

29 January 2020



## 2019 Earnings Presentation



# Important Information

## Non-IFRS and alternative performance measures

In addition to the financial information prepared in accordance with International Financial Reporting Standards (“IFRS”) and derived from our financial statements, this presentation contains certain financial measures that constitute alternative performance measures (“APMs”) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415en) and other non-IFRS measures (“Non-IFRS Measures”). The financial measures contained in this presentation that qualify as APMs and non-IFRS measures have been calculated using the financial information from Santander Group but are not defined or detailed in the applicable financial reporting framework and have neither been audited nor reviewed by our auditors. We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider these APMs and non-IFRS measures to be useful metrics for management and investors to facilitate operating performance comparisons from period to period. While we believe that these APMs and non-IFRS measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute of IFRS measures. In addition, other companies, including companies in our industry, may calculate or use such measures differently, which reduces their usefulness as comparative measures. For further details of the APMs and Non-IFRS Measures used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see the 2018 Annual Financial Report, filed with the Comisión Nacional del Mercado de Valores of Spain (CNMV) on 28 February 2019, as well as the section “Alternative performance measures” of the annex to the Banco Santander, S.A. (“Santander”) 2019 4Q Financial Report, published as Relevant Fact on 29 January 2020. These documents are available on Santander’s website ([www.santander.com](http://www.santander.com)).

The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the included businesses and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries

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# Important Information

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- 1. Macroeconomic environment and financial system**
- 2. Strategy and business**
- 3. Results**
- 4. Appendix**

# Macroeconomic environment and financial system

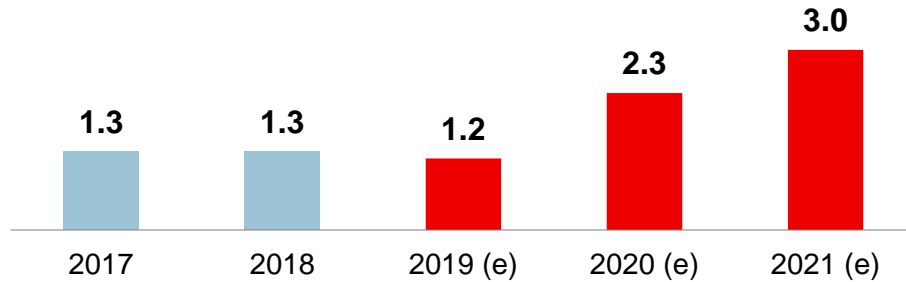


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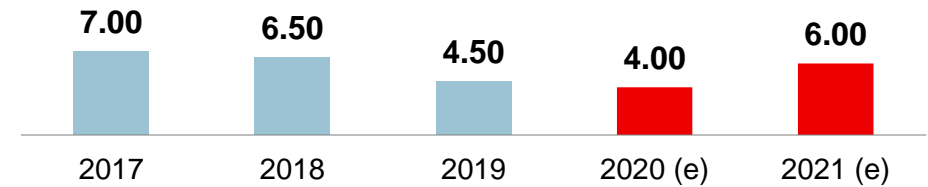


