



Brasil



Q1'20  
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 2019 Annual Financial Report, filed with the Comisión Nacional del Mercado de Valores of Spain (CNMV) on 28 February 2020, as well as the section “Alternative performance measures” of the annex to the Banco Santander, S.A. (“Santander”) 2020 1Q Financial Report, published as Relevant Fact on 28 April 2020. These documents are available on Santander’s website ([www.santander.com](http://www.santander.com)).

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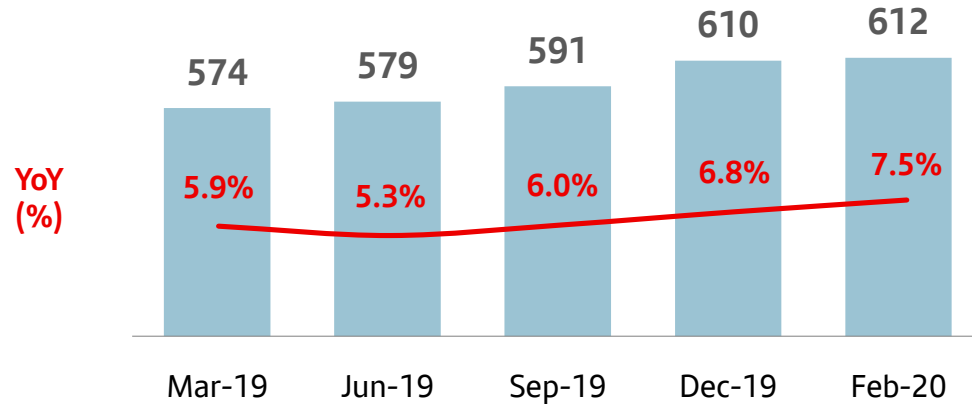
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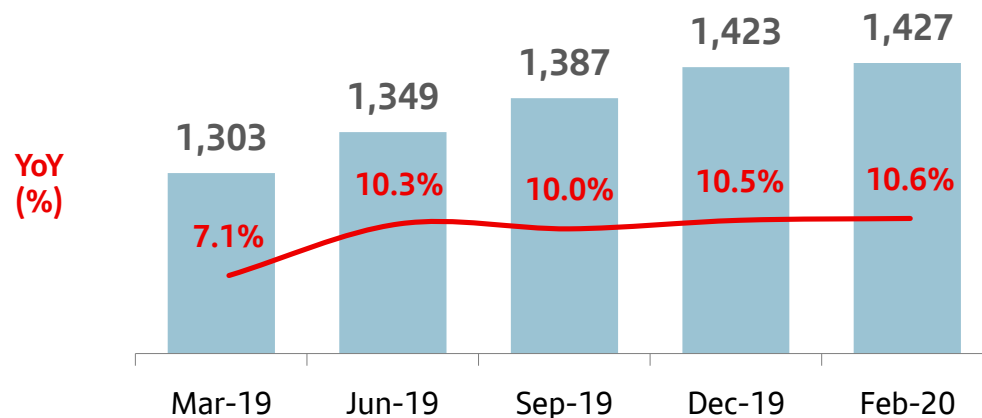
## Privately owned banks with loan growth, despite a more challenging scenario

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



- ▶ Total loan growth continued to accelerate, driven by privately owned banks.
- ▶ By segments, loans to individuals is still recording growth levels (12.3% YoY) greater than loans to Corporates and SMEs (+1.4% YoY).
- ▶ Privately owned banks grew 16.0% YoY, while state-owned banks dropped 0.7% YoY.

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



- ▶ Total customer funds increased 10.6% YoY backed by total deposits (11.1% YoY) and mutual funds (+10.0% YoY).
- ▶ Positive performance of time deposits (13.5% YoY), savings (+5.9% YoY) and demand deposits (15.3% YoY).



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# Santander Brazil has a solid strategy, which benefits from being part of a large international Group

KEY DATA	Q1'20	YoY Var. <sup>5</sup>
 Customer loans <sup>1</sup>	EUR 69.0 bn	+17.5%
 Customer funds <sup>2</sup>	EUR 98.2 bn	+12.2%
 Underlying att. Profit	EUR 694 mn	+10.1%
 Underlying RoTE	22.0%	+106 bps
 Efficiency ratio	32.0%	-98 bps
 Loans market share <sup>3</sup>	10.1%	+77 bps
 Deposits market share <sup>3,4</sup>	10.5%	-9 bps
 Loyal customers	5.7 mn	+7.3%
 Digital customers	13.8 mn	+12.7%
 Branches	3,617	+1.5%
 Employees	45,807	-2.1%



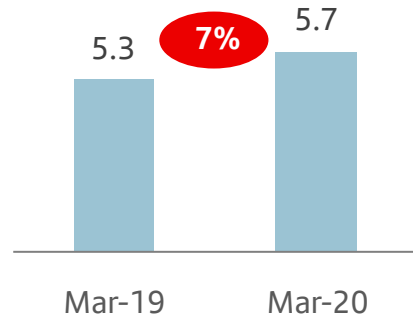
## STRATEGIC PRIORITIES

- ▶ Committed to meeting our customers' needs
- ▶ Continuous evolution of the platform in the face of a new cycle
- ▶ Focus on helping society and our country
- ▶ Relentless quest for efficiency and profitability with another way of operating our business
- ▶ Acceleration of digitalisation: Self-service, combined with increased product implementation and availability



