



London 29<sup>th</sup> & 30<sup>th</sup> September 2011

# INVESTOR DAY

DELIVERING PROFITABLE GROWTH



**Marcial Portela**

Brazil

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# Summary

## Santander Brazil from 2008-11

 Growth delivery delayed

 IT platform integrated

 Jaw widening  $\left\{ \begin{array}{l} \text{Income} \quad \img alt="Green checkmark icon" data-bbox="714 341 750 388"/> \\ \text{Costs} \quad \img alt="Green checkmark icon" data-bbox="714 408 750 455"/> \end{array} \right.$  Net Profit & Efficiency 

## Brazilian economy and banking sector

**Encouraging outlook** for coming years  
**Sustainable credit growth**

## Strategic plan for 2011-13

Maximize operating leverage, improving customer satisfaction and become the **bank of choice of our customers**

**1 Business evolution**

**2 Business environment**

**3 Strategy**

**4 Targets for 2012 and 2013**

**1** Business evolution

**2** Business environment

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# Our Business Model



**Customer oriented**

A universal bank focused in retail  
Strong presence in all segments



**Global franchise**

Scale and expertise



**Cost Efficiency**

Aim to be the best bank  
in cost efficiency



**Prudent risk  
management**

Comfortable coverage ratio  
Correct risk pricing



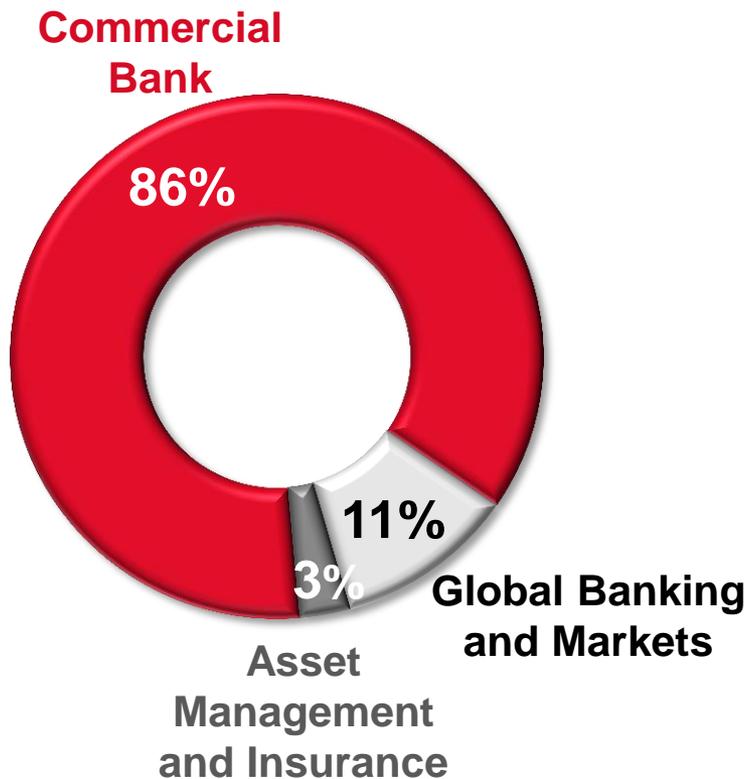
**Solid balance sheet**

Strong capital base and prudent  
liquidity risk management

# Customer oriented: a universal bank focused in retail



## Revenues<sup>1</sup> by Segment – Jun/11



### Largest foreign Bank in Brazil and 3<sup>rd</sup> private Bank in total assets

- 11.4% market share<sup>2</sup> in terms of branches
- 10.3% market share<sup>2</sup> in loans

### 24 million customers<sup>3</sup>

- Individuals: 23.0 million
- Corporate: 1.0 million

9.3 million Current Active Account Holders

11.9 million Credit Cards

### Infrastructure

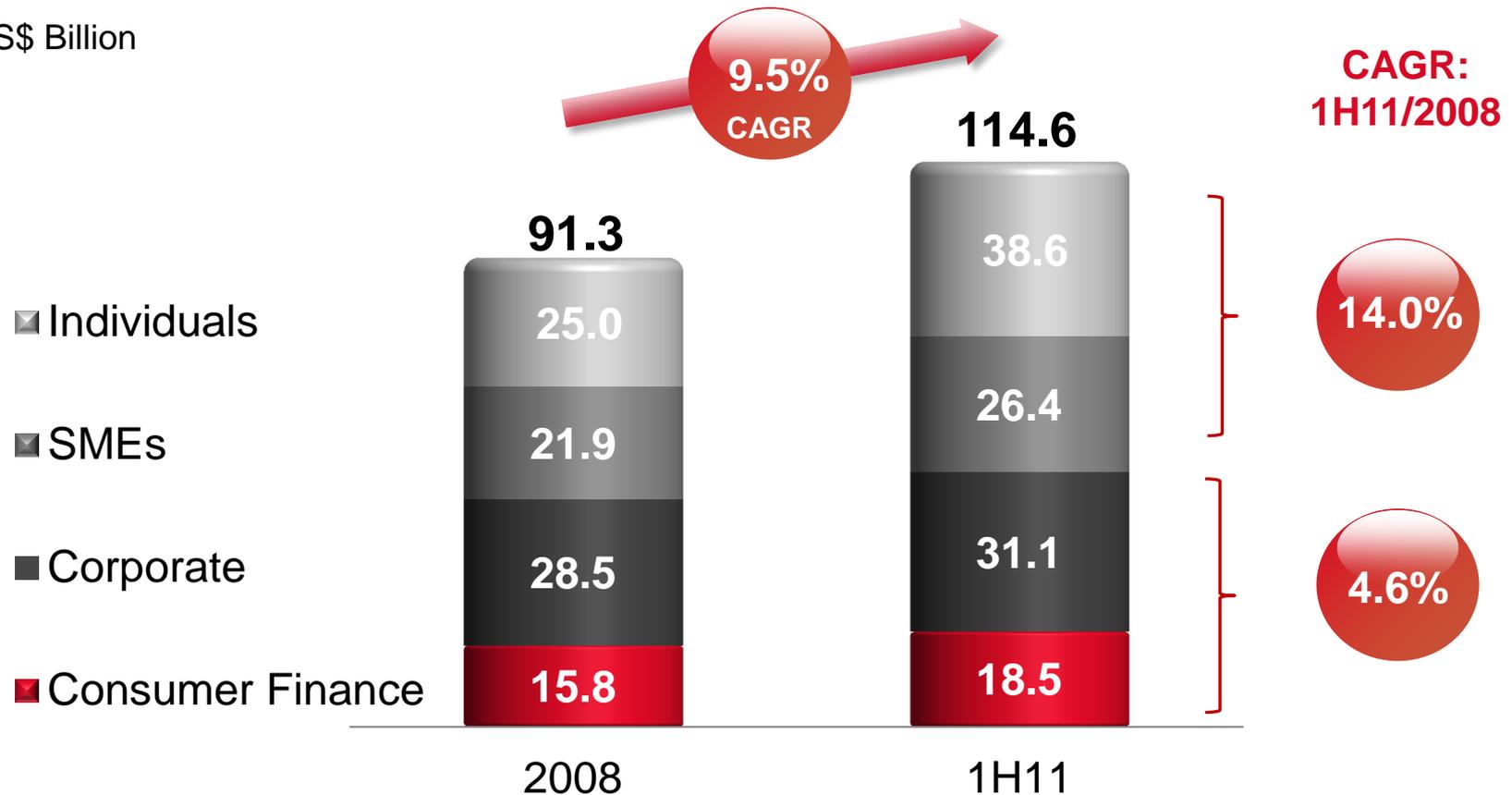
- 3.7 thousand points of sale
  - 176 new branches (Jun11/Jun10)
- 18,099 ATMs