# Gradual recovery in economic activity

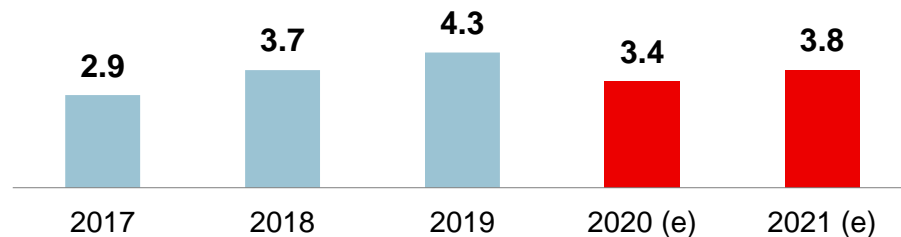
**Annual GDP growth (real, %)**



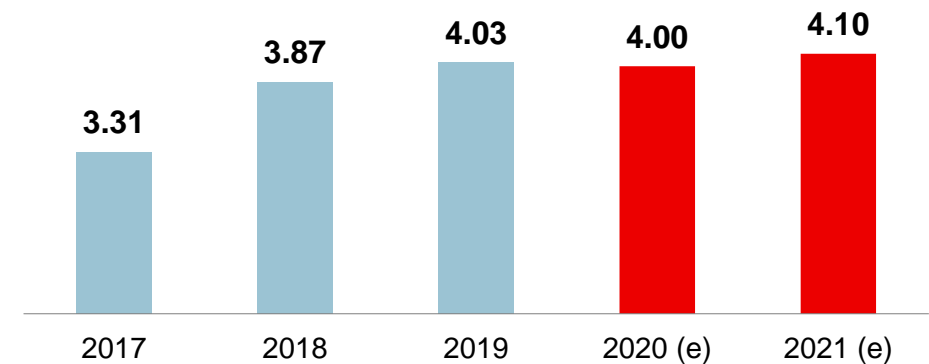
**Interest rate – Selic (year end, %)**



**Annual inflation rate (IPCA, %)**



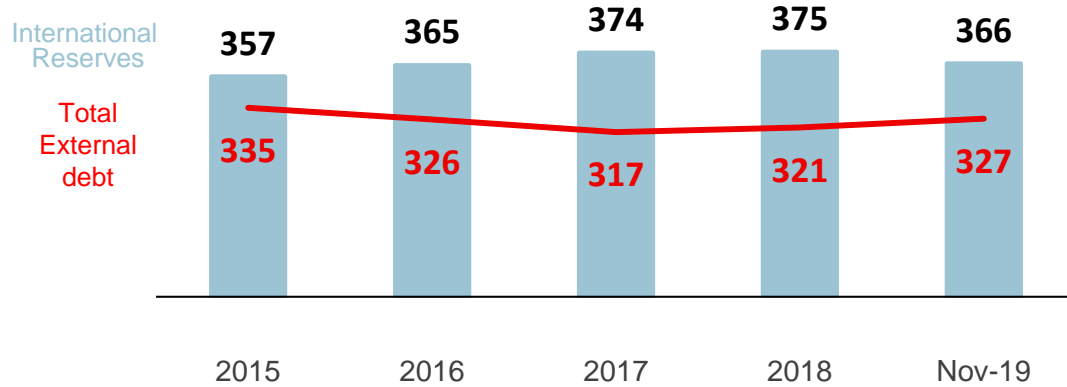
**Exchange rate (year end, BRL / USD)**



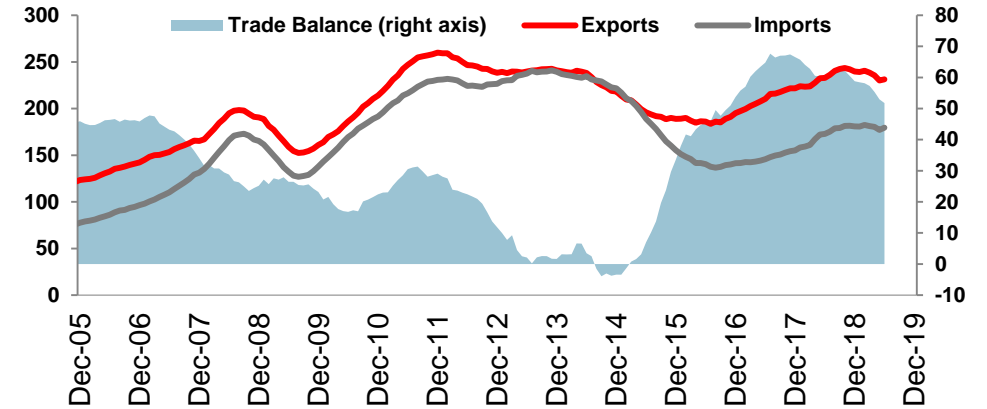


# The external position remains under control

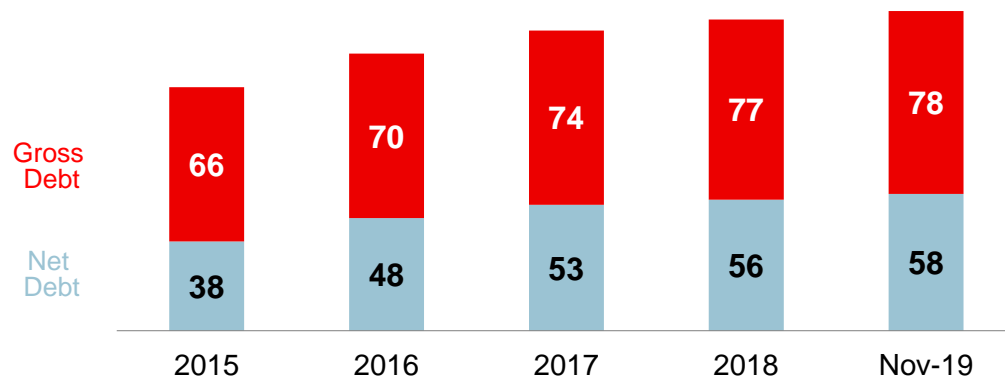
Reserves and external debt (USD bn)



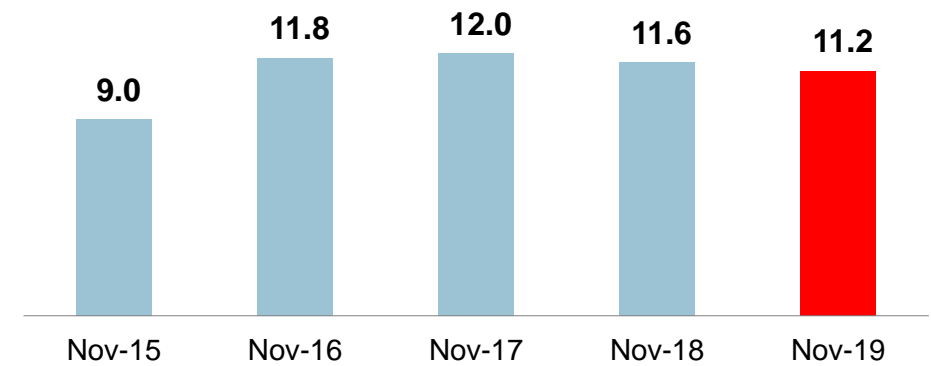
Trade balance (USD bn, 12 months)



Public sector debt / GDP (%)



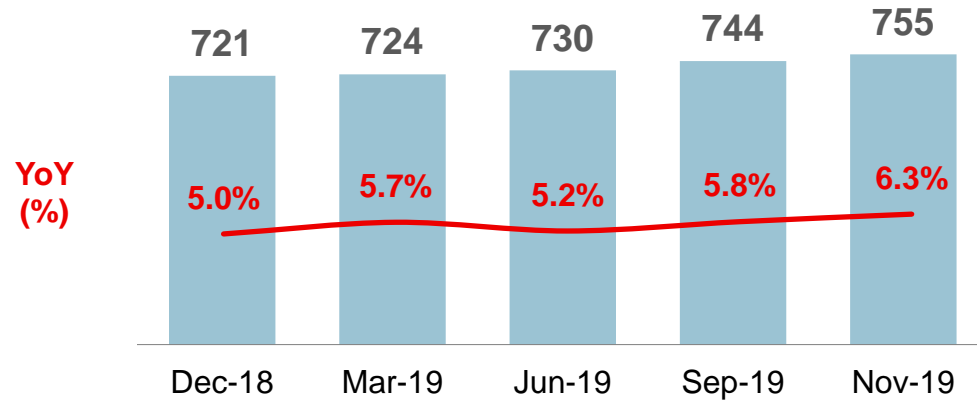
Unemployment rate<sup>1</sup> (%)