# Business model centred on enhancing the experience and satisfaction of our customers

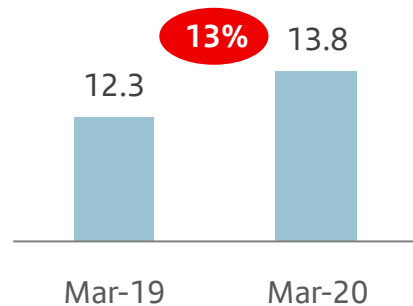
## Loyal (mn)



Loyal / Active: 22% (0 pp YoY)

- ▶ Service excellence: focus on offering superior service underpinned by a deep understanding of our customers' needs
- ▶ Digitisation of our processes contributed to generate greater efficiency and faster service
- ▶ Loyal individuals grew 7% YoY
- ▶ Loyal corporates and SMEs increased 10% YoY
- ▶ NPS at high levels: #2

## Digital customers (mn)



Digital sales / total: 40% (+11 pp YoY)

- ▶ Self-service, allied to greater product implementation and availability
- ▶ Growth in e-commerce sales, due to the change in consumer behaviour
- ▶ Mobile only customers: +25% YoY





# Adequate product offering to meet the needs of our customers

## Agribusiness

We continue to expand into Brazil's countryside, reaching strategic regions where we do not yet have a presence



**36**  
**Agri Stores**

## Payroll Loans

### E-commerce sales:

**+25%** YoY

**+34%** QoQ

## Mortgage

We were the pioneers among private banks with the launch of a differentiated offering for our customer:

- Payment **term** of up to **35 years**
- **"UseCasa" product** – Home Equity repositioning and payment term of up to 20 years

## Digitalisation

Acceleration of digitalisation

**Digital transactions**  
**82%** in Mar-20

**E-commerce sales**  
**+30%** QoQ



## Acquiring

Quick positioning to serve our customers

**+33% Prepayment<sup>1</sup>**

**+30%** increase (YoY) in **active customers**





# Responsible strategy allows us to contribute to the communities where we operate



## Employees

We value Diversity...

26.1%

Women in leadership  
positions<sup>1</sup>



## Customers

Socio-environmental  
business made  
viable<sup>2</sup> in the year

EUR 358.9 mn



## Communities

135,556  
People Helped<sup>3</sup>

19,241  
Participations of employees  
in social programs<sup>4</sup>

(1) Leadership: superintendent, executive superintendent and director positions

(2) Considers disbursement in renewable energy, sustainable agribusiness, Prospera Santander Microfinance, Project Finance (renewable energy), other socio environmental businesses and participation in structuring and advisory of Green Bonds

(3) People helped through Social programs, volunteering and blood donation

(4) Number of participations of employees in Social program Amigo de Valor, volunteering and blood donation



## How we are overcoming the crisis...

### Employees



- **Quick and transparent communication**
- **80%** of employees in **Home office**<sup>1</sup>
- Full **advancement** of the **13<sup>th</sup> salary**
- **1<sup>st</sup> company** to announce it was **maintaining jobs** during the pandemic

### Customers



- **Physical channel: reduced and staggered service hours**
- **Digital channels: expansion** of the **product** portfolio
- Launch of the "**Consignado Folha**": credit line to finance SME payrolls
- 60-day **grace period**
- **+10%** in the credit card **limit**