# Customer oriented: Strong presence in all segments



## Credit Portfolio<sup>1</sup>

US\$ Billion





Bring the best of the Group to Brazil....



Global scale and synergies

Corporate IT platform

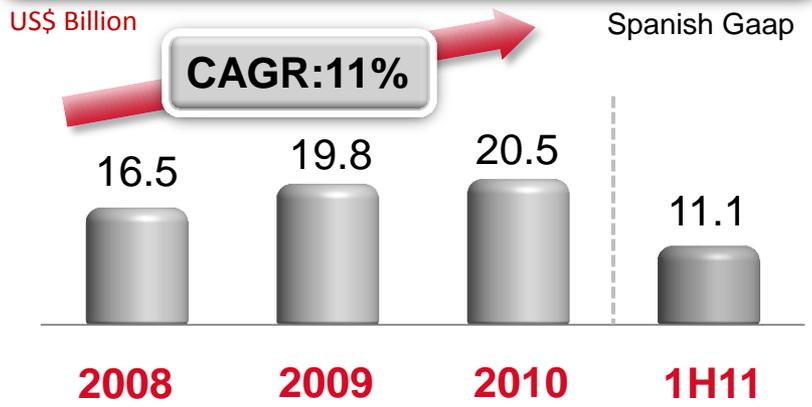
Exchange of global best practices

Global corporate customer base

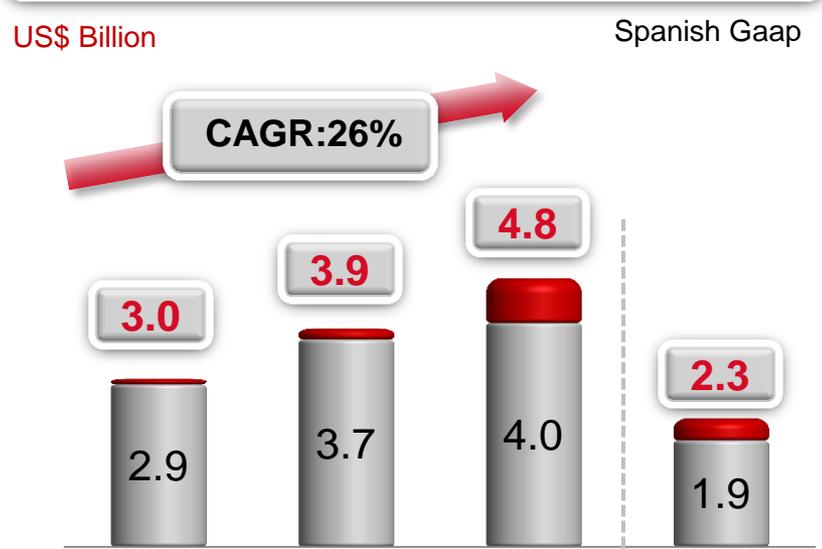


