Banco Cooperativo Sicredi S.A.

June 25, 2025

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This report does not constitute a rating action.

Ratings Score Snapshot

SACP: bb

Anchor	bb+	
Business position	Adequate	0
Capital and earnings	Adequate	0
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: 0

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0

Issuer credit rating
BB/Stable/--

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
Support from all entities that make up the Sicredi Cooperative System, (Sicredi or System), reflected in the existing joint guaranteed mechanisms.	Operational complexity from the credit union system structure.
A business model that provides competitive advantages from the dynamic between Sicredi and its customers, that are members of the System.	Rapid expansion of its credit portfolio and business correlation.
Diversified and stable funding structure considering its wide branch network	Higher credit risk in the domestic market due to a challenging economic climate.

The rating on Banco Cooperativo Sicredi S.A. (Sicredi) reflects the Sicredi Cooperative System's aggregate credit quality. We base our analysis on our opinion that the bank and the credit unions in the System form an integrated institution--despite independent operations--that would provide support in any foreseeable circumstance to any of the System's entities. Our rating also considers the competitive advantage of Sicredi's business model, which promotes stability of the customer and depositor base, the latter of which consists of members of the System.

S&P Global Ratings expects the group to continue to outpace the Brazilian banking system's lending growth but to have a slower pace in the next two years. Sicredi maintained its above average lending growth despite the high-interest rate scenario. Sicredi's total loan portfolio grew to around 20% in March 2025 against March 2024, maintaining 39% of its loan book in agribusiness, 32.5% in corporate, and 28.5% in individual lending. This growth was in line with recent years and higher than the industry average. However, it indicates a slower growth pace considering the five-year average growth of 27.5%, reflecting Brazil's challenging economic situation. Nevertheless, Sicredi's profitability has continued to improve--supported by its resilient net interest margins--with net income reaching R$6.6 billion in 2024, a similar level to 2023 results. Finally, Sicredi reported a return on average equity of 16.5% on March 2025, in line with previous years

We anticipate that the bank's balance sheet will remain resilient, with nonperforming loans (NPLs) remaining between 3.0% to 4.0% over the next 12 months. Higher risk in the economy pressures asset quality while System complexity remains a key risk. Despite good delinquency metrics posted in recent years, the System's nonperforming loans (NPLs) reached 3.0% in March 2025, from 2.4% in December 2024, and 2.1%% in December 2023. Although these metrics are still below the financial industry's average, they reflect tougher credit conditions stemming from a higher interest rate scenario.

We believe the System's operational complexity and its above-average lending growth could add additional volatility to its financial performance. An increase in bankruptcy filings in the group's agribusiness portfolio and its exposure to individuals drove this deterioration. Sicredi agribusiness borrowers faced lower commodity prices, rising production costs, and adverse weather events. Still, it is well-secured by guarantees, and the group benefits from the flexibility to restructure loans, which helps mitigate potential losses and supports its asset quality metrics.

Sicredi benefits from a diversified and stable funding structure due to its large branch network. Sicredi's retail depositors--which are mostly part of the System--make up most of its funding base, which we view as less expensive and more diversified than other sources of funding. We also view Sicredi's liquidity policy as conservative--it monitors the liquidity of each entity in the System. As of March 2025, the group's broad liquid assets covered 4.4x its short-term wholesale funding, in line with the historical average.

Outlook

The stable outlook reflects our expectation that in the next 12 months, Sicredi will continue strengthening its cooperative business model. We expect this will expand the number of members and its geographic reach with good profitability, despite the economic challenges imposed by higher risk in the economy.

Downside scenario

Our rating on Sicredi is at the same level as that of the sovereign, so we would likely downgrade the bank following a similar action on the sovereign. We could also downgrade Sicredi if its credit fundamentals deteriorated, which could occur if the group's risk-adjusted capital eroded or if we observed sharp asset quality deterioration.

Upside scenario

We could raise the rating on Sicredi following an improvement in its fundamentals and if we were to upgrade the sovereign; however, we consider this unlikely in the next year.