### Communities

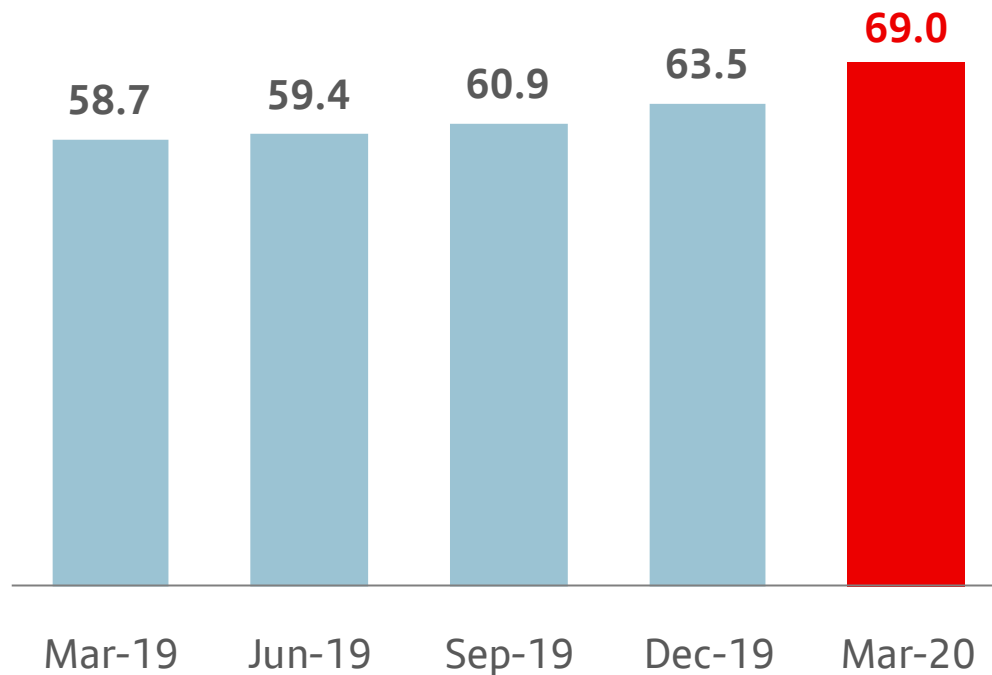


- Special edition of the "**Amigo de Valor**" programme: **+12 thousand employees** donated to hospitals
- **Volunteering** to assist the **elderly**
- Support **health workers**
- **Donation and support by the 3 largest private banks in the country:** 5 mn rapid tests, 15 mn masks, BRL 20 mn for the purchase of tomography devices and BRL 155 mn credit line for companies to manufacture breathing machine

# Loan portfolio rose 18% YoY. Increase of 9% QoQ boosted by corporate and CIB and partially favoured by the FX impact in the USD portfolio



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

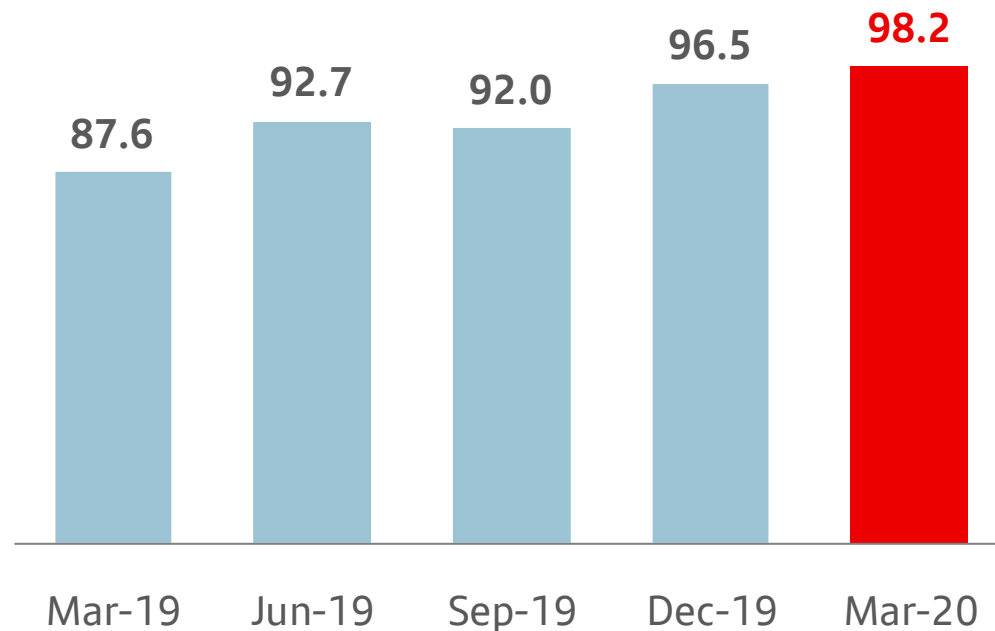


	Mar-20	Mar-19	YoY (%)	QoQ (%)
<b>Individuals<sup>2</sup></b>	<b>27.7</b>	<b>24.1</b>	<b>15.1</b>	<b>1.3</b>
o/w Mortgages	7.0	6.1	14.1	3.8
o/w Consumer Credit	12.2	8.7	39.7	21.5
o/w Cards	5.8	5.0	14.6	1.7
<b>Consumer Finance</b>	<b>8.7</b>	<b>7.5</b>	<b>16.1</b>	<b>2.3</b>
<b>SMEs</b>	<b>6.7</b>	<b>5.4</b>	<b>24.5</b>	<b>8.3</b>
<b>Corporates &amp; Institutions<sup>3</sup></b>	<b>25.9</b>	<b>21.8</b>	<b>18.9</b>	<b>21.0</b>
<b>Total customer loans</b>	<b>69.0</b>	<b>58.7</b>	<b>17.5</b>	<b>8.7</b>



## Total funding rose 10.2%, with flight to quality

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



	Mar-20	Mar-19	YoY (%)	QoQ (%)
Demand	14.8	11.3	31.0	7.5
Time	39.5	33.6	17.3	12.1
<b>Total deposits</b>	<b>54.2</b>	<b>44.9</b>	<b>20.8</b>	<b>10.8</b>
Mutual Funds	44.0	42.6	3.1	-7.4
<b>Total customer funds</b>	<b>98.2</b>	<b>87.6</b>	<b>12.2</b>	<b>1.8</b>
<i>Letras</i> <sup>2</sup>	12.3	12.7	-3.8	1.8
<b>Customer funds + Letras</b>	<b>110.5</b>	<b>100.3</b>	<b>10.2</b>	<b>1.8</b>