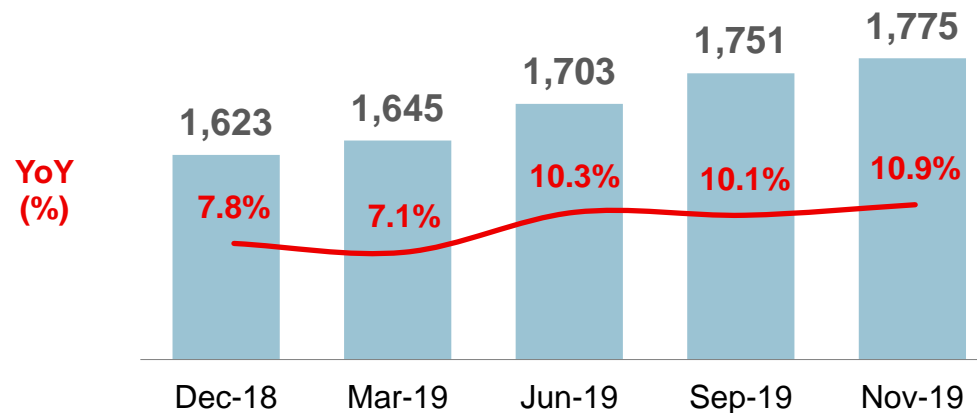
# Privately owned banks continue to support loan growth

**Total loans** (Constant EUR bn<sup>1</sup>)



- ▶ Total loan growth continued its recovery path driven by private banks.
- ▶ By segments, loans to individuals is still recording growth levels (10.7% YoY) greater than loans to Corporates and SME s (+0.6% YoY).
- ▶ Privately owned banks grew 14.8% (YoY), while state-owned banks dropped 1.7% (YoY).

**Total customer funds** (Constant EUR bn<sup>1,2</sup>)



- ▶ Total customer funds increased 10.9% (YoY) backed by total deposits (10.2% YoY).
- ▶ Positive performance of time deposits (11.8% YoY), savings (+5.9% YoY) and demand deposits (16.3% YoY).



# Strategy and business



02

# Santander Brasil has a strong growth strategy, which benefits from being part of a large international Group



## STRATEGIC PRIORITIES

- ▶ Attract new customers while cultivating the existing relationships

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- ▶ Leverage our business in current markets and also expand with new ventures

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- ▶ Maximize loyalty increase opportunities among our business units

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- ▶ Maintain operational efficiency

KEY DATA	2019	YoY Var. <sup>5</sup>
Gross loans <sup>1</sup>	84,451	7.9%
Total customer funds <sup>1</sup>	141,807	10.5%
Underlying att. profit <sup>1</sup>	2,939	16.4%
Underlying RoTE	21.2%	+147 bps
Efficiency ratio	33.0%	-71 bps
Loan' market share <sup>2</sup>	9.9%	+47 bps
Deposit' market share <sup>2,3</sup>	10.5%	-29 bps
Loyal customers <sup>4</sup>	5.7	9.8%
Digital customers <sup>4</sup>	13.5	17.5%
Branches	3,656	6.3%
Employees	46,682	-0.5%

(1) EUR mn. Gross loans include other operations as explained on slide 13.

(2) As at September 2019.

(3) Including demand, savings and time deposits, LCA (agribusiness notes), LCI (real estate credit notes) and treasury notes (*letras financeiras*).

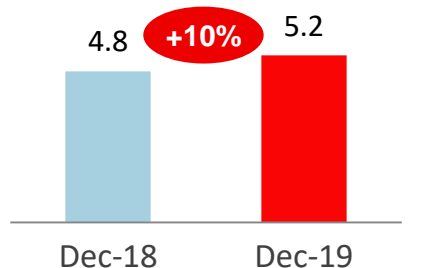
(4) Millions.

(5) Constant euros



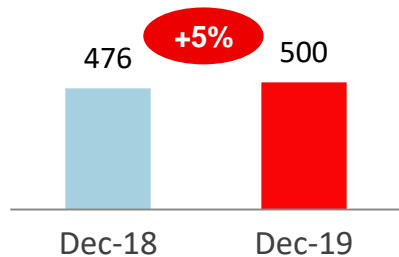
# Sustainable expansion of our customer base through higher quality services

## Loyal individuals (mn)



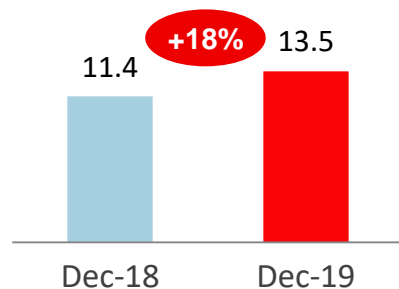
- ▶ Service excellence: focus on offering superior service underpinned by a deep understanding of our customers' needs
- ▶ Continuous operational refinement allows us to grow in a more efficient and profitable manner

## Loyal companies (k)



- ▶ SMEs: Specialty stores and sector-oriented offers
- ▶ Wholesale: innovative solutions and revenue diversification

## Digital customers (mn)



- ▶ Digital framework: delivering efficiency and broadening product range in digital channels

