

Tear Sheet

Banco Paulista S.A.

January 7, 2025

This English version is provided on request and reflects the translation of the original article published only in Portuguese by S&P Global Ratings on January 7, 2025. In case of any discrepancy between this English version and the original in Portuguese, the Portuguese version shall apply.

What's new: Banco Paulista continues its internal restructuring process, having ended November 2024 with a loan portfolio of R\$ 1.1 billion, in line with the same period of the previous year. Its portfolio is mainly composed of working capital (56%) and payroll deductible loans (33%). Additionally, in February 2023, the bank submitted its intention to join the Tax Litigation Reduction Program (PRLF – *Programa de Redução da Litigiosidade Fiscal*), which grants discounts on interest and fines incurred in the ongoing process by the Federal Revenue Service against the bank. This process is still pending analysis. The controlling shareholder of Banco Paulista injected R\$ 70 million related to bank's commitment under the PRLF and may provide additional capital, if necessary.

Why it matters: Despite reporting a provision for credit losses of around R\$ 20 million in September 2024, Banco Paulista reported a net profit of R\$ 6 million in the same period, reversing the loss of R\$ 15 million in 2023. Although 2025 is expected to be challenging due to non-recurring expenses, we believe that the bank will continue to gradually improve its operational performance.

The bank's regulatory capital reached 12.3% in September 2024, with 10.7% of Tier 1 ratio, above the minimum required. Furthermore, we have observed ongoing improvements in the bank's governance.

Finally, despite the challenges in completing the restructuring, we expect shareholders' commitment to capitalize the bank, thereby mitigating potential impacts on the bank's current financial position due to additional developments related to the processes in the regulatory bodies

Primary Credit Analyst

Leticia Marcante
São Paulo
55-11-3039-9730
leticia.marcante@spglobal.com

Secondary Contact

Guilherme Machado
São Paulo
55-11-3039-9754
guilherme.machado@spglobal.com

Ratings Score Snapshot

SACP ¹			Support		Additional Factors	
Anchor	bb+		ALAC support ³	0	Issuer Credit Rating Brazil National Scale brBB+/Positive/brB	
Business position	Weak	–	GRE support ⁴	0		
Capital and earnings	Moderate	–	Group support	0		
Risk position	Moderate	–	Sovereign support	0		
Funding	Moderate	–				
Liquidity	Moderate	–				
CRA Adjustment ²						

¹SACP: Stand-Alone Credit Profile. ²CRA: Comparable Ratings Analysis. ³ALAC: Additional Loss Absorbing Capacity. ⁴GRE: Government-Related Entity.

Outlook

The positive outlook is based on our view that additional developments related to ongoing processes are not expected to materially affect the bank's financial position over the next 12 months. We expect the bank to maintain adequate liquidity and regulatory capital ratios above the minimum required, while facing the challenge of continuing to improve its operational results.

Upside scenario

We could upgrade Banco Paulista if it continues to improve its financial performance while delivering stable revenues, combined with shareholders engagement. Furthermore, we consider it essential for the bank to continue improving transparency and disclosing financial statements on a timely manner with auditor opinions.

Downside scenario

We could take a negative rating action or revert the outlook to stable if the bank's revenue stability and operating results weaken or if the ongoing process with the Federal Revenue has negative implications for the bank. We could downgrade the bank if there is pressure on its regulatory capital ratios relative to minimum requirements, which could arise from extraordinary losses. A downgrade could also occur if the bank faces liquidity issues due to deposit withdrawals related to reputational risks.

Rating Component Scores

Banco Paulista S.A.	
Issuer Credit Rating	
<i>Brazil National Scale</i>	brBB+/Positive/brB
SACP	–
Anchor	bb+
Economic risk	7
Industry risk	5
Business Position:	Weak
Capital and earnings	Moderate
Risk position	Moderate
Funding	Moderate
Liquidity	Moderate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE Support*	0
Group support	0
Sovereign support	0
Additional factors	0

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Related Criteria and Research

Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Avaliação do Risco da Indústria Bancária (BICRA): Brasil, December 3, 2024.
- Definições de Ratings da S&P Global Ratings

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY

SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.