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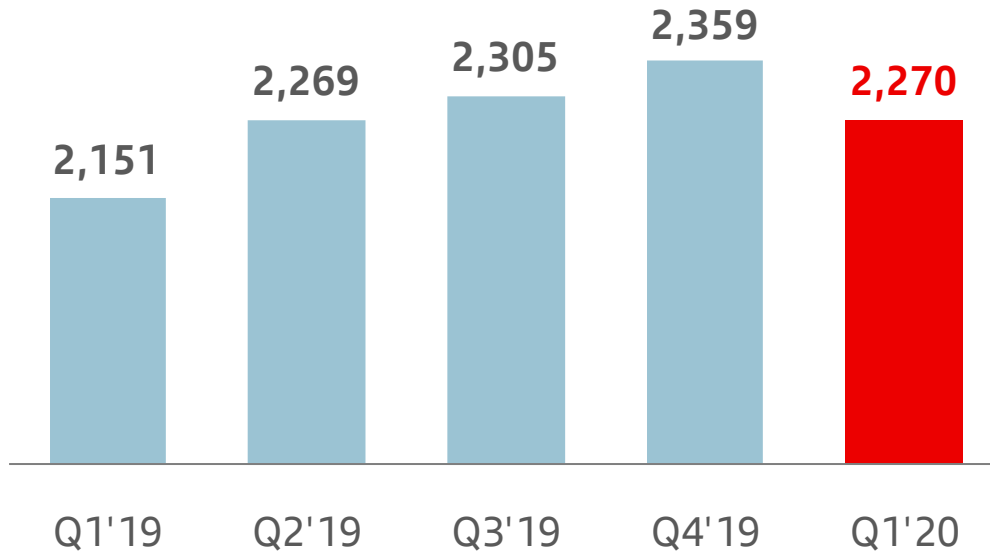
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## NII grew 6% YoY boosted by higher volumes. QoQ decrease due to mix effect

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



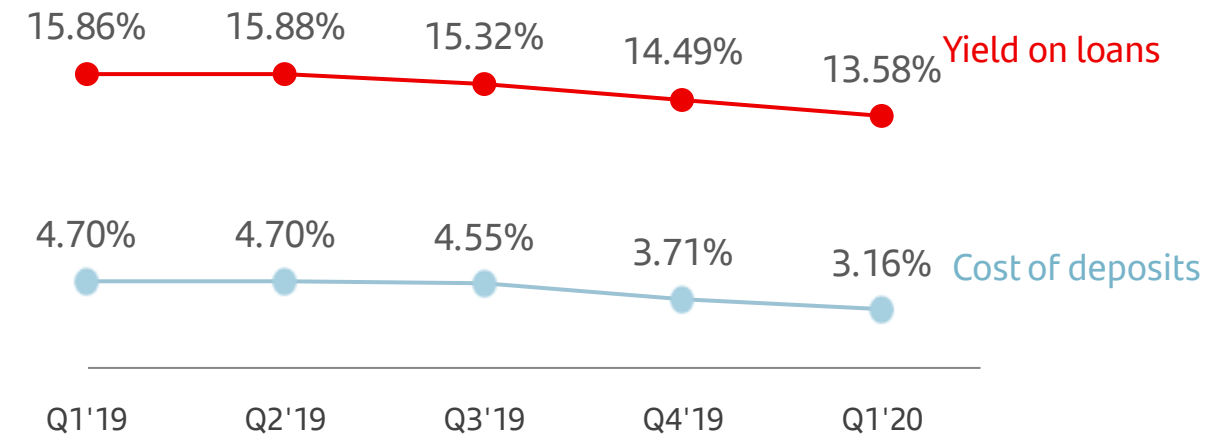
NIM<sup>2</sup>

5.73%	6.07%	5.93%	5.95%	5.46%
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Official interest rate<sup>3</sup>

6.50%	6.50%	5.83%	4.83%	4.17%
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### Yields and Costs (%)