Key Metrics

Banco Cooperativo Sicredi S.A.--Key ratios and forecasts

	--Fiscal year ended Dec. 31--			
(%)	2023a	2024a	2025f	2026f
Growth in operating revenue	28.4	20.8	15.0-20.0	15.0-20.0
Growth in customer loans	17.8	20.2	14.0-17.0	14.0-17.0
Growth in total assets	23.2	22.3	15.0-17.5	15.0-17.5
Net interest income/average earning assets (NIM)	7.5	7.4	7.1-7.6	7.1-7.6
Cost to income ratio	55.4	56.1	56.0-60.0	59.0-63.0
Return on aerage common equity	20.5	16.5	14.0-16.0	14.0-16.0
Return on assets	2.4	1.9	2.1-2.6	2.2-2.7
New loan loss provisions/average customer loans	3.3	4.0	3.8-4.2	3.7-4.1
Gross nonperforming assets/customer loans	2.5	2.4	3.0-4.0	3.0-4.0
Net charge-offs/average customer loans	1.4	2.0	1.3-1.7	1.3-1.7
Risk-adjusted captial ratio	7.4	7.8	7.5-8.0	7.5-8.0

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'bb+' For Banks Operating In Brazil

In our opinion, Brazil's low-income levels and the government's weak fiscal position constrain the country's economic resilience. We expect real GDP growth of 1.8% in 2025 and 1.7% in 2026. Fiscal stimulus kept household consumption high during 2024 and the beginning of 2025, continuing to propel growth. This has also contributed to increasing inflation expectations, prompting the Brazilian central bank to restart interest-rate hikes. We expect interest rates to remain high through 2025, until inflation expectations gradually start to align with the central bank's 3% target.

Higher-for-longer interest rates will likely strain borrowers in Brazil, potentially weakening asset quality. Our expectation is that this will raise the debt burden on individual and commercial borrowers, which will have to cope with higher financing costs for longer. This, in turn, is likely to weigh on business volumes, asset quality, and financing conditions.

We also think small and midsize companies will face continued pressure and bankruptcy filings, which have already reached record-breaking levels in 2024. We expect that to extend until the end of 2025.

Although the banking industry's profitability has remained stronger than those of its international peers thanks to high provisioning coverage and a diversified revenue mix, it will likely slip as provisioning needs increase. Our industry risk assessment also reflects Brazil's well-developed regulation of banks (which is broadly in line with international standards) and the regulator's good track record (which helped the financial system withstand the last economic downturn). The Brazilian banking system has an adequate funding mix with a large, stable core customer deposit base.

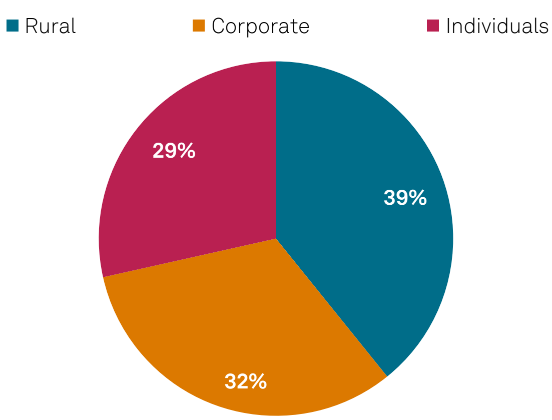
Business Position: Solid Customer Base Reflects The Cooperative-Based Model

We base our business position assessment on Sicredi's business model that provides competitive advantages due to the dynamics between the System and its customers, which are also members of the credit unions. This has enabled Sicredi to develop long-term relationships with its customers, fostering loyalty and, as a result, greater revenue stability and a stronger business position. Additionally, we believe that the System has a unified strategy, and its management has experience in the segments in which it operates. However, the complexity of its operational model and the autonomy of credit unions in certain decision-making processes reduces the ability of senior management to implement strategies on a consolidated basis.

Sicredi comprises more than 9 million members across more than 100 cooperatives, which are aggregated in five regional credit centers. As of December 2024, the Sicredi conglomerate was the seventh largest financial institution in Brazil in terms of loans, holding a market share of about 3.44%, and the 6th largest in terms of deposits, holding about 3.7%. Despite its presence in 26 Brazilian states, Sicredi still has some geographic concentration--approximately 57% of its credit portfolio is in southern Brazil.

