

CREDIT OPINION

5 June 2025

Update

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RATINGS

Banco Cooperativo Sicredi S.A.

Domicile	Porto Alegre, Rio Grande do Sul, Brazil
Long Term CRR	Baa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Issuer Rating	Not Available
Type	Not Available
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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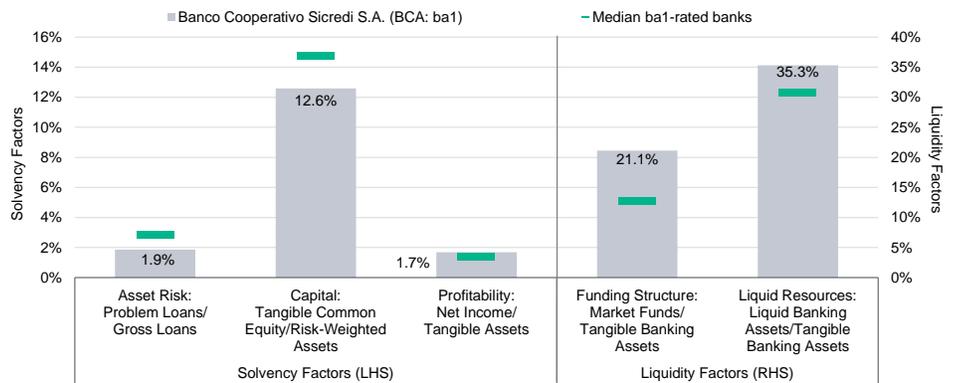
Banco Cooperativo Sicredi S.A.

Update following rating affirmation and outlook change to stable

Summary

Moody's assigns a corporate family rating of Ba1 to [Banco Cooperativo Sicredi S.A.](#) (Banco Sicredi). Banco Sicredi is the central entity of Sistema de Crédito Cooperativo Sicredi (Sicredi). Moody's assesses Sicredi's as if it operated as a single entity, taking into consideration its strategic and operational cohesion, common policies for credit risk, liquidity risk and capitalization; as well as the principle of solidarity within the group. The Ba1 rating incorporates the cooperative system's consistently low asset risk, strong capitalization and profitability, as well as the bank's granular funding structure that has supported Sicredi's rapid loan growth. Banco Sicredi's ratings also reflect the complexities involved in operating a large federated cooperative system and its concentrated risk exposure to the agricultural industry.

Exhibit 1
Rating Scorecard - Key financial ratios
As of December 2024



For the asset risk and profitability ratios, we calculate the average of the three latest year-end numbers and the latest quarterly data, if available and the ratio used is the weaker of the average and the latest period. For the capital ratio, we use the latest reported figure. For the funding structure and liquid resources ratios, we use the latest year-end figures.

Source: Moody's Financial Metrics

Credit strengths

- » Strong capitalization, both at the combined group and at each individual entity of the Sicredi network
- » Resilient profitability, largely driven by high margin lending operations and low cost of funding
- » Granular funding structure, largely composed of cooperative associates' deposits

Credit challenges

- » Asset risk and profitability pressures due to a high rates operating environment in Brazil despite conservative risk management and below system average problem loans
- » Intrinsic limitations to franchise business flexibility and growth, due to cooperative model

Rating outlook

The outlook on Banco Sicredi's global scale long-term deposit and senior unsecured debt ratings is stable, aligned with the stable outlook on [Brazil's](#) Ba1 sovereign rating.

Factors that could lead to an upgrade

- » Banco Sicredi's ba1 BCA is at the level of Brazil's sovereign rating. An improvement in the metrics would only lead to upward pressure in the event of an upgrade in Brazil's bond rating.