Differential

11.2 pp	11.2 pp	10.8 pp	10.8 pp	10.4 pp
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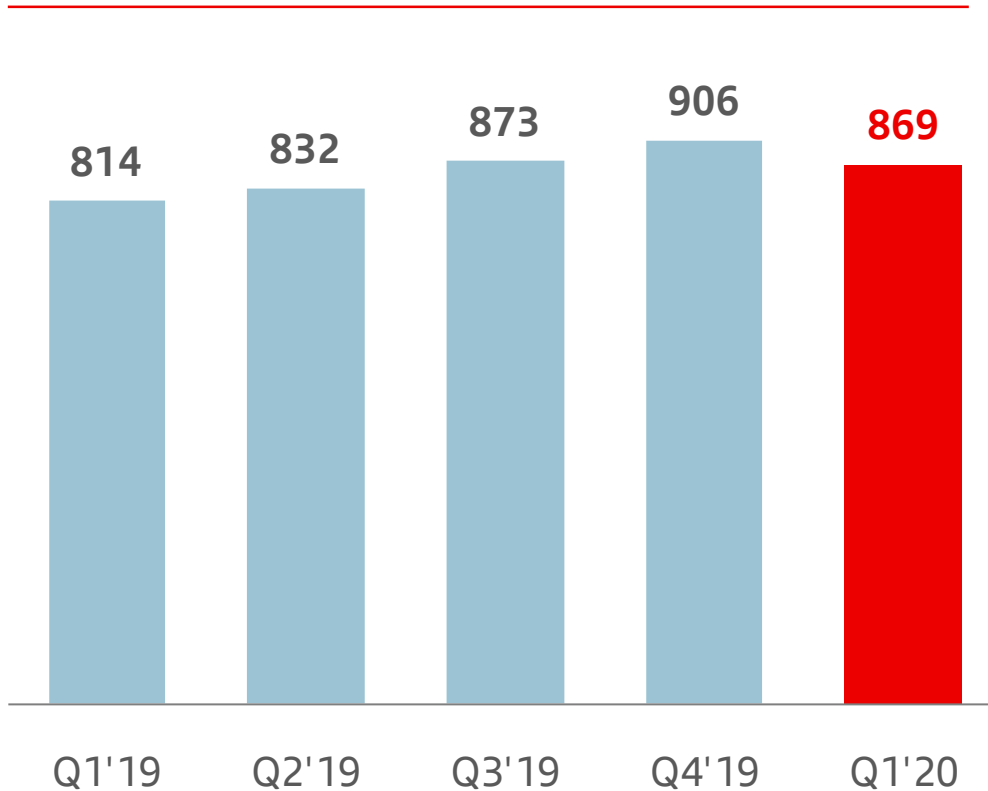


- (1) Average exchange rate as at Q1'20
- (2) Group criteria
- (3) Quarterly average

# Net fee income grew 7% YoY. QoQ evolution impacted by seasonality and lower commercial activity



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

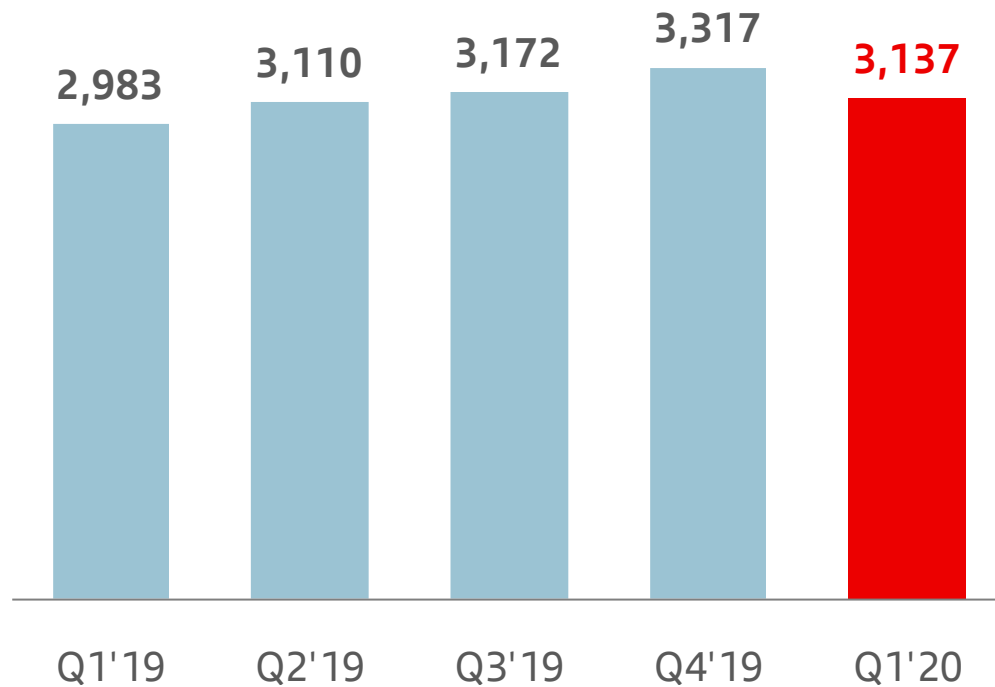


	Q1'20	Q1'19	YoY (%)	QoQ (%)
<b>Transactional fees</b>	<b>660</b>	<b>518</b>	<b>27.5</b>	<b>20.2</b>
Payment methods	376	258	45.5	33.9
Foreign exchange currencies	62	49	28.4	33.4
Account admin + Packs plans	169	158	6.8	-2.7
Other transactional	53	53	0.5	9.4
<b>Investment and pension funds</b>	<b>63</b>	<b>64</b>	<b>-2.1</b>	<b>-25.7</b>
<b>Insurance</b>	<b>176</b>	<b>175</b>	<b>0.4</b>	<b>-8.4</b>
<b>Securitized and custody services</b>	<b>28</b>	<b>25</b>	<b>11.5</b>	<b>-29.5</b>
<b>Other</b>	<b>(58)</b>	<b>32</b>	<b>-</b>	<b>-</b>
<b>Total net fee income</b>	<b>869</b>	<b>814</b>	<b>6.8</b>	<b>-4.0</b>