The entity has a clear expansion strategy through its branch network since credit unions are often present in small municipalities and are sometimes the only physical financial institution in those locations. As a result, Sicredi has a competitive edge against large banks, which have been closing branches and focusing on digital offerings in recent years. Moreover, Sicredi aims to combine its brick-and-mortar growth with a digital presence, and to expand its brand recognition in large cities. Still, we don't expect major changes in the entity's operations in the next few years because it should continue to be mostly concentrated in southern Brazil and in the agribusiness sector, representing about 39% of its loan portfolio.

Loan portfolio breakdown



Source: S&P Global Ratings.

Capital And Earnings: Robust Internal Capital Underpins The System's Rapid Growth

We base our assessment of Sicredi's capital and earnings on our projected risk-adjusted capital (RAC) ratio of 7.5%-8.0% in the next two years. Although Sicredi doesn't have an aggregate calculation of regulatory capital, it maintains individual control of the regulatory capital indices of each cooperative and the bank, which are solidly above the minimum regulatory requirements. As of March 2025, the aggregate Basel III ratio for the System was 19.2% and its Tier I ratio was 17.7%. At the bank level, the ratios were 18.8% and 18.7%, respectively. We expect the group to maintain this capitalization thanks to its solid internal capital generation in the next two years.

We apply our risk-adjusted capital framework to assess the bank's capitalization level, regardless of the local regulations and the entity's internal risk indicators. Our RAC ratio compares our definition of total adjusted capital with our calculation of the risk-weighted assets, resulting in a more globally comparable risk metric than the regulatory ratios. The main difference between our methodology and local regulations is that we apply risk weights to exposures to government bonds based on the rating on that country. This is ultimately punitive for banks operating in Brazil, which usually have high exposure to these bonds. For Sicredi, we analyze the exposures and capital in aggregate for the System.

We base our projections on Sicredi on the following base-case scenario assumptions:

- Brazil's real GDP growth of 1.7% in 2025 and 1.8% in 2026;
- System's loan portfolio to continue expanding, although at a slightly slower pace than in recent years. We expect loan growth of 15% annually in the next two years;
- NPLs at 3.0%-4.0% for the next two years;
- Return on equity of 14%-16%; and
- Distribution of dividends of about 15% of the credit unions' net income in the coming years, while Banco Sicredi to continue to distribute 100% of its net income.

Risk Position: Track Record Of Low Losses Offset By The System's Complexity

Sicredi's risk position reflects several operational complexities intrinsic to large cooperative groups, despite the entity's historically strong asset quality metrics. When analyzed in isolation, we think the factors related to the System's operational complexity, lending growth above the market average, and correlation of its businesses aren't excessively problematic. However, if combined, they could make the group's capital position more volatile.

Sicredi has kept solid overall asset quality metrics historically, with NPLs over-90 averaging 2.0% in the past five years. However, during the last three years, Sicredi's combined figures show NPLs deteriorating, following the industry trend. As of March 2025, Sicredi's NPLs over 90 days were at 3.0%. This is partially explained by higher levels of NPLs over 90 days for individuals--which represent 28.5% of Sicredi's total portfolio--and ranged between 4.1% to 5.1% during the last three years, representing most delinquencies.

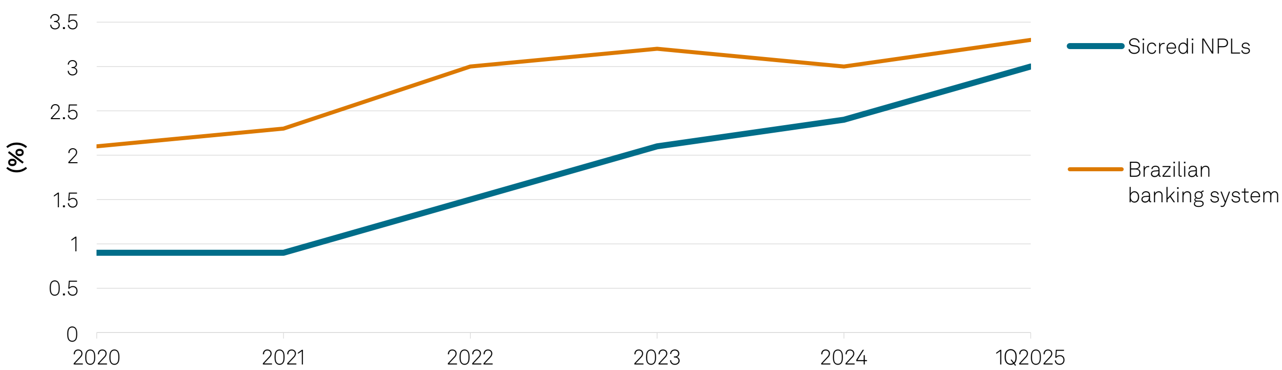
Additionally, we observed a tougher credit environment stemming from a higher interest rate scenario. This had a negative impact on the Brazilian rural System, who ended 2024 with a spike in delinquencies. This sector represents almost 40% of Sicredi's total portfolio and had delinquencies more than 90 days ranging from 0.3% to 1.9% during the last three years.