Factors that could lead to a downgrade

- » Negative pressure on Banco Sicredi's ratings would derive from significant weakening of its strong financial fundamentals, including a deterioration in the quality loan portfolio that could result from its rapid expansion and adverse selection, which, on the other hand, would strain on Sicredi's profitability and capital generation capacity.
- » A downgrade in Brazil's ratings would lead to a downgrade in the ratings as well.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key Indicators

Exhibit 2

Banco Cooperativo Sicredi S.A. (Consolidated Financials) [1]

	12-24 ²	12-23 ²	12-22 ²	12-21 ²	12-20 ²	CAGR/Avg. ³
Total Assets (BRL Million)	396,825.1	324,543.2	263,508.6	197,573.8	154,860.9	26.5 ⁴
Total Assets (USD Million)	64,233.5	66,811.4	49,909.3	35,431.0	29,814.2	21.2 ⁴
Tangible Common Equity (BRL Million)	43,334.7	36,620.5	29,886.7	24,543.5	19,845.5	21.6 ⁴
Tangible Common Equity (USD Million)	7,014.5	7,538.8	5,660.6	4,401.4	3,820.7	16.4 ⁴
Problem Loans / Gross Loans (%)	1.9	1.5	1.1	0.6	0.6	1.2 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	12.6	12.3	--	--	--	12.5 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	7.6	6.2	4.9	3.0	2.6	4.9 ⁵
Net Interest Margin (%)	6.9	7.4	7.4	6.9	7.5	7.2 ⁵
PPI / Average RWA (%)	4.8	--	--	--	--	4.8 ⁶
Net Income / Tangible Assets (%)	1.7	2.1	2.2	2.4	2.1	2.1 ⁵
Cost / Income Ratio (%)	52.1	49.5	50.1	53.3	55.7	52.2 ⁵
Market Funds / Tangible Banking Assets (%)	21.1	19.8	19.7	20.2	16.8	19.5 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	35.3	35.5	33.7	29.9	35.9	34.1 ⁵
Gross Loans / Due to Customers (%)	88.7	88.7	93.7	105.5	94.6	94.3 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime.

[6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

Profile

Banco Cooperativo Sicredi is the central banking entity of Sistema de Crédito Cooperativo Sicredi, a federated credit cooperative system in Brazil that, as of December 2024, was comprised of 103 credit unions and more than 8.6 million depositors (members) with a presence in all Brazilian states plus the Federal District. Sicredi offers traditional financial services (such as lending, credit cards, insurance and investments) to associates under a common brand and following centralized risk policies and controls. In accordance with the cooperative culture, members of Sicredi's individual credit unions are also the shareholders of those credit unions.

Detailed credit considerations

Delinquency below banking system average despite sustained portfolio growth

Moody's assigns a baa2 score to Sicredi's asset risk, reflecting its granular, geographically diversified loan book and conservative provisioning policies. At the same time, the score incorporates our view on sector concentration and our expectation that the seasoning of the strong growth of Sicredi's loan portfolio in the last years could lead to higher asset risk. In 2024, Sicredi reported a 20.2% annual growth rate, following several years of high double digit growth, which was nearly double the expansion of total credit in Brazil during the same period.

As of December 2024, Sicredi's problem loans ratio increased to 1.9%, higher than the 1.5% one year prior and the 1.4% average in 2016-2019. The mild deterioration reflects the accelerated rise of the credit portfolio in a scenario of high interest rates and household indebtedness. Of note, Sicredi's problem loans as calculated by Moody's include only installments past due by 15 days or more. The group's strong asset quality indicators can also be demonstrated when we look at non performing loans (NPLs) over 90 days, which represented 2.4% of its portfolio in December 2024, below the 3.0% for the entire Brazilian banking system as of the same date. Additionally, the bank also maintained a high reserve coverage ratio, equivalent to 2.1x its NPLs over 90 days in December 2024, which will continue to mitigate rising asset risks related to the continued business growth, in an economic environment that will continue to strain individuals' repayment capacity over the next quarters.

Sicredi actively monitors actual and potential environmental risk that could come from its loans to corporate associates and applies strict underwriting guidelines to manage its potential reputational risks associated with lending to such companies. The group's internal regulation also states that a credit union cannot provide new loans if it does not comply with the minimum liquidity thresholds established centrally by risk management, and a recovery plan must be implemented. In addition, each credit union must hold sufficient reserves to cover its problem loans, providing a relevant loss absorption buffer.