# Efficiency: Income growth coupled with effective cost control...

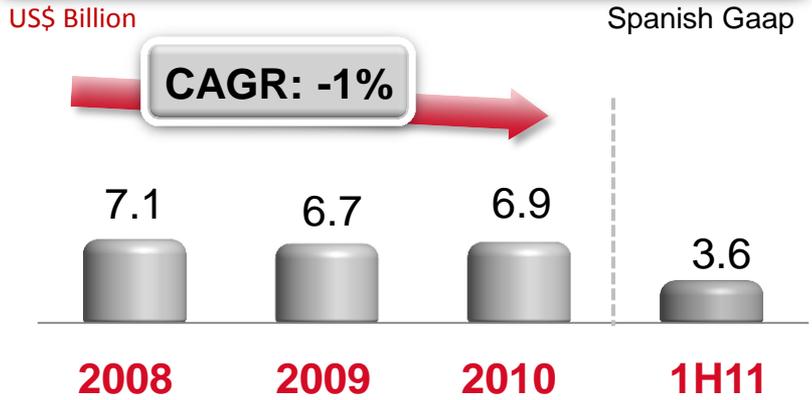
## Income



## Net Profit

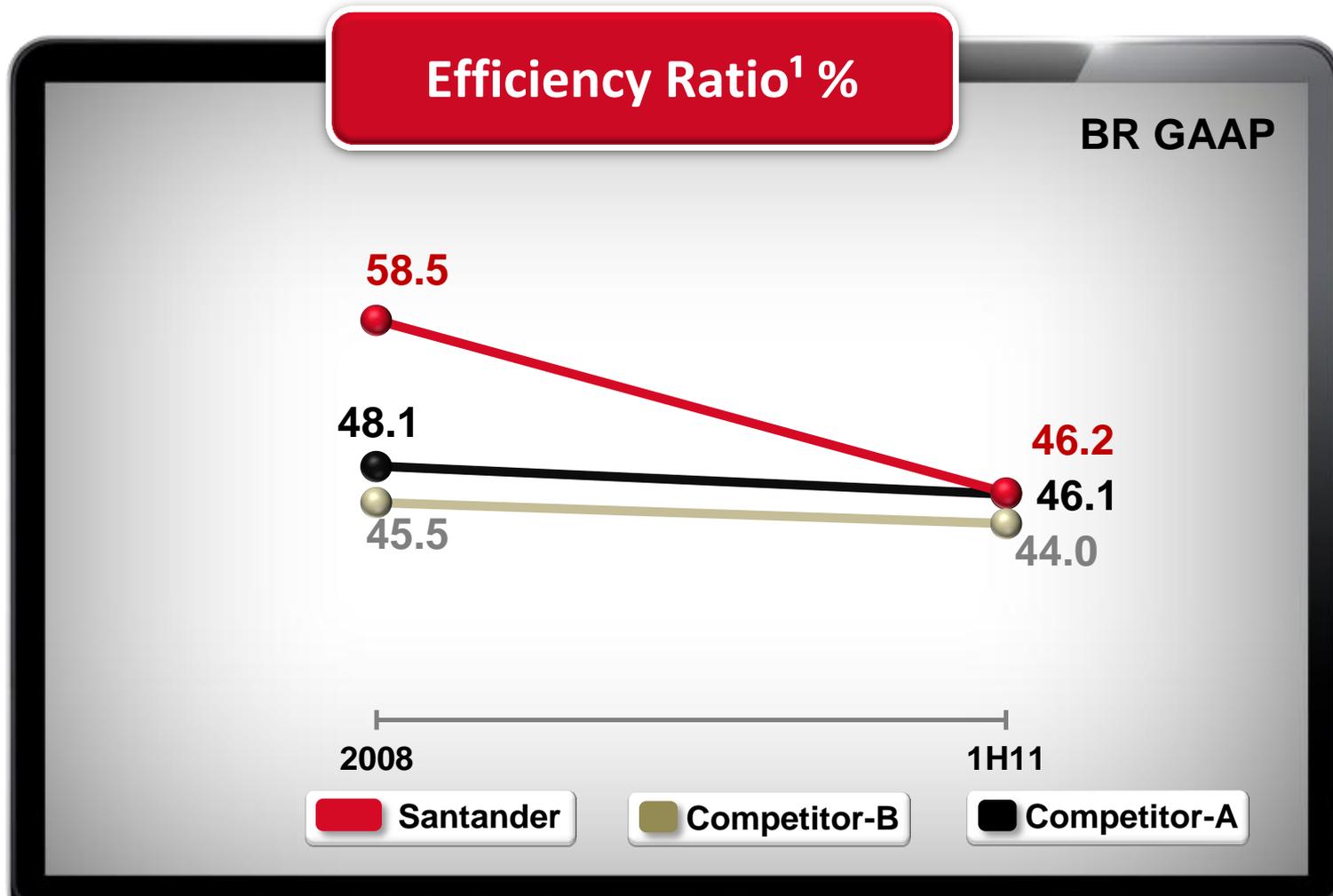


## Cost(\*)



The year 2011 suffers from impacts of the integration

...which led to a convergence in efficiency in relation to main local peers

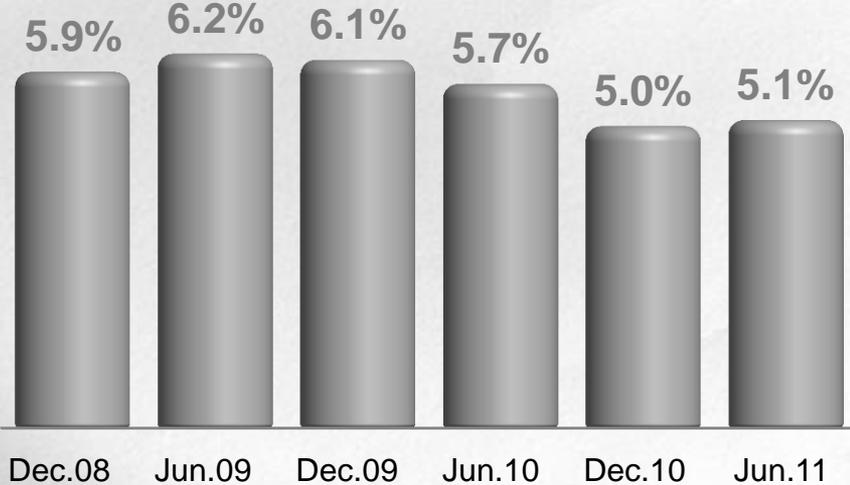




# Prudent Risk Management: Comfortable Coverage Ratio and Correct Risk Pricing

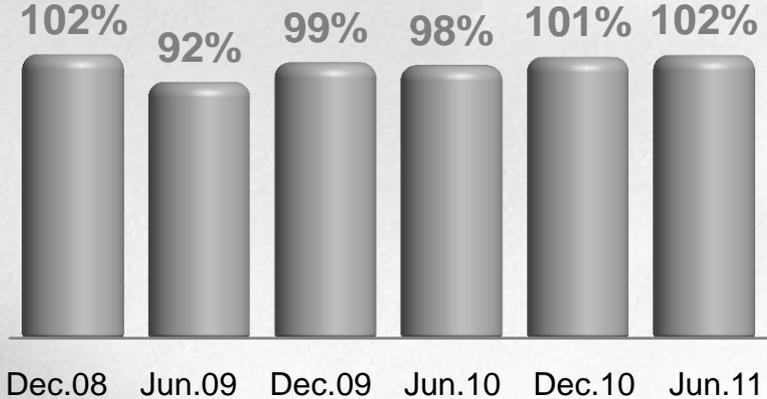
