventually replace Banpara's services, thereby limiting the likelihood of government support.

Climate And Other Evolving Factors

Environmental credit factors are a neutral factor in our analysis of Banpara's creditworthiness. The bank has indirect exposure to physical climate risks through its rural lending portfolio, which could affect borrowers' production and repayment capacity. However, rural loans represented about 0.7% of total loans as of June 2026. Given its limited exposure, we do not expect these risks to materially affect the bank's asset quality over the next two years.

Key Statistics

Banco do Estado do Para S.A. Key Figures					
Mil. R\$	2026*	2025	2024	2023	2022
Adjusted assets	21,220	19,306	17,776	16,928	15,146
Customer loans (gross)	16,039	15,576	14,283	12,941	10,577
Adjusted common equity	1,848	2,045	1,920	1,772	1,589

Banco do Estado do Para S.A.

Banco do Estado do Para S.A. Key Figures

Operating revenues	1,356	2,503	2,579	2,140	1,700
Noninterest expenses	890	1,705	1,622	1,407	1,248
Core earnings	99	201	375	284	188

*2026 data is for the 6 months to end-June. R\$--Brazilian real.

Banco do Estado do Para S.A. Business Position

(%)	2026*	2025	2024	2023	2022
Loan market share in country of domicile	0.2	0.2	0.23	0.2	0.2
Deposit market share in country of domicile	0.2	0.2	0.2	0.2	0.3
Return on average common equity	9.0	9.2	18.3	15.5	10.7

*2026 data is for the 6 months to end-June.

Banco do Estado do Para S.A. Capital And Earnings

(%)	2026*	2025	2024	2023	2022
Tier 1 capital ratio	15.0	15.1	15.1	15.1	16.2
S&P Global Ratings' RAC ratio before diversification	N/A	8.4	8.1	8.1	7.8
Net interest income/operating revenues	88.9	87.8	87.0	86.6	85.0
Fee income/operating revenues	9.5	9.5	8.7	9.9	10.5
Cost to income ratio	65.6	68.1	62.9	65.8	73.4
Preprovision operating income/average assets	4.6	4.3	5.5	4.5	3.3
Core earnings/average managed assets	1.0	1.1	2.1	1.8	1.4

*2026 data is for the 6 months to end-June. N.M.--Not meaningful.

Banco do Estado do Para S.A. Risk Position

(%)	2026*	2025	2024	2023	2022
Growth in customer loans	4.6	9.1	10.4	22.4	25.6
Total managed assets/adjusted common equity (x)	11.6	9.5	9.4	9.6	9.6
New loan loss provisions/average customer loans	3.6	3.1	2.9	2.3	2.0
Net charge-offs/average customer loans	2.8	1.8	1.5	1.0	1.3
Gross nonperforming assets/customer loans + other real estate owned	3.6	3.2	2.1	1.7	1.3
Loan loss reserves/gross nonperforming assets	102.3	121.3	159.3	151.4	169.8

*2026 data is for the 6 months to end-June.

Banco do Estado do Para S.A. Funding And Liquidity

(%)	2026*	2025	2024	2023	2022
Core deposits/funding base	81.4	78.4	77.37	84.9	94.3
Customer loans (net)/customer deposits	102.2	114.1	116.2	101.5	83.0
Long-term funding ratio	93.2	91.0	85.6	88.4	96.1
Stable funding ratio	108.5	102.5	96.7	102.2	121.8
Short-term wholesale funding/funding base	7.5	10.1	16.2	13.0	4.4
Broad liquid assets/short-term wholesale funding (x)	2.7	1.6	1.0	1.4	6.0
Broad liquid assets/total assets	17.5	13.5	13.9	16.0	22.8
Broad liquid assets/customer deposits	24.8	20.1	21.0	21.9	28.0

Banco do Estado do Para S.A.

Banco do Estado do Para S.A. Funding And Liquidity

Short-term wholesale funding/total wholesale funding	40.5	47.0	71.6	85.6	77.6
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*2026 data is for the 6 months to end-June.

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: Risk](#), May 5, 2026
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 8, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short](#), April 7, 2017
- [General Criteria: Rating Government](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Ratings Detail (as of September 24, 2026)*

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

Issuer Credit Rating	BB-/Stable/B
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Issuer Credit Ratings History

14-Jun-2021	BB-/Stable/B
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Ratings Detail (as of September 24, 2026)*

18-Aug-2017	BB-/Negative/B
23-May-2017	BB-/Watch Neg/B

Sovereign Rating

Brazil	BB/Stable/B
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*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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