Strict leverage policy has supported Sicredi's capitalization through its accelerated expansion

We score Sicredi's capital as baa3, reflecting Sicredi's credit unions above average capitalization, strict leverage policies, and solid track record of capital replenishment capacity through the cycles. According to internal regulations, each credit union must report capital ratios at least 300 basis points above regulatory minimum, which ensures a solid position at the network level. The ratios are centrally monitored by regional centers that handle compliance and adequacy plans. Credit unions whose capital ratios remain below internal thresholds must present plans to replenish capital. The group also benefits from regular reinvestment of net income in its capital structure.

In line with its cooperative nature, each of Sicredi's individual associates is a shareholder of the group and new joiners are required to make an equity injection to be a member. These contributions and the systematic earnings retentions have historically supported a high capitalization at the group level, with capital primarily made of common equity. In Q4 2024, the tangible common equity to adjusted risk-weighted assets ratio¹ was 12.6% and the group's common equity tier 1 ratio was 18.1%.

In terms of ownership structure, the local credit unions and the five regional centers are the shareholders of Sicredi Participações - the holding entity that controls Banco Cooperativo Sicredi.

Still strong profitability despite higher credit costs and operating expenses

Although profit maximization is not Sicredi's main objective given its cooperative model, the group's profitability metrics remained strong in 2024 with a net income to tangible assets ratio of 1.7%, from 2.1% in 2023. An important driver is that the group benefits from the fact that income from cooperative lending activities is not taxable under Brazilian tax law.

Profitability was impacted by higher provisioning. Loan loss provisions grew 46.2% year-over-year (YoY) and reached 3.7% of gross loans in 2024, from 3.0% in the previous year, as a result of increasing asset risk associated with the floods in Rio Grande do Sul and rapid loan growth. Looking forward we expect provisioning expense to continue being pressured. Moreover, despite Sicredi's well-established position in its core markets, the group is exposed to rising competition from large commercial banks that have increased their footprint in agribusiness, which will pressure future margins and bottom line results.

The cost to income ratio increased to 52.1% in 2024, from 50.8%, as digital initiatives partly mitigated the higher costs related to the franchise expansion. Sicredi is physically present in over two thousand municipalities, which provides geographical diversification to earnings. At the same time, this characteristic weighs on Sicredi's operating expenses, that increased 22.4% YoY, as individual credit unions lack operational scale and must comply individually with regulatory demands from the Central Bank, including the reporting of audited financials.

Our score of baa2 for profitability reflects Sicredi's strong track record, as well as the challenges the group faces in maintaining high profitability in light of increasing competition and a challenging operational environment.

Liquidity is supported by Sicredi's granular deposit base and access to local capital markets

Sicredi's combined liquidity score of baa3 is driven by the group's stable and granular funding base, as well its conservative liquidity management across the cooperative system. The adequate liquidity levels provided a buffer for the loans forbearance and renegotiations that the climatic event in Rio Grande do Sul required.

As of December 2024, deposits and deposit-like instruments were its major funding source accounting for 75.0% of Sicredi's total funding. The second most important source are domestic onlending operations mostly from government-owned development bank [Banco Nac. Desenv. Economico e Social - BNDES](#)¹ (Ba1 positive, ba1²) totaling BRL33.2 billion, which are channeled through Banco Sicredi to the credit unions and represented 9.7% of Sicredi's funding. According to internal regulations, the minimum amount of liquidity established for each entity depends on the volatility of its funding availability, being higher for unions with higher deposit concentrations and noncompliant entities cannot disburse new loans. We understand such measures help to address the challenges imposed by the complex and heterogenic network and reinforce the cross guarantee in place.

Liquidity is managed centrally and operated by its banking entity. In addition, credit unions are protected by a cross guarantee in the event of any liquidity or capital needs, which has historically reflected into a conservative liquidity profile to the group. In 2024, despite the high growth of the portfolio, liquidity buffers were supported by the increase in deposits from customers. Liquid banking assets to tangible banking assets ratio was relatively stable at 35.3% in December 2024 versus the previous year.