## Risk Premium<sup>1</sup>

Spanish GAAP



## NPLs Coverage ratio

Spanish GAAP



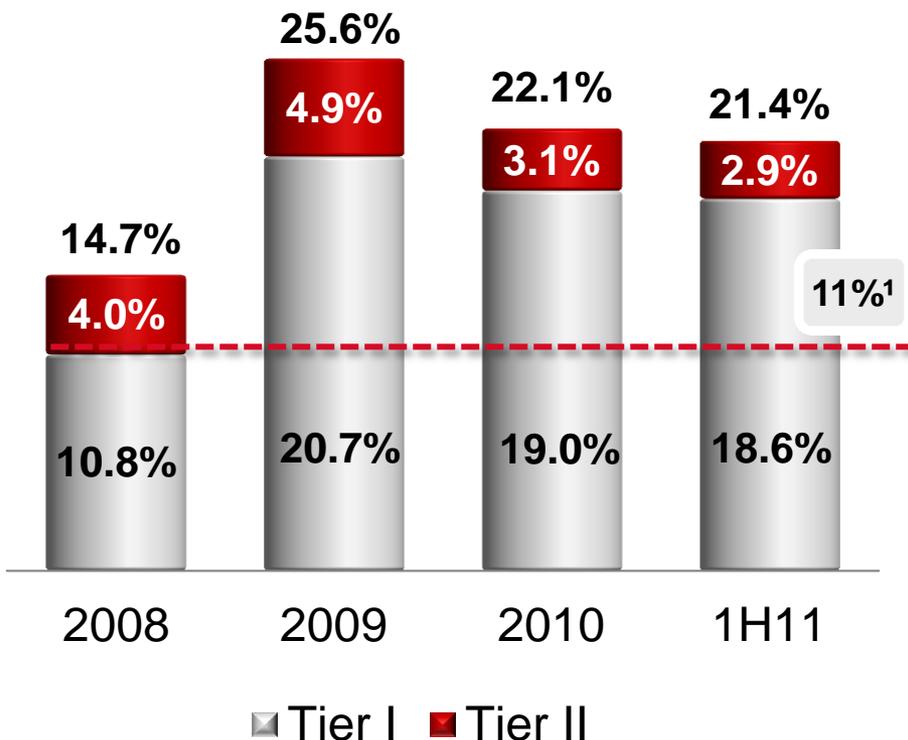
1. Risk Premium = ((NPL t – NPL t-1) + Charge offs – Write offs collections)/Average credits

# Solid Balance Sheet: Strong capital base and prudent liquidity risk management



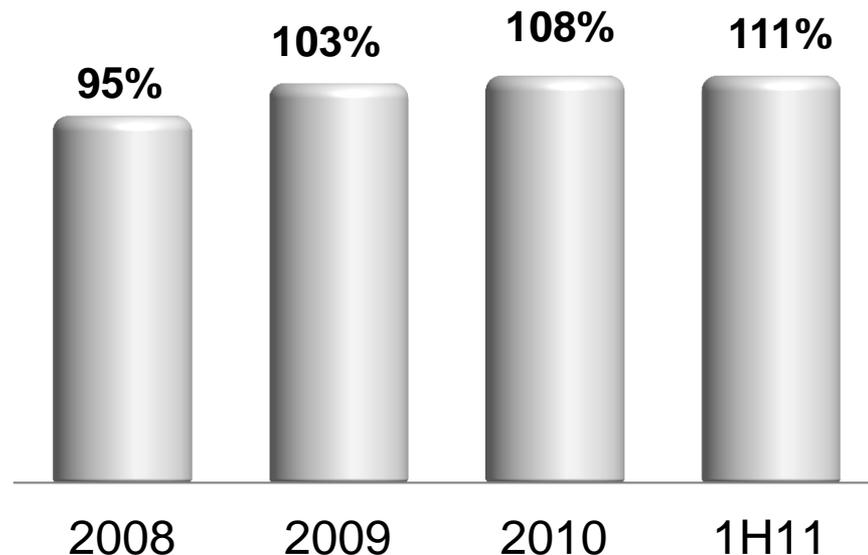
## BIS Ratio (%)

