



## Bank Risk Classification System

### *Introduction*

The **RISKbank**© will guide you into the difficult task of matching risk and return in adequate levels. Our proposal is to introduce a new methodology to measure bank risk, which takes into account not only the traditional objective analysis but also intangible factors in order to help define the credit and operational limits for each bank.

This is only possible by the consolidation of specific knowledge and experience of Lopes Filho & Associados - Investment Consultants developed in 37 years of financial institutional analysis.

### *Product Characteristics*

#### ✓ **UNIVERSE**

The comparison basis involves 90 banks, commercial and multiple, private and public, foreign and national, classified by their size. This universe can be increased according to the clients needs.

#### ✓ **FREQUENCY**

The classification data required will be updated as soon as the information is available, which occurs regularly every quarter.

#### ✓ **SERVICES**

Besides the classification, there is a thorough follow up, which assures the client that any alteration extra-balance sheet, suspicious irregularities or any other relevant fact that may occur and suggest possible change in the **RISKbank**© Risk Classification, will be considered and re-classified.

For each quarter, attached to **RISKbank**©, there will be a brief analysis of the financial sector, with interesting comments. The **RISKbank**© Index can be used in the determination of adequate credit limits.

### *A General View of RISKbank©*

**RISKbank**© is an association of balance sheet, sectorial and statistic analysis techniques with the empirical knowledge of how financial institutions work and their operational characteristics. The final result is a clear view of objective factors of each bank performance in time, plus the subjective factors capable of rising possible concerns in the most sensitive areas and major impact to the bank's financial health.

### ❶ Objective Analysis (Quantitative)

The objective analysis includes the usage of 10 indicators widely accepted as the most efficient ones in measuring the risk of financial institutions.

These indicators are subject to a statistical treatment, which provides the uniformization of the series, eliminating distortions (average and standard error) and coming to standard results. From the ponderation of the results we get the **RISKbank**© index for each institution, so that it can be ranked and classified among the other institutions of its group.

### ❷ Previous Classification By Size

Besides the ten indicators previously mentioned, the banks are pre-classified by size, represented by the total assets. We avoid the comparison between institutions of different sizes, which usually corresponds to different levels of risk. We call this the *inner risk*, that is to say, the fact of being small in assets, makes the institution more vulnerable to cash flow variations, bringing the necessity of offering better conditions to the clients in order to keep the balance of assets and liabilities.

### ❸ Warning Columns

Indicators correspond to maximum and minimum limits. If any of them is trespassed, an alarm should ring to warn that some kind of adjustment must be done in the institution in order to return to an adequate level. These columns are useful to evaluate the bank risk related to itself, not to the others as it happens in the general classification.

### ❹ Subjective Analysis (Qualitative)

The subjective analysis is an important additional criterion to analyze the risk of the banks. These techniques allow us to do more specific and conservative analysis considering the subjective aspects, as follows: RELIABILITY OF INFORMATION; MEMBERSHIP SUPPORT; OWNERSHIP/CORPORATE STRUCTURE; MANAGEMENT PERFORMANCE; ASSET/LIABILITY CONTROL; FUTURE DEVELOPMENTS; MACROECONOMIC ENVIRONMENT; TECHNOLOGY; AND SO ON.

### ❺ Risk Classification

The noblest part, however, is small but of fundamental relevance. It addresses the RISK CLASSIFICATION. These are few words, but transform themselves in the essence of RISKbank®. By having all information and analysis, an expert committee of diversified background discusses each assessment, which confirms or proposes their redefinition. Hence, the client has a clear and objective definition of the opinion on each bank, allowing it to use it or complement its own in a safe decision-making whether to invest its financial resources or not. Following, the Rating Scale created by the **RISKbank**© with its definitions.

## *Criteria and Major Indicators of RISKbank©*

### **⇒ LIQUIDITY**

The banks operate with currency and credit, which are extremely volatile products. The simple possibility (not the fact itself) of having problems of liquidity (not having enough currency to honor the borrowings), is enough to put into risk the whole bank structure, should it be small, medium or large, public or foreign.