# Focus on improving customer experience and satisfaction with profitable and responsible growth



## People

**Engaged Employees**

**92%**

Among the **best companies** to work



**4<sup>th</sup> Consecutive year**

## Customers

### **Greater Productivity Delivery**

- Process Improvement
- Technology
- People

## Shareholders

**Underlying RoTE**

**21.2%**

+147 bps YoY

## Communities



**1<sup>st</sup> in the Banking** industry on Fortune magazine's list of **World changing companies**

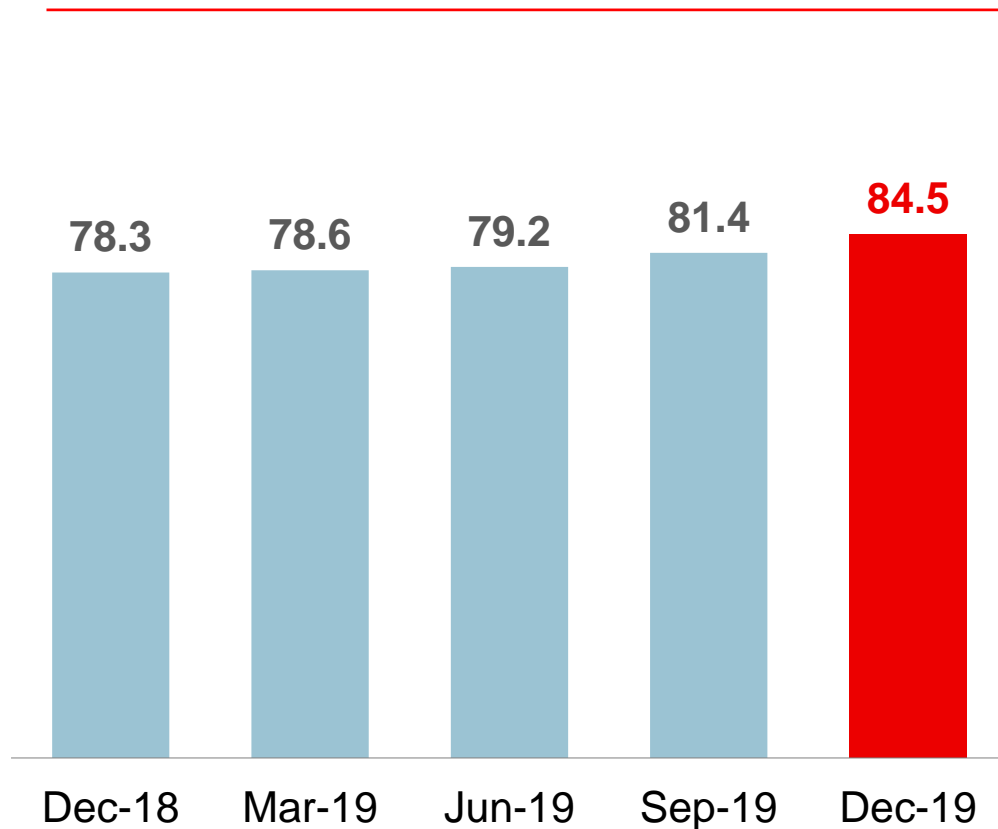
**PROSPERA SANTANDER**  
Microfinance

**+510k**  
customers



# Loan portfolio rose 7.9% in the year with positive performance among segments

**Total loans** (Constant EUR bn<sup>1</sup>)



	Dec-19	YoY	QoQ
<b>Individuals</b>	<b>34.6</b>	<b>15.1%</b>	<b>4.8%</b>
Mortgage	8.5	12.1%	4.8%
Consumer Credit	26.1	16.2%	4.9%
<b>Consumer Finance</b>	<b>10.7</b>	<b>16.4%</b>	<b>5.6%</b>
<b>Companies</b>	<b>34.8</b>	<b>0.0%</b>	<b>3.1%</b>
SMEs	12.1	10.3%	7.1%
Large Corporates	22.7	-4.7%	1.1%
<b>Subtotal</b>	<b>80.2</b>	<b>8.2%</b>	<b>4.2%</b>
Other Operations <sup>2</sup>	4.3	2.8%	-4.1%
<b>Total loans</b>	<b>84.5</b>	<b>7.9%</b>	<b>3.7%</b>

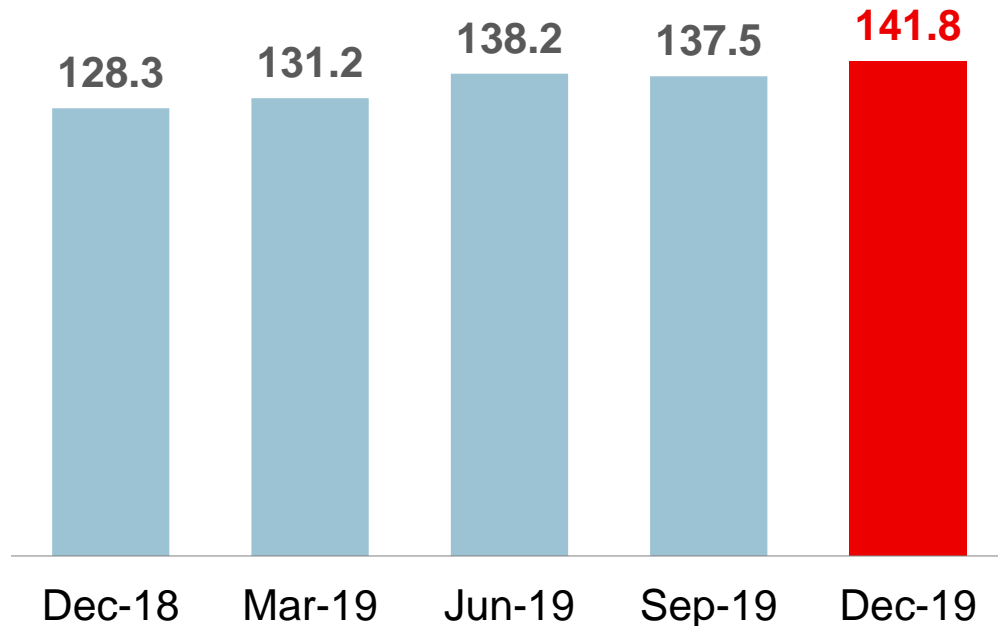
(1) End period exchange rate as at Dec-19.

(2) Includes portfolio acquired from other banks and other credit risk (debentures, FDIC, CRI, floating rate notes and promissory notes).



# Customer funds rose 10.5%, maintaining a solid performance and with an increase in our customer fund market share

**Total customer funds** (Constant EUR bn<sup>1</sup>)



	Dec-19	YoY	QoQ
Demand Deposits	6.5	73.1%	30.8%
Savings	10.9	6.5%	3.6%
Time Deposits	44.4	4.4%	3.9%
<b>Total Deposits</b>	<b>61.8</b>	<b>9.3%</b>	<b>6.1%</b>
Mutual Funds	64.8	15.2%	2.8%
<b>Total Deposits and Mutual Funds</b>	<b>126.6</b>	<b>12.2%</b>	<b>4.4%</b>
Others <sup>2</sup>	15.2	-2.0%	-6.2%
<b>Total Customer Funds</b>	<b>141.8</b>	<b>10.5%</b>	<b>3.1%</b>

(1) End period exchange rate as at Dec-19.

(2) Includes real estate credit notes (LCI), agribusiness credit notes (LCA), secured real estate notes (LIG) and financial bills.