BR GAAP



## Loans / Deposits (%)

BR GAAP



**1** Business evolution

**2** Business environment

**3** Strategy

**4** Targets for 2012 and 2013

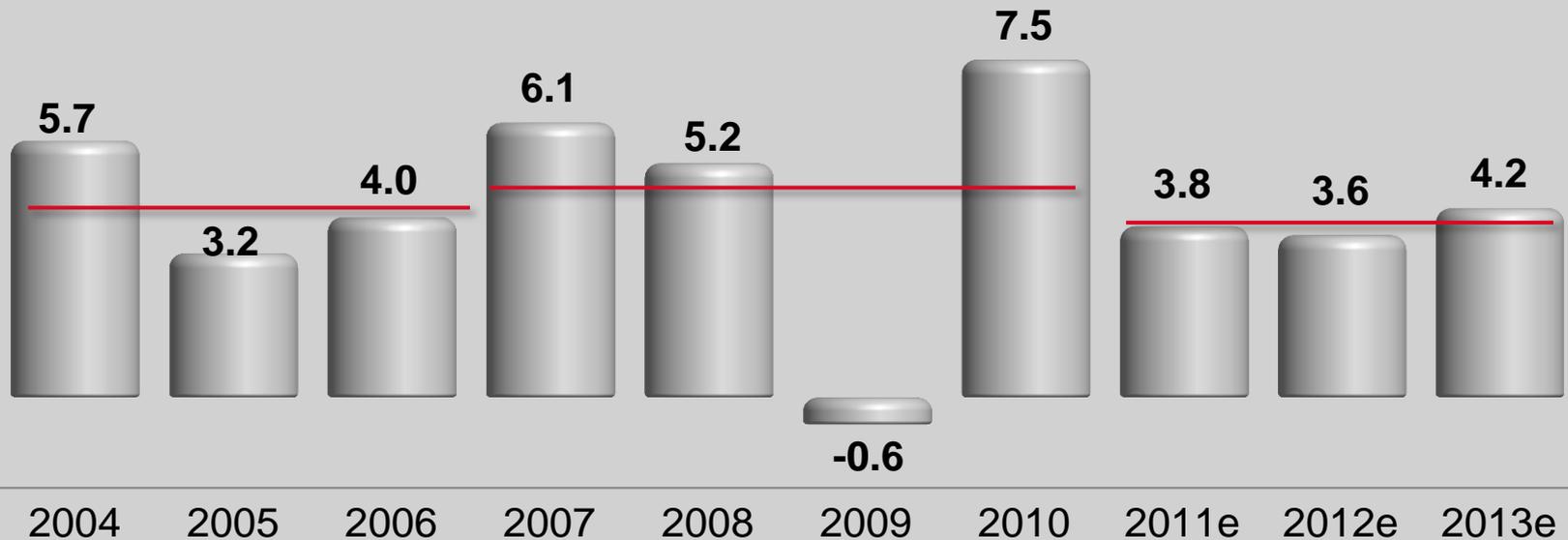
# Brazil: Consistent and profitable growth opportunity



1. **Sustainable 3-4% GDP growth**
2. **Substantial planned investments**
3. **Social mobility room for greater bankarization**
4. **A solid Financial System**
5. **Sustainable credit growth due to solid macro fundamentals**

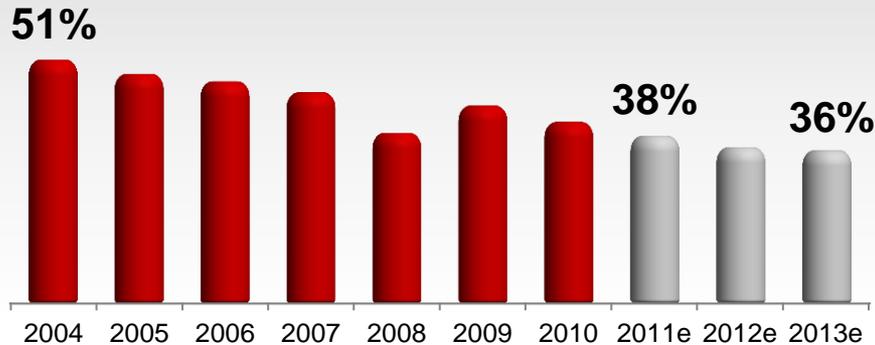
# 1. Sustainable 3-4% GDP growth due to sound macroeconomic conditions

## Real GDP Growth (%)

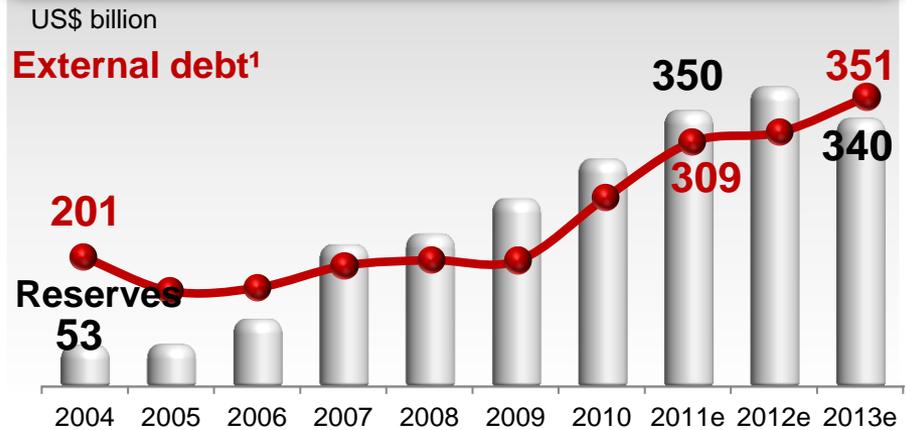


# 1. Strong domestic fundamentals

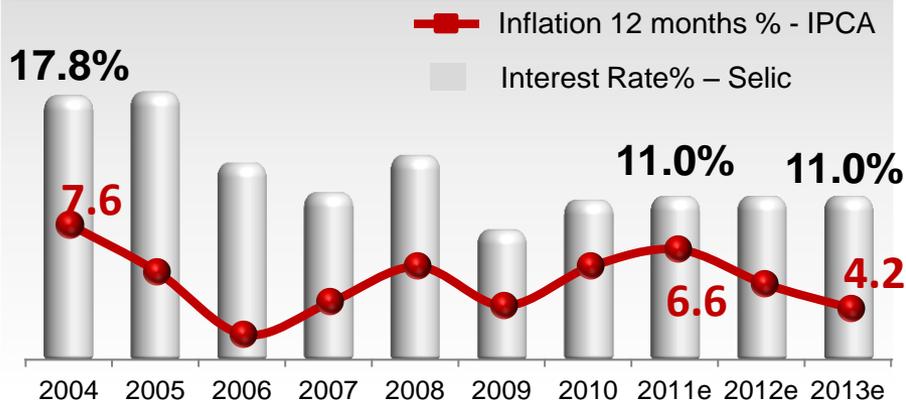
## Net Public Debt / GDP (%) (Total consolidated public sector)