Despite tougher credit conditions, the bank has been able to maintain NPLs over-90 days below the banking system average, at 3.3%. Sicredi ended the first quarter of 2025 at 3.0% and stage 3 (resolution 4.966) at 5.6%. We expect this trend to continue until the end of 2025, but to be manageable. The System has high provisions for credit losses, which covered 2.16x NPLs as of March 2025. Additionally, Sicredi has a very low portfolio concentration, with the 100 largest obligors presenting less than 2.0% of the total portfolio, common in cooperatives and indicates lower risk.

In addition, the System's complexity is reflected in the potential changes in its capital base due to variations in the number of members and cooperatives. Although this aspect has been generally positive, we believe that external effects that aren't directly under the System's control could result in some unpredictability for its capital position. In addition, we consider that the System's high credit growth and the correlation among its businesses could cause some volatility in the asset quality metrics in an adverse operational scenario.

Nonperforming assets comparison

NPLs over 90 days remain below market average



Source: S&P Global Ratings.

Funding And Liquidity: Stable Deposit Base And Centralized Liquidity Management

In our view, Sicredi's funding benefits from the System's operating model that fosters a vast base of retail deposits, which we view as more stable and diversified than other funding sources. Additionally, Sicredi's stable funding base reflects the close relationship between the System and depositors that are part of the System, making this funding source more stable. Time deposits represent about 35% of the group's funds, followed by LCI and LCA (11.4%), demand deposits (9.5%), and savings deposits (10.0%).

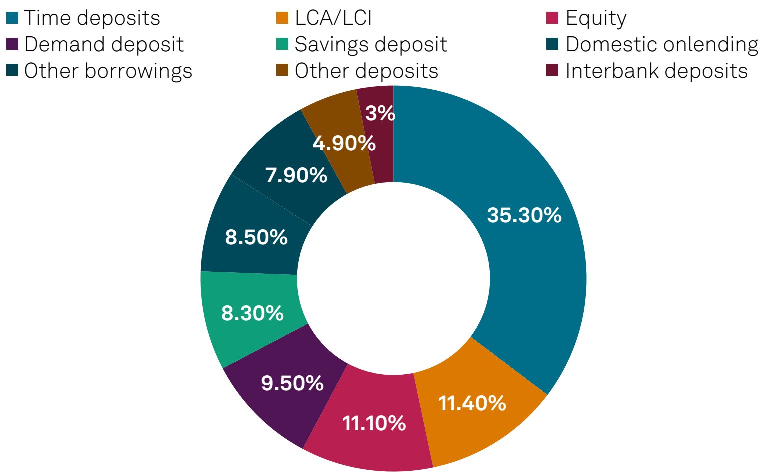
Demand and time deposits stem mainly from the relationship between the credit unions and their members. Credit unions also take savings deposits, but these are booked at Sicredi's level and subsequently transferred to the credit unions. Moreover, as of December 2024, Sicredi's stable funding ratio was 135%--the same level it was in December 2023.

Sicredi also continues tapping funding from multilateral lending agencies. In 2024, CAF (development bank committed to supporting the countries of Latin America and Caribibean) and JICA (Japan International Cooperation Agency) granted the credit union $297 million in a five-year term to fund SME with a focus on women entrepreneurs.

Sicredi has maintained a conservative liquidity policy, with a high level of liquid assets invested mainly in government bonds, in addition to centralized liquidity management in the System. The institution monitors the liquidity of each entity in the System, with a minimum level of liquidity required, and may block the granting of credit to a cooperative if it doesn't meet this minimum requirement. In addition, the sources of SFG ("Sicredi Fundos Garantidores") are available to the System in a tight liquidity scenario, representing a contingency line.