### **⇒ FREE CASH**

This indicator allows us to analyze the cash flow management policy of the bank. It is expressed by the Liquid Assets less the Interbank Deposits.

### **⇒ SOLVENCY**

This index shows the structural problems a bank may have. When in association with the liquidity index, it can detect imminent problems of solvency, rarely solved by present mechanisms of exchanging bank reserves.

### **⇒ ASSET QUALITY**

The basic activity of a bank is to intermediate resources, capturing savings and generating credit operations. When a bank does not receive the payment of a loan, it may get into problems, which can seriously risk not only the present but also the future of the institution. Besides, it also suggests the incompetence of the bank in choosing its debtor clients.

### **⇒ PROFITABILITY (RETURN ON EQUITY / RETURN ON ASSET)**

Banks, just as any other institution in a capitalist system, in other words, works for profits. However, the **RISKbank©** takes into consideration, that low levels of profitability in a certain period of time may not represent a matter of concern, for in some cases they can be interpreted as strategy for changing the level of profitability in the future.

The subjective analysis provides an evaluation of each case, even though the statistic classification may negatively score fewer profitable banks.

### **⇒ OPERATING EXPENSES**

This indicator shows how the financial result is used to afford the operational structure, in other words, how much the bank structure costs in relation to its own results generation in its basic activity.

### **⇒ LEVERAGE**

The activity of intermediating resources requires operating with an expressive level of loans compared to its own resources.

There isn't a standard relationship that shows if the leverage level is adequate or not to an institution. However, it can be figured out whether a leverage level is high or low, by comparing to existing legal limits and also to other similar financial institutions.

### ➤ **ASSETS CONCENTRATION / LIABILITY CONCENTRATION**

This indicator is used to adequate the global analysis to conjunctural factors, providing a clearer view of the real situation of the institution.

For instance, if concentration in government bonds, foreign currency or credit should mean a risk increase, the indicator will help it to point it out.

### ➤ **RISK BASED ASSETS**

The Central Bank of Brazil has changed its capital requirements since August 1994, when Brazil got into Basle Agreement. After that, the Central Bank has drafted its own interpretation of Bank for International Settlements' capital guidelines.

Now the banks' capital adequacy is limited not only by their liability leverage level but also by their assets.

As this regulation may control the flexibility or growth of the system, the establishment of minimum capital levels is frequently an important rating consideration.

## *Ponderation Factors to the Indicators*

The ponderation factors represent a personal assessment. They try to reflect an existing reality by pointing out the indicators that imply in higher risk level in some point in time. Because of that, they can be changed every moment, in relation to the economical and conjunctural factors, as well as the performance of the financial sector.

## *Conclusion*

We believe that the **RISKbank**© will be of great value to you as it will help you to find the optimum allocation of your resources, and also identify the institutions which have been underestimated in potential, due to the lack of conditions to analyze them properly.

In order to make it possible, we are willing to clarify any doubt you may have about the institutions included in the list of your choice and make it possible to include any other institution of your interest.

For further information call (5521) 2272-9600 or visit our site [www.riskbank.com.br](http://www.riskbank.com.br). We are enclosing the full list of the banks included in **RISKbank**© and an exemple of an application of the system.