# Total income increased 5.1% YoY. Decrease of 5% QoQ, mainly on the back of mix effect



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

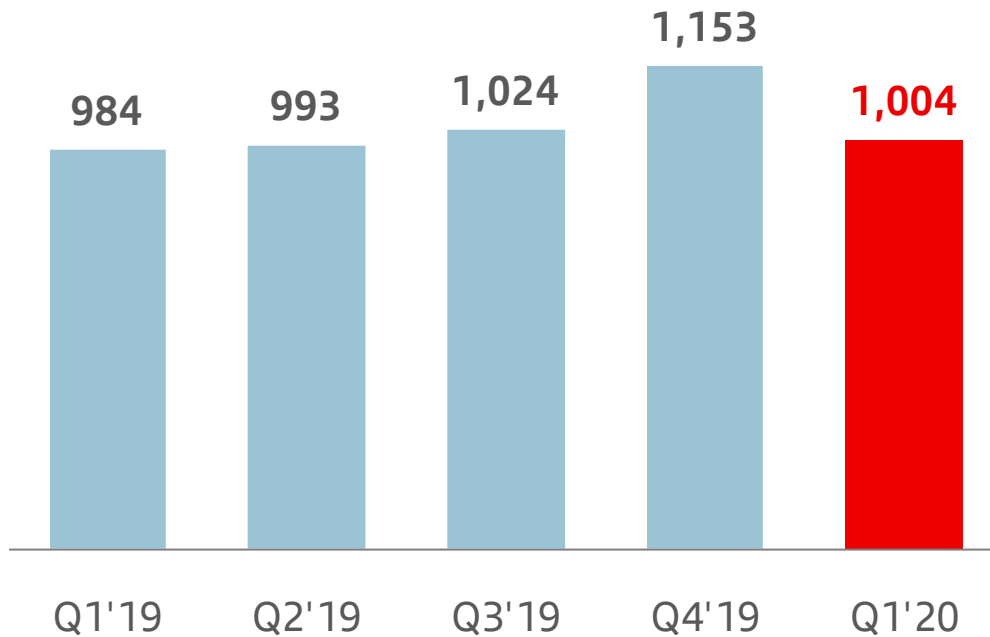


	Q1'20	Q1'19	YoY (%)	QoQ (%)
Net interest income	2,270	2,151	5.6	-3.8
Net fee income	869	814	6.8	-4.0
<b>Customer revenue</b>	<b>3,139</b>	<b>2,965</b>	<b>5.9</b>	<b>-3.8</b>
Other <sup>2</sup>	(3)	19	-	-
<b>Total income</b>	<b>3,137</b>	<b>2,983</b>	<b>5.1</b>	<b>-5.4</b>



## Focus on productivity helped to improve the efficiency ratio on a YoY basis

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



	Q1'20	Q1'19	YoY (%)	QoQ (%)
<b>Operating Expenses</b>	<b>1,004</b>	<b>984</b>	<b>2.0</b>	<b>-12.9</b>

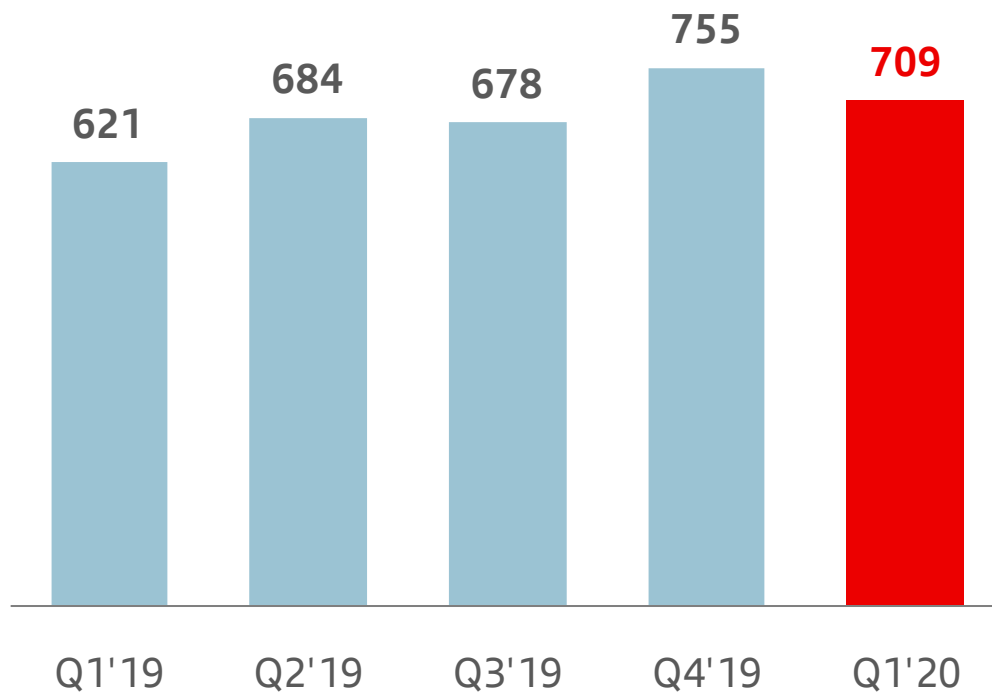
Efficiency ratio	32.0%	33.0%	-98 bps	
Branches (#)	3,617	3,562	1.5	-1.1
Employees (#)	45,807	46,793	-2.1	-1.9