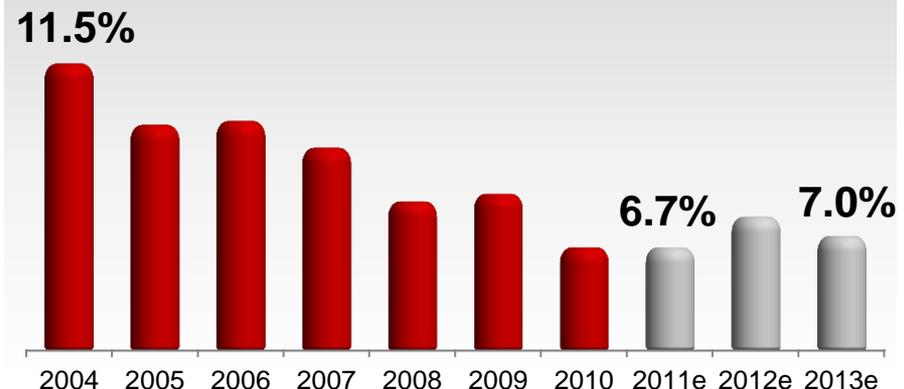
## International Reserves and External Debt



## Inflation target



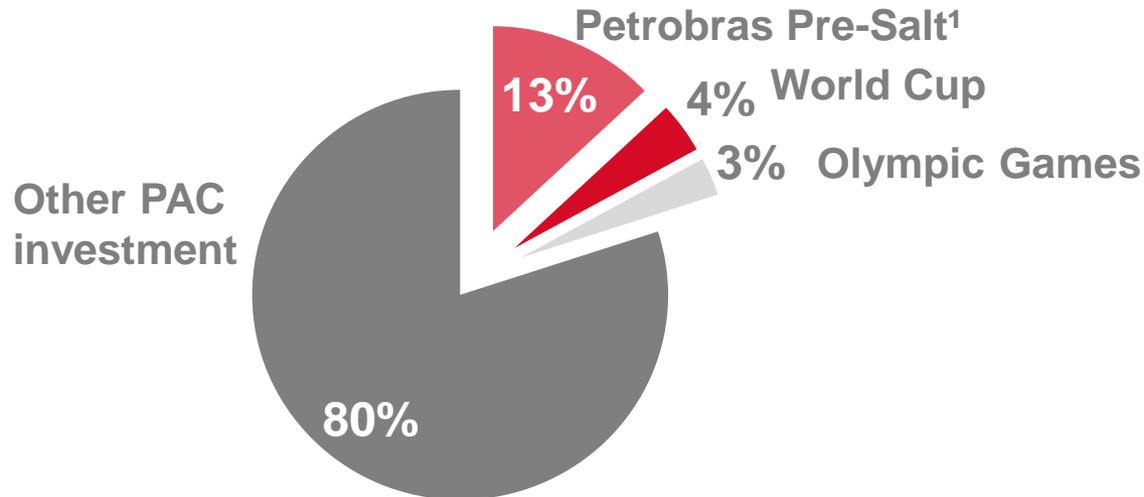
## Unemployment Rate (%)



