

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

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Ratings Score Snapshot

SACP ¹		Support	Additional Factors	
Anchor	bb+	ALAC support ³	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

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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

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