***LIST OF BANKS RANKED BY RISKbank®***

1-	A.J. Renner	42-	Gerador
2-	ABC Brasil	43-	GMAC
3-	Arbi	44-	Goldman Sachs
4-	Banco Cooperativo Sicredi	45-	Induscred de Investimento
5-	Banco do Brasil	46-	Industrial do Brasil
6-	Bancoob- Cooperativo do Brasil	47-	Indusval&Partners
7-	BANESE (Sergipe)	48-	Intercap
8-	BANESTES (Espírito Santo)	49-	Intermedium
9-	Banif	50-	Itaú BBA
10-	Banif de Investimento	51-	Itaú Unibanco
11-	BANPARÁ (Pará)	52-	J. P. Morgan
12-	BANRISUL (Rio Grande do Sul)	53-	Luso Brasileiro
13-	Barclays	54-	Máxima
14-	BASA (Amazônia)	55-	Mercantil do Brasil
15-	BBM	56-	Merrill Lynch
16-	BES Investimento do Brasil	57-	Modal
17-	BICBANCO	58-	Morgan Stanley
18-	BMG	59-	Nordeste do Brasil
19-	BNP Paribas Brasil	60-	Opportunity de Investimentos
20-	Bonsucesso	61-	Pan
21-	BPN Brasil	62-	Paraná Banco
22-	Bradesco	63-	Paulista
23-	BRB (Brasília)	64-	Pecúnia
24-	BTG Pactual	65-	Pine
25-	Cacique	66-	Rendimento
26-	Caixa Econômica Federal	67-	Ribeirão Preto
27-	Caixa Geral – Brasil (BCG)	68-	Safra
28-	Cédula	69-	Santander (Brasil)
29-	CIT Brasil	70-	Semear
30-	Citibank	71-	Société Générale
31-	CNH Capital	72-	Sofisa
32-	Conglomerado Financeiro Alfa	73-	Standard de Invest.
33-	Conglomerado Financeiro Original	74-	Sumitomo Mitsui
34-	CR2	75-	Topázio
35-	Crédit Agricole Brasil	76-	Triângulo
36-	Daycoval	77-	Tricury
37-	Deutsche Bank	78-	Volvo (Brasil)
38-	Fator	79-	Votorantim
39-	Fibra	80-	VR
40-	Ficsa	81-	Westlb do Brasil
41-	Fidis		

# BANCO COOP. SICREDI S/A

**Corporate Name:** Banco Cooperativo Sicredi S/A  
**Address:** Av. Assis Brasil, 3.940 - 10º andar - Porto Alegre - RS - CEP.: 91.010-003  
**Established:** 1996  
**Licensed Activities:** Commercial; Invest.Consumer  
**Ownership Origin:** Private  
**Foreign Associated Bank:** -  
**Independent Auditor:** Ernst & Young Terco  
**Disclosure:** Excellent

<b>RISKbank® INDEX</b>	SIZE : MID-SIZE							RANK	
	WARNING COLUMNS (*)							SET/13	JUN/13
<b>10,55</b>								<b>18</b>	<b>14</b>

**Risk Classification**

LOW RISK FOR LONG TERM

**Risk and Performance Analysis**

In the quarter in view, to meet increased seasonal demand from the cooperatives for rural and agribusiness financing, the Banco Cooperativo Sicredi expanded its loan portfolio by 16%. Consequently, the liquidity was pressured by the extended time of these operations. Despite being lower, this indicator remains at a good level as the bank has longer term funding derived from cooperatives affiliated to SICREDI, lines of funding from BNDES, and THCD contracted with the Central, as well as Rural Interbank Deposits resources. It can also count on a good volume of subordinated debt which was reinforced by more than R\$100 million with the IFC in the first quarter of 2013. It should be remembered that it received a US\$19 million contribution from this organisation in April 2013 which now holds 2.61 % of the bank's capital. As a positive point the controller Central provided over R\$ 104 million in the third quarter of 2013, allowing the bank to maintain its Basel at an appropriate level (16.54%). The risk and performance indicators fluctuated little, the bank consequently maintaining its rating of Low Risk for Long Term in RISKbank. We also highlight the conservative management which takes little risk, and the efficient control systems. However, the bank's loans are concentrated in a few affiliates, as is characteristic of cooperative banks, which elevates the risk for adverse situations. On the other hand, the quality of its portfolio is historically comfortable because most operations have collateral, and in addition are guaranteed by the Sicredi cooperatives. Also, the bank is responsible for the financial management of the credit cooperatives, giving it more control of the risks assumed by them. Profitability remained low over the first nine months of 2013, driven by lower treasury gains, smaller spreads for credit, and higher operating costs. However, it should be borne in mind that the culture of the cooperative system does not require ambitious profitability goals for the bank as its function as a cooperative bank is to provide products and services to its member cooperatives.