Qualitative adjustments

Sicredi's cooperative model results in intrinsic limitations to its franchise in terms of business flexibility and growth. In addition, the cooperative system as a whole presents higher structural complexity, which derives from the heterogeneity of individual cooperative entities, than rated commercial banks. The comprehensive and timely risk monitoring by Banco Sicredi counterbalances this complexity. Nonetheless, in order to reflect this increased complexity, we assign a qualitative adjustment of -1 for opacity and complexity to Banco Sicredi.

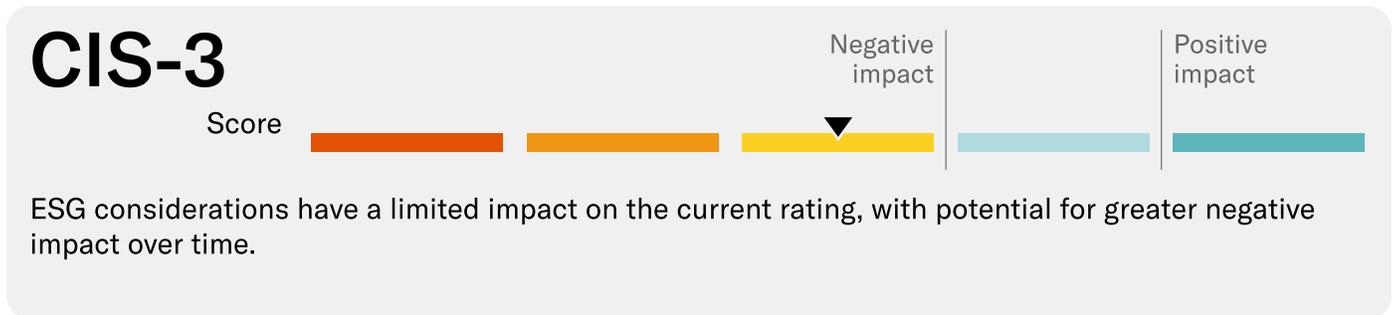
Banco Sicredi's rating is supported by the Moderate Macro Profile of Brazil

Brazil's (Ba1 stable) Macro Profile of "Moderate" is supported by the country's large and highly diversified economy with limited exposure to external financing risks. It also incorporates our improvements in the business environment for banks from recent reforms, including the independence of the central bank; the state-owned company law; labor reform; and a collateral framework that reduced uncertainties about judicial disputes and the potential for political intervention in the financial system. We forecast real GDP growth to moderate in 2025 to 2.0%, from 3.4% in 2024. Our assessment acknowledges the historically low unemployment and steady, though high, household debt, which together will help contain risks in 2025 as banks moderate risk taking. Ample domestic liquidity should keep supporting banks' funding needs.

ESG considerations

Banco Cooperativo Sicredi S.A.'s ESG credit impact score is CIS-3

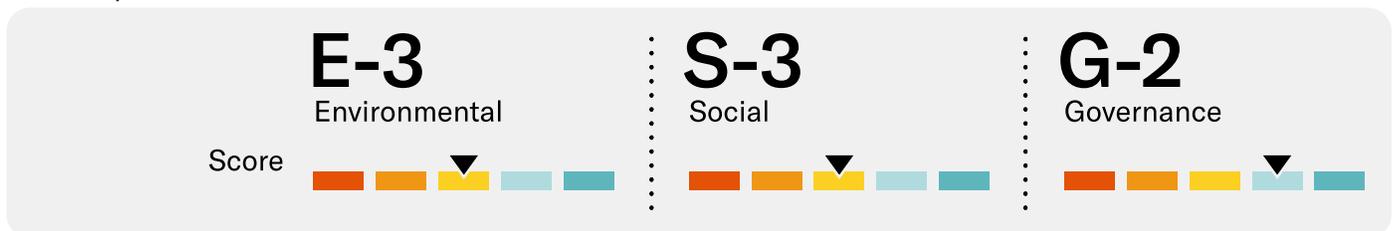
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

Sicredi's **CIS-3** reflects the moderate credit impact of environmental and social risk factors on the rating to date and low governance risks. Corporate governance practices are robust, relying on Sicredi's corporativism model that have supported the bank's credit profile across different economic cycles. The bank has a strong track record of earnings recurrence, underpinned by its sound risk management practices.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Sicredi faces moderate exposure to environmental risks because of its portfolio exposure to carbon transition and physical climate risks as a large cooperative bank with meaningful lending activity to rural borrowers. In line with its peers, the bank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals.