Results

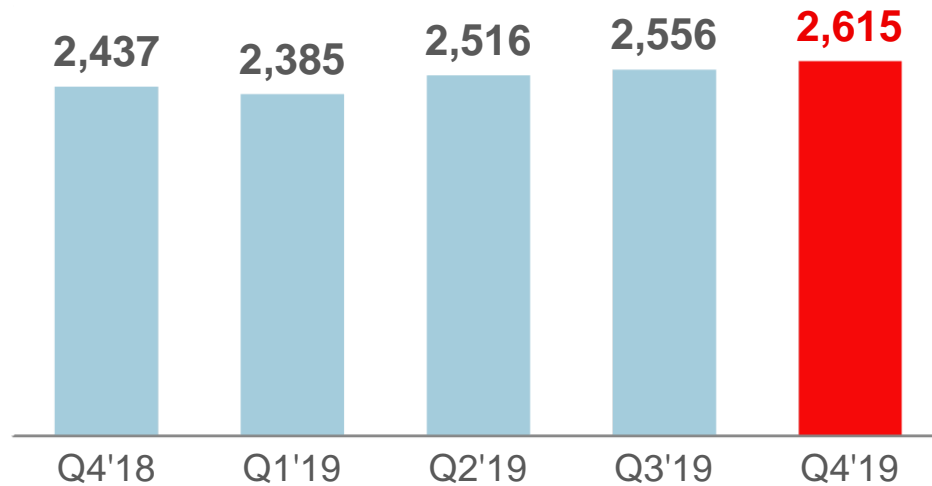


03



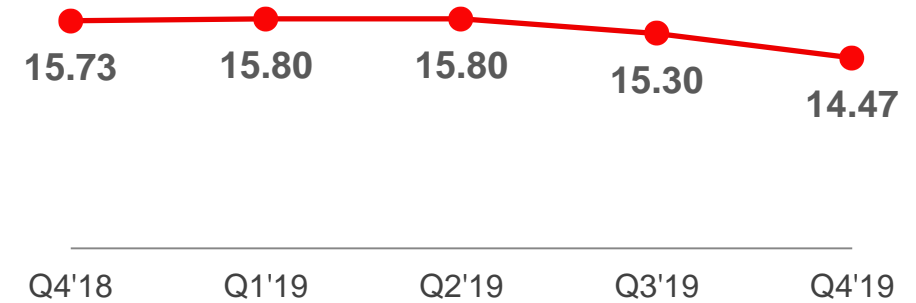
# NII grew 6.0% YoY highlighted by loans and funding volumes offset by pressure on the yield on loans

**Net interest income** (Constant EUR mn<sup>1</sup>)

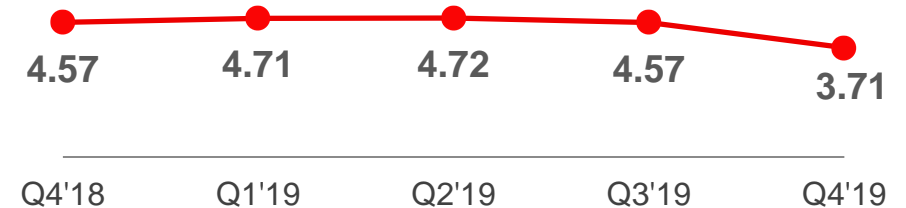


<b>NIM<sup>2</sup> (%)</b>				
5.95%	5.73%	6.07%	5.93%	5.94%
<b>Official target interest rate<sup>3</sup> (%)</b>				
6.5%	6.5%	6.5%	5.8%	4.8%

**Yield on loans (%)**



**Cost of deposits (%)**

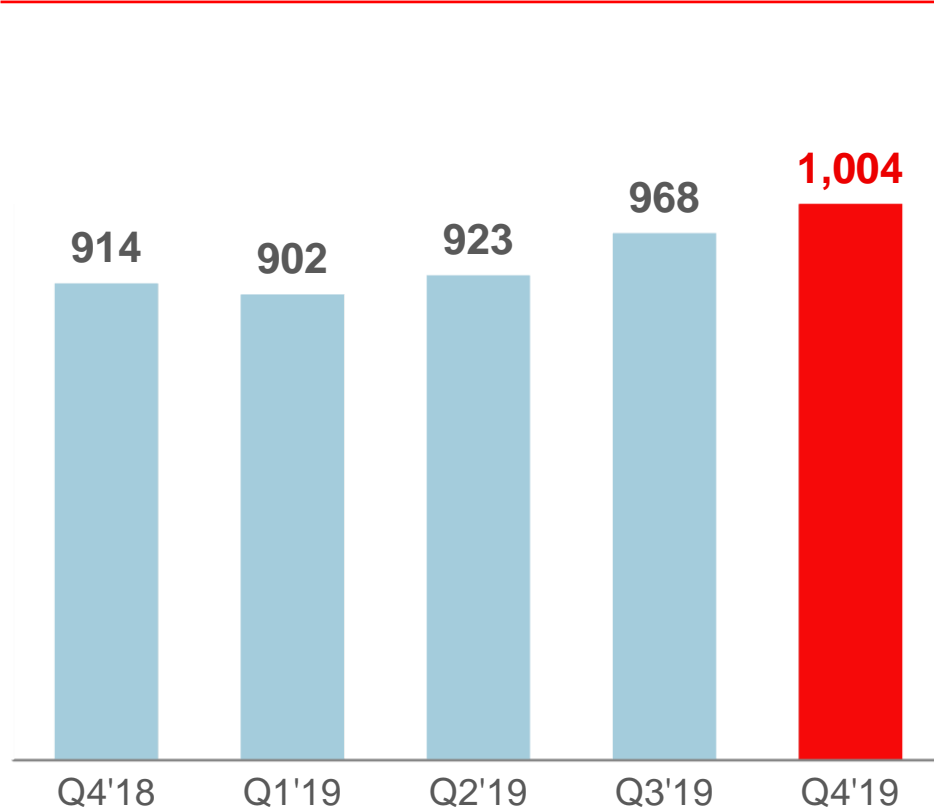






## Net fee income grew 11.5% YoY, driven by the increase in customer base growth and more transactionality

Net fee income (Constant EUR mn<sup>1</sup>)