**History**

In October 1995, SICREDI-RS formed Banco Coop. Sicredi S.A, based in Porto Alegre, with Coop. Central de Crédito do R.S. Ltda as controlling shareholder. In March 1996 the Brazilian Central Bank approved the commencement of operations by the bank. It was the first private cooperative bank in Brazil. It began operations in June 1996. In the initial phase of operations the objective was to structure the cheque clearing system, securities and the cash flow SICREDI-RS. Shortly after, it opted to specialize in operations relating to companies in the agro-industrial sector. In December 1996 Coop. Credit System of Paraná - Sicooper-PR became a new shareholder. In March 1998 SICREDI-MT and SICREDI-MS became members, and in 2001 SICREDI - SP became part of the controlling group of the bank. In June 2011 the Dutch Rabobank bought 27,4% of its capital, starting a strategic partnership.

**Associated Group**

The Cooperative Credit System - SICREDI comprises by 115 credit cooperatives. SICREDI is whole owner of Banco Coop. SICREDI, having Shareholder Equity consolidated of R\$ 5,11 billions and total assets of R\$ 38,4 billions in September 2013.

**Structure Data**

<b>Branches in Brazil</b>	5	<b>Number of Employees</b>	358
<b>Branches RJ-SP</b>	0	<b>Number of Clients</b>	830.993
<b>Foreign Branches</b>	0		

Ownership (%)	COM	PREF	TOTAL
SICREDI PARTICIPAÇÕES S/A	100,00	0,00	78,09
RABO DEVELOPMENT B.V.	0,00	100,00*	19,00
IFC	0,00	100,00**	2,61

\*PNA e \*\*PNB

**Main Executives Position and Time of Service**

Ademar Schardong	President	17 years
João Francisco Sanchez Tavares	Director	15 years
Edson Georges Nassar	Director	4 years
Júlio Pereira Cardozo	Director	4 years
Wolney Romano	Director	4 years

Principal Subsidiaries	%	Shareholders' Equity*	Net Income*
Adm Cartões SICREDI Ltda.	99,99	17.630	2.587
Corretora de Seguros SICREDI Ltda.	99,75	9.732	2.012
Administradora Bens SICREDI Ltda.	99,98	46.907	24
Adm. de Consórcios SICREDI Ltda.	99,99	20.218	1.240

\*(BRL in Thousand) SET/2013

(\*) L=LIQUIDITY;S= SOLVENCY;Q=CREDIT QUALITY;R=ROE;C=EFFICIENCY;B=BIS RATIO;A=ASSET CONCENTRATION; P = LIABILITY CONCENTRATION