The group's broad liquid assets cover 2.0x its total wholesale funding and 56.5% of its customer deposits, which we view as adequate. The System reported a broad liquid asset to short-term wholesale funding ratio of 4.4x as of December 2024.

Funding breakdown



Source: S&P Global Ratings.

Additional Rating Factors: The Rating On The Bank Reflects The Group's Credit Profile

In our view, the bank and the System's credit unions make up an integrated institution that would provide support to the bank in any foreseeable circumstance. Our opinion reflects Sicredi's integration, the consolidated strategic decision process, and the System's joint and several guaranteed mechanisms, consisting of the following pillars:

- Statutory structure: all entities that make up the System are subject to the same policies, procedures, governance standards, and risk management. At the same time, membership in the System automatically implies joint and several liability and contribution to Sicredi's guarantee funds.
- Centralized financial management: The System's liquidity management is centralized, and it can apply the procedures established in its bylaws and internal policies in relation to joint and several liability with the other entities in the System.

- Guarantee funds: The System guarantees funds with the aim of promoting the growth of cooperatives or providing support to any entity that may face financial stress.

Sicredi's integration and the mechanisms available to provide support to the bank in a stress scenario are key factors allowing us to rate the institution based on the group's aggregate credit quality. We think the bank's high importance for the System's strategy--given that it's the intermediary between the credit unions and the market--makes it a core entity for its group. As a result, the rating on the bank reflects the group's credit profile. Conversely, the sovereign rating on Brazil caps the rating on the bank, given Sicredi's high exposure to the domestic market

Environmental, Social, and Governance (ESG)

ESG factors do not have a material influence on our credit rating analysis of Sicredi, like industry and domestic peers.

Brazil has been proactive in ESG matters since adopting a green protocol in 1995. The regulator implemented 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. Starting in December 2022, banks began publishing annual reports detailing their exposure to these risks and their mitigation policies.

Sicredi has a governance profile that prioritizes transparency and accountability in its financial sustainability framework. The institution committed to publishing annual reports on the allocation and impact of the resources, including the distribution of funds between green and social categories. Additionally, Sicredi has established a system to monitor and track the destination of the resources, with periodic audits by external companies.

S&P Global Ratings issued a Second Party Opinion (SPO) on Sicredi's Sustainable Finance Framework, which highlights the bank's commitment to promoting financial inclusion in underserved regions and its efforts to support the transition to a low-carbon economy. The SPO notes that Sicredi's framework aligns with international best practices and standards, including the ICMA's Green Bond Principles and the Task Force on Climate-related Financial Disclosures (TCFD). The analysis concludes that Sicredi's framework has a Green rating of "Medium to Dark Green" due to its focus on renewable energy projects, including solar and wind power, and its commitment to energy efficiency improvements. Overall, the SPO suggests that Sicredi's framework is well-designed and effective in promoting sustainable finance practices.

Sicredi's framework for sustainable finance includes several categories of eligible projects, including energy generation from renewable sources, transportation, and sustainable water management. The bank also established a line of credit for farmers who had their licenses revoked due to environmental irregularities and has committed to restoring the ecosystems in accordance with environmental regulations. This demonstrates the bank's commitment to environmental sustainability and social responsibility. However, there are some concerns regarding the bank's use of resources, with some projects having a higher risk profile due to the use of biomass and biocombustibles.

Overall, Sicredi's ESG profile and practices demonstrate a commitment to sustainability and social responsibility, but there are areas for improvement in terms of resource use and circular economy principles.

Key Statistics

Banco Cooperativo Sicredi S.A. Key Figures

Mil. R$	2024*	2023	2022	2021	2020
Adjusted assets	339,833	324,203	263,130	197,240	154,481
Customer loans (gross)	196,965	189,162	160,633	133,145	97,241
Adjusted common equity	38,445	37,034	30,224	24,879	20,178
Operating revenues	7,864	28,699	22,353	16,419	13,496
Noninterest expenses	4,338	15,885	12,553	9,780	8,321
Core earnings	1,332	7,018	5,988	4,842	3,379

*2024 data is for the 3 months to end-March. R$--Brazilian real.