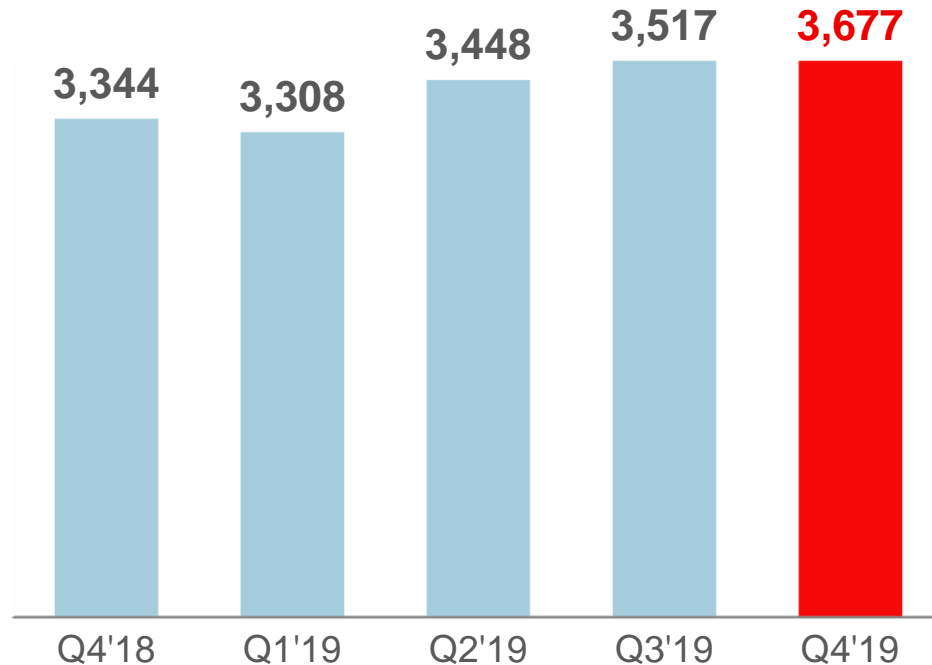


	2019	2018	YoY	QoQ
Current Account	784	724	8.3%	4.9%
Mutual Funds	407	350	16.1%	11.9%
Cards	1,158	1,040	11.3%	21.7%
Insurance	813	720	13.0%	3.2%
Securities <sup>2</sup>	203	145	40.6%	-26.0%
Foreign Trade	298	290	2.6%	-12.7%
Cash management	297	313	-5.2%	0.9%
Others <sup>3</sup>	-162	-177	-8.6%	113.0%
<b>Total</b>	<b>3,798</b>	<b>3,405</b>	<b>11.5%</b>	<b>3.7%</b>



## Gross income increased 7.4% YoY, driven by NII and net fee income

### Gross income (Constant EUR mn<sup>1</sup>)

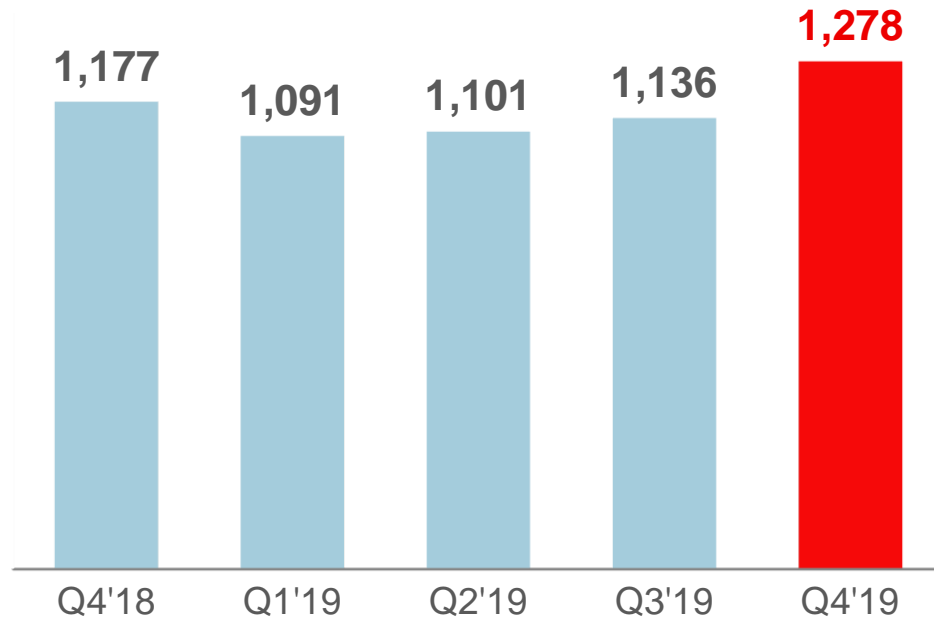


	2019	2018	YoY	QoQ
Net Interest Income	10,072	9,502	6.0%	2.3%
Net Fees	3,798	3,405	11.5%	3.7%
<b>Subtotal</b>	<b>13,870</b>	<b>12,908</b>	<b>7.5%</b>	<b>2.7%</b>
Other <sup>2</sup>	81	87	-7.5%	n.a.
<b>Gross Income</b>	<b>13,951</b>	<b>12,995</b>	<b>7.4%</b>	<b>4.5%</b>



Greater productivity contributed towards improving the efficiency ratio, achieving the best efficiency ratio in recent years at 33%