Social

Sicredi faces moderate social risks related to customer relations. The bank's developed policies and procedures, mitigate risk associated with the distribution of financial products such as conduct, regulatory and reputational risks, as well as exposure to litigation; Sicredi has activities primarily in Brazil, a country which has imposed only moderate penalties in relation to consumer protection. Continued investments in technology and the bank's long track record of handling sensitive customer data, as well as appropriate culture and governance that ensure adherence to regulatory standards, help to manage high cyber and personal data risks. Opportunities from financial inclusion are reflected in a better than industrywide exposure to demographic and societal trends.

Governance

Sicredi faces low governance risks, and its risk management policies and procedures are in line with industry best practices. Sicredi's board is elected by the members of the cooperative and its ownership structure is diversified and granular. The bank's management has a strong track record of good compliance and in maintaining the bank's steady earnings generation.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Notching considerations

In the absence of a bail-in resolution regime framework in Brazil, the ratings of subordinated debts, bank hybrids and contingent capital securities follow the "Additional Notching Guidelines", as per the Rating Methodology: Banks. In these cases, the approach takes into account other features specific to debt classes, resulting in additional notching from the adjusted baseline credit assessment (BCA) of the issuer.

Government support

We believe there is a low likelihood of government support for Sicredi's ratings, which reflects the bank's small share of deposits and assets in Brazil's banking system.

Counterparty Risk (CR) Assessment / Counterparty Risk Rating (CRR)

Sicredi's CR Assessment and CRR are one notch above its Adjusted BCA and, therefore, above its deposit/issuer ratings, reflecting our view that the probability of default is lower for operating obligations and other contractual commitments than for deposits or unsecured debt. These obligations will be more likely preserved in order to minimize losses, avoid disruption of critical functions and limit contagion. They are less likely to be subject to the application of a resolution tool to ensure the continuity of operations.

About Moody's bank scorecard

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our Scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 5

Rating Factors

Macro Factors							
Weighted Macro Profile		Moderate	100%				
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	1.9%	baa1	↔	baa2	Sector concentration	Loan growth	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	12.6%	baa3	↔	baa3	Risk-weighted capitalisation		
Profitability							
Net Income / Tangible Assets	1.7%	baa1	↔	baa2	Return on assets	Expected trend	
Combined Solvency Score		baa2		baa2			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	21.1%	ba1	↔	baa3	Deposit quality		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	35.3%	baa1	↔	baa3			
Combined Liquidity Score		baa3		baa3			
Financial Profile		baa2		baa2			
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				-1			
Corporate Behavior				0			
Total Qualitative Adjustments				-1			
Sovereign or Affiliate constraint				Ba1			
BCA Scorecard-indicated Outcome - Range				baa3 - ba2			
Assigned BCA				ba1			
Affiliate Support notching				0			
Adjusted BCA				ba1			
Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating	
Counterparty Risk Rating	1	0	baa3	0	Baa3	Baa3	
Counterparty Risk Assessment	1	0	baa3 (cr)	0	Baa3(cr)		
Senior unsecured bank debt	0	0	ba1	0	Ba1		

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
BANCO COOPERATIVO SICREDI S.A.	
Outlook	Stable
Counterparty Risk Rating	Baa3/P-3
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	ba1
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Corporate Family Rating	Ba1
Issuer Rating -Dom Curr	Ba1
ST Issuer Rating -Dom Curr	NP

Source: Moody's Ratings

Endnotes

- 1 We adjust banks' TCE to RWA ratios by assigning a 100% risk-weight for government securities and limiting the amount of deferred tax assets (DTA) that can contribute to their TCE.
- 2 The bank ratings shown in this report are the bank's domestic deposit rating and BCA.

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