## 2. Robust pipeline of infrastructure investment in the coming years

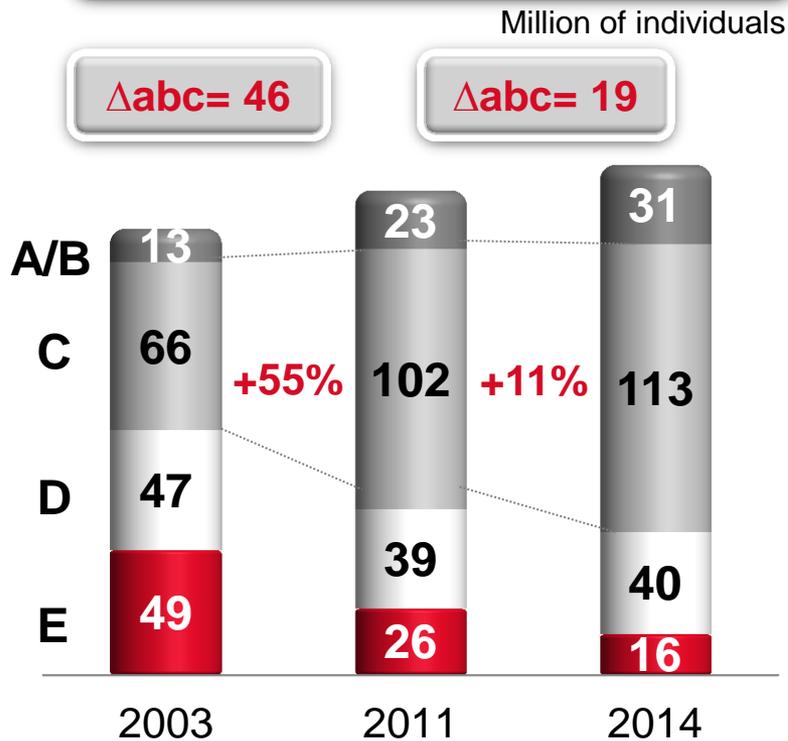


**Brazil Investment Schedule (2011-2016), R\$ 1 trillion**

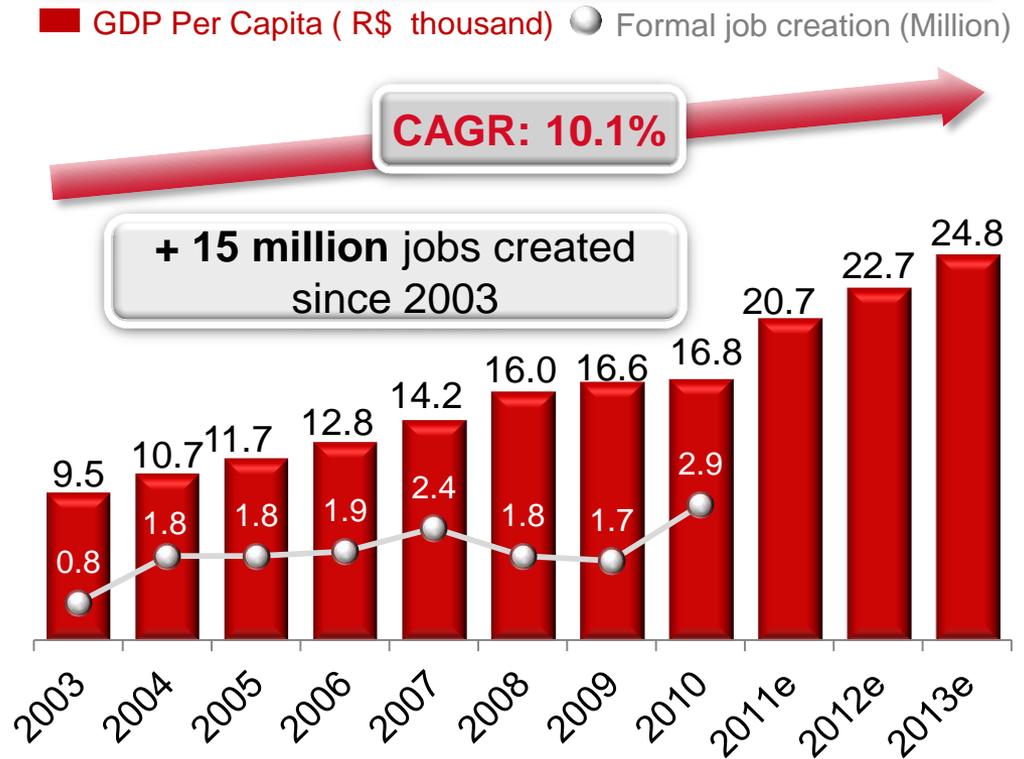


# 3. Social mobility provides room for greater bankarization

## Social Mobility Trend



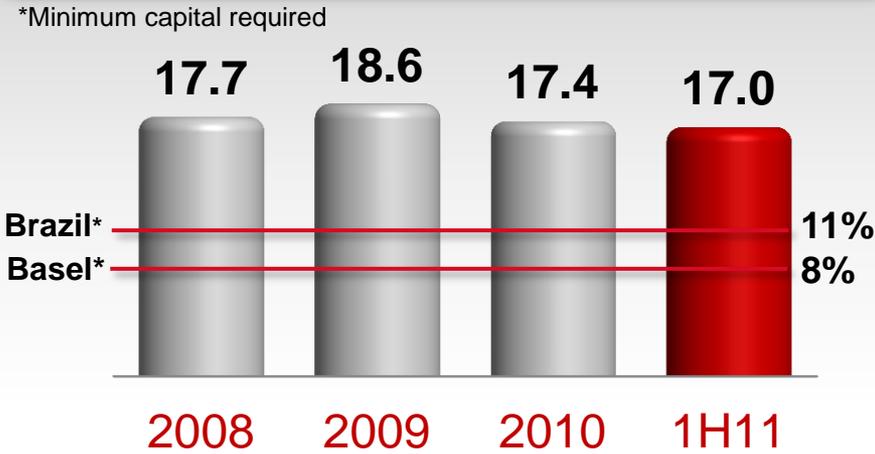
## GDP Per Capita and Formal Job



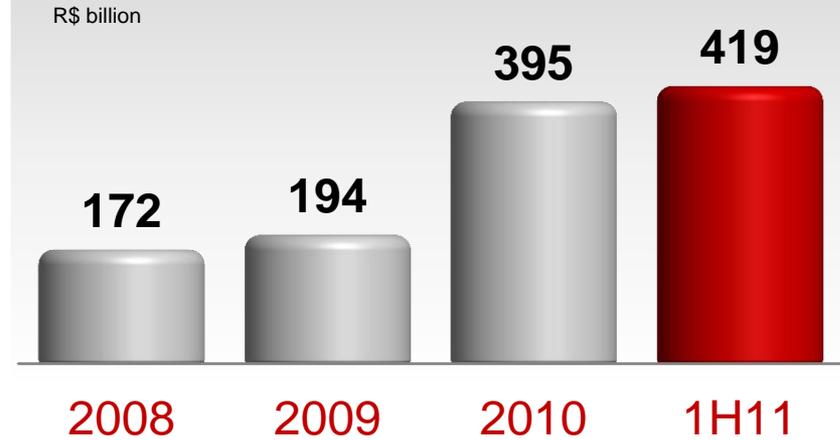
**+ 46 million** people moved to upper and middle class and a further **19 million** expected by 2014

# 4. A solid, profitable and well capitalized Financial System

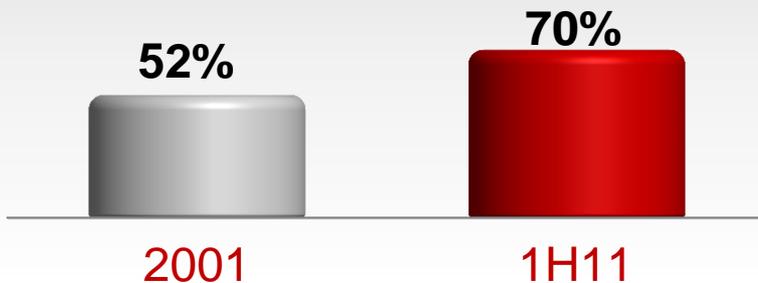
### BIS Ratio (%)