## Asset quality indicators at adequate levels

### Net LLPs (Constant EUR mn)<sup>1</sup>



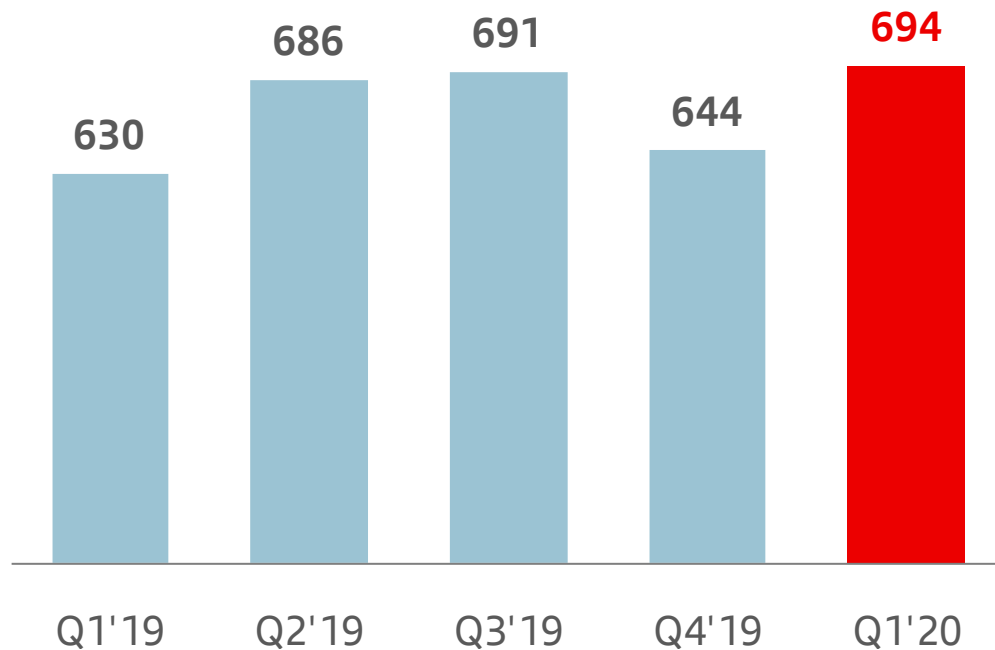
	Q1'20	Q1'19	YoY (%)	QoQ (%)
Net operating income	2,133	2,000	6.7	-1.4
Loan-loss provisions	(709)	(621)	14.1	-6.1
<b>Net operating income after provisions</b>	<b>1,424</b>	<b>1,379</b>	<b>3.3</b>	<b>1.1</b>

NPL ratio	4.93%	5.26%	-33 bps	-39 bps
Cost of credit <sup>2</sup>	3.93%	3.88%	5 bps	0 bps
Coverage ratio	100%	108%	-7.8 pp	0.1 pp

# Underlying attributable profit rose 10% YoY, with improved efficiency and higher profitability



## Underlying Attributable Profit (Constant EUR mn)<sup>1</sup>



	Q1'20	Q1'19	YoY (%)	QoQ (%)
PBT	1,298	1,232	5.3	6.4
Tax on profit	(529)	(518)	2.2	7.1
<b>Consolidated profit</b>	<b>768</b>	<b>714</b>	<b>7.6</b>	<b>5.9</b>
Minority interests	(74)	(84)	-11.2	-8.8
<b>Underlying attributable profit</b>	<b>694</b>	<b>630</b>	<b>10.1</b>	<b>7.8</b>

Effective tax rate	40.8%	42.0%	-1.2 pp	0.3 pp
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# Committed to our people, customers, communities and shareholders to get through this new cycle



## Financial System

- ▶ Economic indicators show the first impacts of the current macro backdrop
- ▶ Financial System:
  - ▶ Loans increased 7.5% YoY on the back of privately owned banks (+16.0% YoY)
  - ▶ Total customer funds grew 10.6% YoY, propelled by time deposits (+13.5%), savings (+5.9%) and demand deposits (15.3%)

## Strategy & Business

- ▶ We are prepared with our resources, expertise and capital to help our customers and society
- ▶ Accelerated implementation and availability of products through our digital channels
- ▶ Loan portfolio rose 18% YoY. Increase of 9% QoQ boosted by corporate, CIB and partially favoured by the FX impact in the USD portfolio
- ▶ Funding: flight to quality