Banco Cooperativo Sicredi S.A. Business Position

(%)	2024*	2023	2022	2021	2020
Loan market share in country of domicile	N.M.	3.26	2.95	2.83	2.23
Deposit market share in country of domicile	N.M.	3.82	3.71	3.26	2.75
Return on average common equity	13.98	20.46	21.44	21.14	17.63

*2024 data is for the 3 months to end-March. N.M.--Not meaningful.

Banco Cooperativo Sicredi S.A. Capital And Earnings

(%)	2024*	2023	2022	2021	2020
Tier 1 capital ratio	18.63	19.11	15.45	15.01	13.91
S&P Global Ratings' RAC ratio before diversification	N.M.	7.39	7.21	7.40	7.38
S&P Global Ratings' RAC ratio after diversification	N.M.	7.25	6.96	7.11	6.82
Adjusted common equity/total adjusted capital	100.0	100.00	100.00	100.00	100.00
Net interest income/operating revenues	74.97	74.65	75.63	73.19	72.81
Fee income/operating revenues	17.76	18.26	18.20	20.42	20.38
Cost to income ratio	55.16	55.35	56.16	59.57	61.65
Preprovision operating income/average assets	4.24	4.36	4.25	3.77	3.90
Core earnings/average managed assets	1.60	2.39	2.60	2.75	2.55

*2024 data is for the 3 months to end-March. N.M.--Not meaningful.

Banco Cooperativo Sicredi S.A. Risk Position

(%)	2024*	2023	2022	2021	2020
Growth in customer loans	16.5	17.76	20.65	36.92	34.73
Total managed assets/adjusted common equity (x)	8.85	8.76	8.72	7.94	7.67
New loan loss provisions/average customer loans	4.45	3.28	2.53	1.49	1.94
Net charge-offs/average customer loans	1.90	1.41	0.55	0.32	0.83
Gross nonperforming assets/customer loans + other real estate owned	3.60	3.17	2.26	1.38	1.40
Loan loss reserves/gross nonperforming assets	142.57	150.54	177.59	225.70	253.28

*2024 data is for the 3 months to end-March.

Banco Cooperativo Sicredi S.A. Funding And Liquidity

(%)	2024*	2023	2022	2021	2020
Core deposits/funding base	79.06	79.54	78.85	75.87	79.23
Customer loans (net)/customer deposits	83.83	84.46	89.98	102.22	91.27
Long-term funding ratio	92.82	92.11	92.41	89.17	91.50
Stable funding ratio	137.70	137.69	135.89	125.26	136.39
Short-term wholesale funding/funding base	8.16	8.98	8.65	12.45	9.82
Broad liquid assets/short-term wholesale funding (x)	5.36	4.98	5.04	2.95	4.23
Broad liquid assets/total assets	36.27	36.97	35.96	30.88	34.80
Broad liquid assets/customer deposits	55.35	56.26	55.30	48.34	52.45
Net broad liquid assets/short-term customer deposits	124.32	119.62	111.43	71.24	86.91
Short-term wholesale funding/total wholesale funding	38.95	43.90	40.89	51.58	47.27

*2024 data is for the 3 months to end-March.

Rating Component Scores

Rating Component Scores

Issuer Credit Rating	BB/Stable/--
SACP	bb
Anchor	bb+
Business position	Adequate (0)
Capital and earnings	Adequate (0)
Risk position	Moderate (-1)
Funding and liquidity	Adequate and Adequate (0)
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-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023

- 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: Group Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

Ratings Detail (as of June 24, 2025)*		
Banco Cooperativo Sicredi S.A.		
Issuer Credit Rating		BB/Stable/--
Brazil National Scale		brAAA/Stable/--
Issuer Credit Ratings History		
30-Jul-2024		BB/Stable/--
09-May-2024		BB/Watch Neg/--
20-Dec-2023		BB/Stable/--
15-Jun-2023		BB-/Positive/--
27-Jul-2020		BB-/Stable/--
30-Jul-2024	*Brazil National Scale*	brAAA/Stable/--
09-May-2024		brAAA/Watch Neg/--
11-Jul-2018		brAAA/Stable/--
Sovereign Rating		
Brazil		BB/Stable/B
Brazil National Scale		brAAA/Stable/--

*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.