**Operating expenses** (Constant EUR mn<sup>1</sup>)



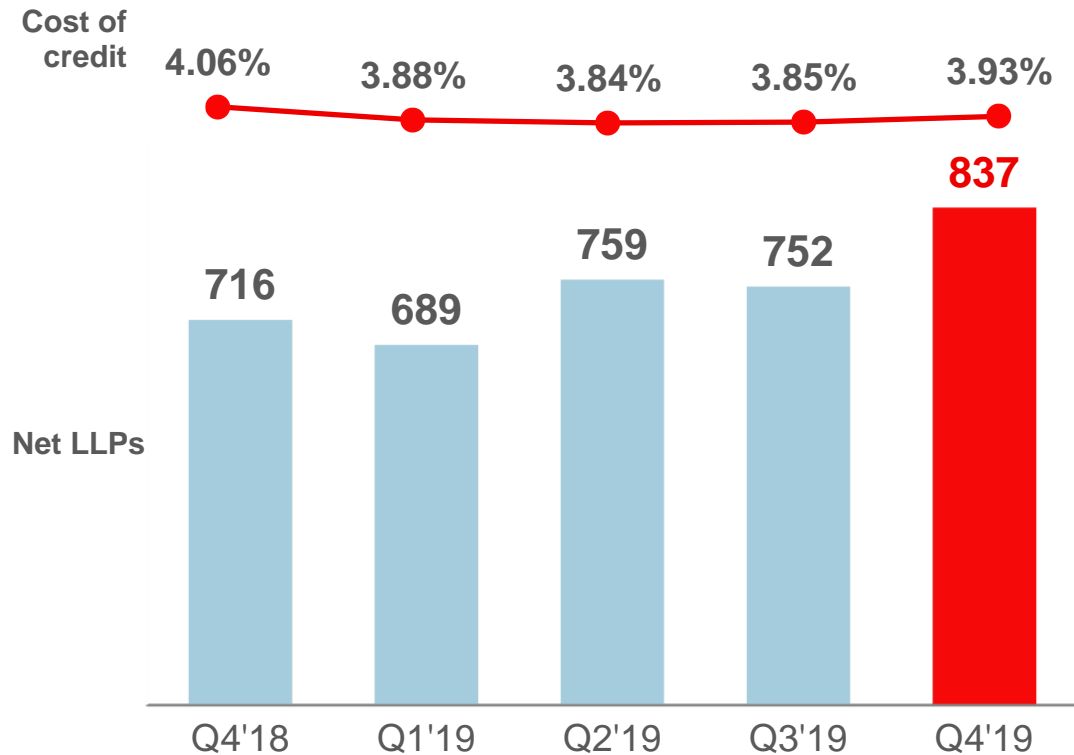
	2019	2018	YoY	QoQ
<b>Operating Expenses</b>	<b>4,606</b>	<b>4,382</b>	<b>5.1%</b>	<b>12.6%</b>

<b>Efficiency Ratio</b> <i>(with amortization)</i>	33.0%	33.7%
<b>Number of branches</b>	3,656	3,438
<b>Number of employees</b>	46,682	46,914



## Credit quality indicators remain at controlled levels

### LLPs and cost of credit (Constant EUR mn<sup>1,2</sup> %)

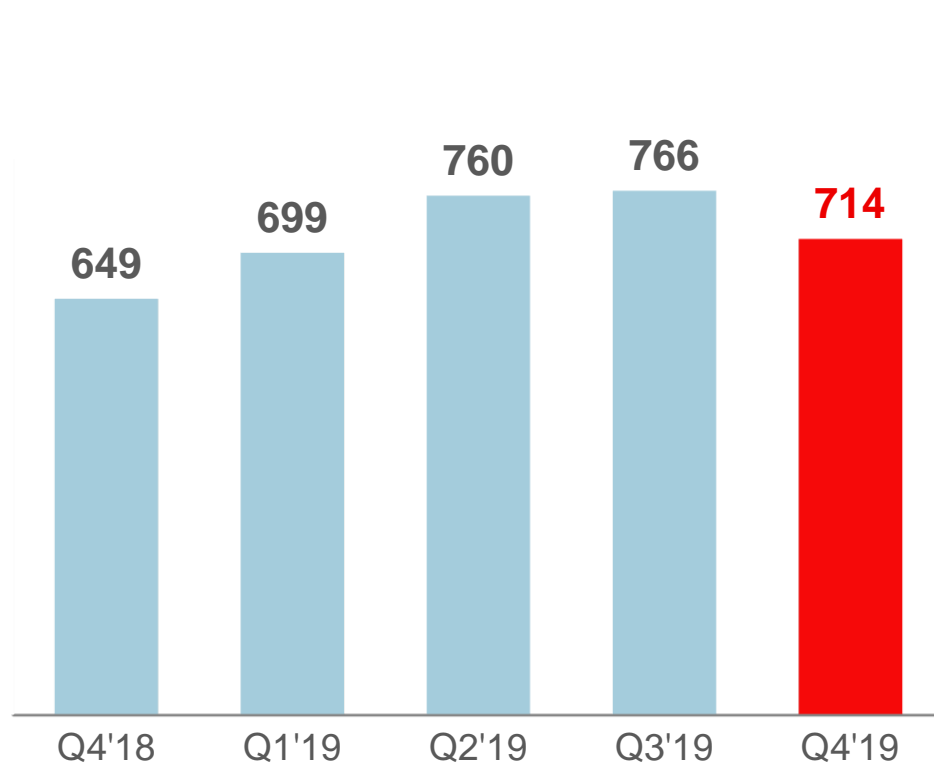


	2019	2018	YoY	QoQ
<b>Net Operating Income</b>	<b>9,345</b>	<b>8,613</b>	<b>8.5%</b>	<b>0.7%</b>
Loan Losses Provisions	(3,036)	(2,885)	5.2%	11.3%
<b>Net op. income after LLPs</b>	<b>6,310</b>	<b>5,728</b>	<b>10.1%</b>	<b>-4.2%</b>
<b>NPL Ratio</b>	<b>5.32%</b>	<b>5.25%</b>		
<b>Coverage Ratio</b>	<b>100%</b>	<b>107%</b>		



# Underlying attributable profit rose 16.4% YoY, underpinned by a solid and sustainable business model

## Underlying attributable profit (Constant EUR mn<sup>1</sup>)



	2019	2018	YoY	QoQ
Profit before taxes	5,606	5,049	11.0%	-6.9%
Tax on Profit	(2,295)	(2,199)	4.4%	-7.4%
<b>Consolidated profit</b>	<b>3,311</b>	<b>2,851</b>	<b>16.2%</b>	<b>-6.6%</b>
<b>Underlying att. profit</b>	<b>2,939</b>	<b>2,524</b>	<b>16.4%</b>	<b>-6.8%</b>
<b>Effective Tax Rate</b>	<b>40.9%</b>	<b>43.5%</b>		