## Results

- ▶ Total income increased 5% YoY. Decrease of 5% QoQ, mainly on the back of mix effect
- ▶ Relentless quest for efficiency and profitability with another way of operating our business
- ▶ Loan portfolio quality at appropriate levels amid the current macro landscape
- ▶ Strong brand positioning

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# Balance sheet



Constant EUR million <sup>1</sup>	Variation			
	Mar-20	Mar-19	Amount	%
Loans and advances to customers	65,970	55,195	10,775	19.5
Cash, central banks and credit institutions	30,070	25,648	4,422	17.2
Debt instruments	37,932	31,588	6,344	20.1
Other financial assets	5,885	4,364	1,521	34.8
Other asset accounts	12,410	9,123	3,287	36.0
<b>Total assets</b>	<b>152,267</b>	<b>125,919</b>	<b>26,348</b>	<b>20.9</b>
Customer deposits	64,578	54,066	10,512	19.4
Central banks and credit institutions	32,941	22,832	10,109	44.3
Marketable debt securities	16,278	15,388	889	5.8
Other financial liabilities	19,126	16,374	2,752	16.8
Other liabilities accounts	6,654	5,565	1,089	19.6
<b>Total liabilities</b>	<b>139,577</b>	<b>114,226</b>	<b>25,352</b>	<b>22.2</b>
<b>Total equity</b>	<b>12,689</b>	<b>11,693</b>	<b>996</b>	<b>8.5</b>
<b>Other managed customer funds</b>	<b>47,970</b>	<b>46,284</b>	<b>1,686</b>	<b>3.6</b>
Mutual funds	43,969	42,633	1,335	3.1
Pension funds	0	(0)	0	—
Managed portfolios	4,001	3,651	351	9.6



# Income statement

Constant EUR million <sup>1</sup>	Variation			
	Q1'20	Q1'19	Amount	%
Net interest income	2,270	2,151	119	5.6
Net fee income	869	814	55	6.8
Gains (losses) on financial transactions	14	50	(37)	(72.6)
Other operating income	(17)	(32)	15	(47.7)
<b>Total income</b>	<b>3,137</b>	<b>2,983</b>	<b>153</b>	<b>5.1</b>
Operating expenses	(1,004)	(984)	(20)	2.0
<b>Net operating income</b>	<b>2,133</b>	<b>2,000</b>	<b>133</b>	<b>6.7</b>
Net loan-loss provisions	(709)	(621)	(87)	14.1
Other gains (losses) and provisions	(127)	(146)	20	(13.3)
<b>Underlying profit before tax</b>	<b>1,298</b>	<b>1,232</b>	<b>65</b>	<b>5.3</b>
Tax on profit	(529)	(518)	(11)	2.2
<b>Underlying profit from continuing operations</b>	<b>768</b>	<b>714</b>	<b>54</b>	<b>7.6</b>
Net profit from discontinued operations	—	—	—	—
<b>Underlying consolidated profit</b>	<b>768</b>	<b>714</b>	<b>54</b>	<b>7.6</b>
Non-controlling interests	(74)	(84)	9	(11.2)
<b>Underlying attributable profit to the parent</b>	<b>694</b>	<b>630</b>	<b>63</b>	<b>10.1</b>



# Quarterly income statement

Constant EUR million <sup>1</sup>					
	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Net interest income	2,151	2,269	2,305	2,359	2,270
Net fee income	814	832	873	906	869
Gains (losses) on financial transactions	50	41	35	24	14
Other operating income	(32)	(32)	(41)	28	(17)
<b>Total income</b>	<b>2,983</b>	<b>3,110</b>	<b>3,172</b>	<b>3,317</b>	<b>3,137</b>
Operating expenses	(984)	(993)	(1,024)	(1,153)	(1,004)
<b>Net operating income</b>	<b>2,000</b>	<b>2,117</b>	<b>2,148</b>	<b>2,164</b>	<b>2,133</b>
Net loan-loss provisions	(621)	(684)	(678)	(755)	(709)
Other gains (losses) and provisions	(146)	(138)	(160)	(190)	(127)
<b>Underlying profit before tax</b>	<b>1,232</b>	<b>1,295</b>	<b>1,310</b>	<b>1,219</b>	<b>1,298</b>
Tax on profit	(518)	(524)	(534)	(494)	(529)
<b>Underlying profit from continuing operations</b>	<b>714</b>	<b>771</b>	<b>776</b>	<b>725</b>	<b>768</b>
Net profit from discontinued operations	—	—	—	—	—
<b>Underlying consolidated profit</b>	<b>714</b>	<b>771</b>	<b>776</b>	<b>725</b>	<b>768</b>
Non-controlling interests	(84)	(85)	(86)	(82)	(74)
<b>Underlying attributable profit to the parent</b>	<b>630</b>	<b>686</b>	<b>691</b>	<b>644</b>	<b>694</b>

# Thank you.

Our purpose is to help people  
and business prosper.

Our culture is based on believing  
that everything we do should be:

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