**BANCO COOP. SICREDI**

BALANCE SHEET	SET/13	DEZ/2012	SET/2012	DEZ/2011
<b>CASH</b>	16.633	22.327	15.763	64.282
<b>INTERBANK INVESTMENTS</b>	10.372.352	6.553.053	7.971.450	6.056.321
<b>SECURITIES</b>	3.018.318	3.210.163	3.081.386	3.004.652
<b>LENDING OPERATIONS</b>	9.972.742	8.734.027	8.169.167	7.088.643
<b>Overdue and Doubtful Loans</b>	21.121	7.454	5.712	1.993
<b>Allowance for Loan Losses</b>	27.365	17.844	11.382	6.482
<b>LEASE FINANCE RECEIVABLES</b>	0	0	0	0
<b>OTHER RECEIVABLES</b>	264.377	192.245	157.696	145.787
<b>Foreign Exchange Portfolio</b>	87.192	96.327	90.781	100.373
<b>OTHER ASSETS</b>	30	81	34	65
<b>PERMANENT ASSETS</b>	101.561	91.491	89.958	82.246
<b>TOTAL ASSETS/TOTAL LIABILITIES</b>	24.404.647	19.350.956	20.036.343	16.822.247
<b>TOTAL DEPOSITS</b>	10.283.700	9.338.068	8.987.211	7.244.450
<b>Demand Deposits</b>	48.129	35.305	33.573	49.531
<b>Time Deposits</b>	16.750	16.464	20.121	18.166
<b>Saving Deposits</b>	3.658.826	2.923.104	2.932.268	1.973.930
<b>Interbank Deposits</b>	6.559.995	6.363.196	6.001.248	5.202.824
<b>OPEN MARKET FUNDING</b>	8.777.397	5.745.787	6.896.592	5.908.021
<b>BORROWINGS AND RELENDING</b>	4.058.212	3.493.441	3.371.747	2.957.325
<b>Local</b>	3.965.514	3.394.759	3.276.990	2.845.985
<b>Foreign</b>	92.698	98.682	94.757	111.339
<b>OTHER LIABILITIES</b>	450.548	272.751	281.498	258.324
<b>Foreign Exchange Portfolio</b>	8.079	6.269	4.337	4.581
<b>SHAREHOLDERS' EQUITY</b>	793.700	477.572	483.800	437.890
INCOME STATEMENT	SET/13	DEZ/12	SET/12	DEZ/11
<b>INCOME FROM LENDING AND TRADING ACTIVITIES</b>	1.139.422	1.528.935	1.181.149	1.524.595
<b>Lending Operations</b>	420.247	619.713	460.253	509.375
<b>Securities</b>	703.687	887.613	701.174	1.000.645
<b>EXPENSES</b>	931.664	1.482.796	1.168.909	1.337.899
<b>Interest on Deposit, Loans, Assignments and Relending</b>	919.992	1.471.161	1.163.987	1.335.061
<b>Provision for Loan Losses</b>	10.978	11.384	4.922	941
<b>GROSS INCOME FROM FINANCIAL INTERMEDIATIC COMMISSIONS AND FEE</b>	207.758	46.139	12.240	186.696
<b>COMMISSIONS AND FEE</b>	20.931	23.917	17.737	27.693
<b>EQUITY IN THE EARNINGS OF SUBSIDIARIES</b>	8.458	6.554	4.840	6.372
<b>ADMINISTRATIVE EXPENSES</b>	198.868	241.422	169.266	179.326
<b>OPERATING INCOME</b>	53.844	51.442	49.925	84.769
<b>NON- OPERATING INCOME</b>	40	13	26	15
<b>NET INCOME FOR THE PERIOD</b>	33.912	34.910	32.720	54.077
RISK AND PERFORMANCE RATIOS	SET/13	DEZ/12	SET/12	DEZ/11
<b>LIQUIDITY</b>	1,47	1,49	1,51	1,10
<b>SHORT TERM LIQUIDITY</b>	0,48	0,59	0,64	0,80
<b>SOLVENCY</b>	1,03	1,02	1,02	1,02
<b>NON-PERFORMING LOANS/ GROSS LOANS</b>	0,2%	0,1%	0,1%	0,0%
<b>NON-PERFORMING LOANS/ EQUITY</b>	2,6%	1,5%	1,2%	0,4%
<b>RETURN ON EQUITY (PROFITABILITY)</b>	7,1%	7,6%	9,4%	15,6%
<b>EFFICIENCY RATIO</b>	0,79	0,82	0,77	0,68
<b>LIABILITY CONCENTRATION</b>	0,16			
<b>LEVERAGE</b>	15,18	21,32	20,87	18,53
<b>LOANS/TOTAL ADJUSTED ASSETS</b>	63,0%	63,2%	61,4%	64,3%
<b>SECURITIES/TOTAL ADJUSTED ASSETS</b>	19,8%	24,7%	25,1%	28,5%
<b>FOREIGN EXCHANGE PORTFOLIO/TOTAL ADJUSTED ASSETS</b>	0,5%	0,7%	0,7%	0,9%
<b>TOTAL CAPITAL BIS RATIO</b>	16,5%	13,6%	13,3%	13,7%
<b>CASH FREE / EQUITY</b>	239,3%	290,4%	302,3%	237,8%
<b>CASH FREE CHANGED / TOTAL ADJUSTED ASSETS</b>	0,1%	-0,5%	-0,5%	-3,2%
<b>CASH FREE ( Thousand R\$)</b>	1.899.298	1.386.789	1.462.485	1.041.475
<b>TOTAL ADJUSTED ASSETS (Thousand R\$)</b>	15.769.388	13.768.375	13.290.570	11.081.084