## Recurring growth, high profitability and focus on customer satisfaction

### Market Environment & Financial System

- ▶ Expectations indicate a gradual recovery in economic activity
- ▶ Financial System:
  - ▶ Loans increased 6.3% YoY on the back of privately owned banks (+14.8% YoY)
  - ▶ Total customer funds grew 10.9% YoY, propelled by time deposits (+11.8%), savings (+5.9%) and demand deposits (16.3%)

### Strategy & Business

- ▶ The loan portfolio maintained a positive trend, sustaining profitable market share gains
- ▶ Total customer funds increased 10.5% YoY with continuous improvement

### Results

- ▶ Gross income grew 7.4% in the year, driven by NII and net fee income
- ▶ Continuous focus on raising productivity resulted in a better efficiency ratio in 2019
- ▶ Loan portfolio quality indicators corroborated the effectiveness of our risk models
- ▶ Posting record and sustainable results with high levels of NPS and market share growth during the year

# Appendix



04



# Balance sheet

Constant EUR million <sup>1</sup>	31-Dec-19	31-Dec-18	Variation	
			Amount	%
Loans and advances to customers	75,618	69,725	5,893	8.5
Cash, central banks and credit institutions	37,470	36,427	1,042	2.9
Debt instruments	39,611	40,072	(461)	(1.1)
Other financial assets	6,790	6,035	754	12.5
Other asset accounts	12,545	11,140	1,404	12.6
<b>Total assets</b>	<b>172,033</b>	<b>163,400</b>	<b>8,634</b>	<b>5.3</b>
Customer deposits	74,745	67,222	7,523	11.2
Central banks and credit institutions	30,334	29,298	1,036	3.5
Marketable debt securities	18,952	20,881	(1,929)	(9.2)
Other financial liabilities	23,589	23,856	(267)	(1.1)
Other liabilities accounts	8,631	7,122	1,509	21.2
<b>Total liabilities</b>	<b>156,251</b>	<b>148,379</b>	<b>7,873</b>	<b>5.3</b>
<b>Total equity</b>	<b>15,782</b>	<b>15,021</b>	<b>761</b>	<b>5.1</b>
<b>Other managed customer funds</b>	<b>64,802</b>	<b>56,267</b>	<b>8,535</b>	<b>15.2</b>
Mutual funds	59,964	51,973	7,991	15.4
Pension funds	—	—	—	—
Managed portfolios	4,838	4,294	544	12.7





# Income statement

Constant EUR million<sup>1</sup>

	2019	2018	Variation	
			Amount	%
Net interest income	10,072	9,502	570	6.0
Net fee income	3,798	3,405	393	11.5
Gains (losses) on financial transactions	167	132	34	26.0
Other operating income	(86)	(45)	(41)	90.8
<b>Total income</b>	<b>13,951</b>	<b>12,995</b>	<b>956</b>	<b>7.4</b>
Operating expenses	(4,606)	(4,382)	(224)	5.1
<b>Net operating income</b>	<b>9,345</b>	<b>8,613</b>	<b>732</b>	<b>8.5</b>
Net loan-loss provisions	(3,036)	(2,885)	(151)	5.2
Other gains (losses) and provisions	(704)	(679)	(25)	3.6
<b>Underlying profit before tax</b>	<b>5,606</b>	<b>5,049</b>	<b>557</b>	<b>11.0</b>
Tax on profit	(2,295)	(2,199)	(96)	4.4
<b>Underlying profit from continuing operations</b>	<b>3,311</b>	<b>2,851</b>	<b>461</b>	<b>16.2</b>
Net profit from discontinued operations	—	—	—	—
<b>Underlying consolidated profit</b>	<b>3,311</b>	<b>2,851</b>	<b>461</b>	<b>16.2</b>
Non-controlling interests	(373)	(327)	(46)	14.1
<b>Underlying attributable profit to the parent</b>	<b>2,939</b>	<b>2,524</b>	<b>415</b>	<b>16.4</b>



# Income statement

Constant EUR million<sup>1</sup>

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
Net interest income	2,245	2,355	2,466	2,437	2,385	2,516	2,556	2,615
Net fee income	832	848	811	914	902	923	968	1,004
Gains (losses) on financial transactions	45	32	33	21	56	45	39	27
Other operating income	(7)	(5)	(4)	(29)	(35)	(36)	(46)	31
<b>Total income</b>	<b>3,115</b>	<b>3,229</b>	<b>3,306</b>	<b>3,344</b>	<b>3,308</b>	<b>3,448</b>	<b>3,517</b>	<b>3,677</b>
Operating expenses	(1,057)	(1,069)	(1,079)	(1,177)	(1,091)	(1,101)	(1,136)	(1,278)
<b>Net operating income</b>	<b>2,058</b>	<b>2,160</b>	<b>2,227</b>	<b>2,168</b>	<b>2,217</b>	<b>2,347</b>	<b>2,382</b>	<b>2,399</b>
Net loan-loss provisions	(743)	(730)	(696)	(716)	(689)	(759)	(752)	(837)
Other gains (losses) and provisions	(139)	(165)	(180)	(195)	(162)	(153)	(178)	(211)
<b>Underlying profit before tax</b>	<b>1,176</b>	<b>1,265</b>	<b>1,352</b>	<b>1,257</b>	<b>1,366</b>	<b>1,435</b>	<b>1,453</b>	<b>1,352</b>
Tax on profit	(490)	(559)	(629)	(520)	(574)	(581)	(592)	(548)
<b>Underlying profit from continuing operations</b>	<b>685</b>	<b>706</b>	<b>722</b>	<b>737</b>	<b>792</b>	<b>855</b>	<b>861</b>	<b>804</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Underlying consolidated profit</b>	<b>685</b>	<b>706</b>	<b>722</b>	<b>737</b>	<b>792</b>	<b>855</b>	<b>861</b>	<b>804</b>
Non-controlling interests	(76)	(81)	(82)	(88)	(93)	(94)	(95)	(90)
<b>Underlying attributable profit to the parent</b>	<b>609</b>	<b>625</b>	<b>640</b>	<b>649</b>	<b>699</b>	<b>760</b>	<b>766</b>	<b>714</b>

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