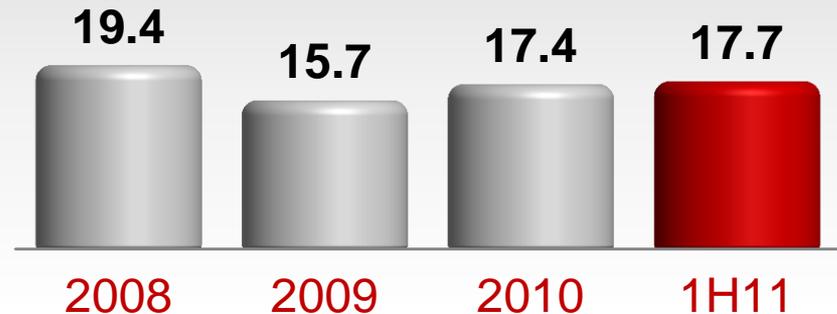
### Reserve Requirements<sup>1</sup>



### Concentration of Business<sup>2</sup> (6 major banks)



### ROE<sup>3</sup> (%)



## 5. Credit expansion: Sustainable Growth



Growth resulted from improved economic conditions



Origination to hold model



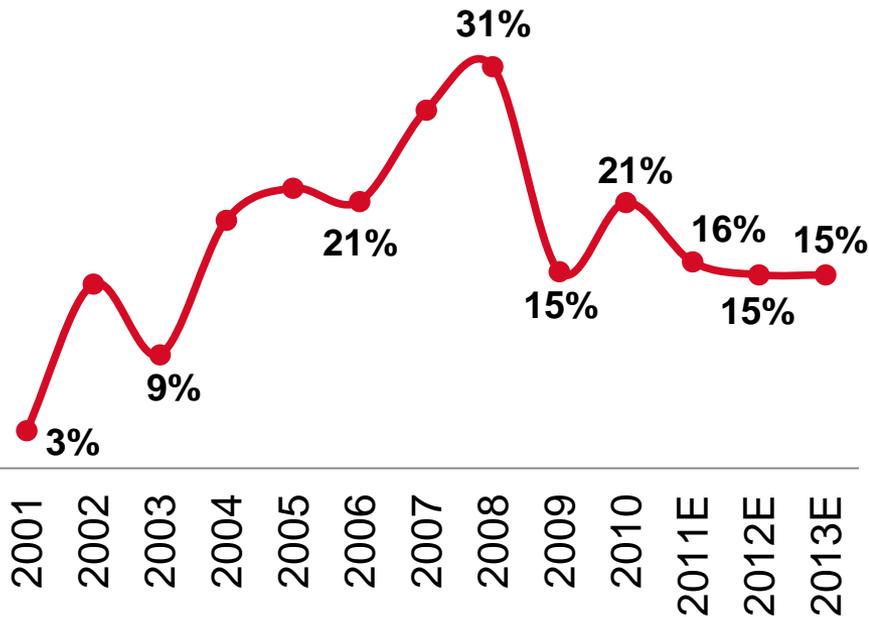
Mortgage penetration is low with reduced LTVs



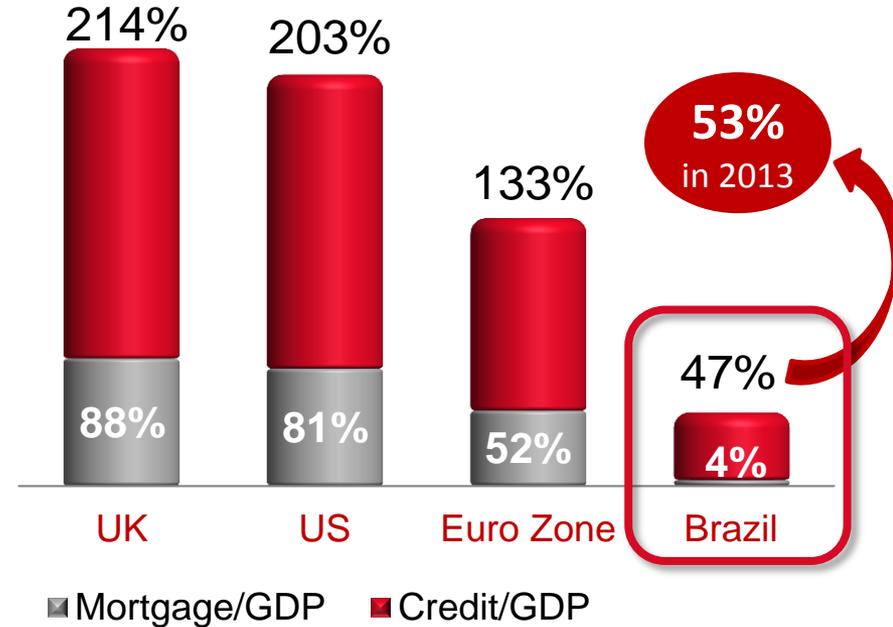
Debt servicing ratio is not a concern

# 5. Credit expansion: Sustainable Credit Growth

## Credit Growth



## Opportunities to grow



- Credit growth/nominal GDP growth ratio: 1.5 – 2.0x
- System can sustainably grow around 15-16% per year

**1** Business evolution

**2** Business environment

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# We are moving towards our goals...

## 2008 - 2011

-  **IT platform integration**
-  **Outgrow the market**
-  **Profitability convergence**
-  **Cost synergies**
-  **A single brand integration**
-  **Prudent Risk Management**

## 2011 - 2013

-  **Quality in customer services**
-  **Intensify customer relationships**
-  **Commercial punch in key segments**
-  **Cross-sell**
-  **Brand Building**
-  **Prudent Risk Management**

# Better in customer services



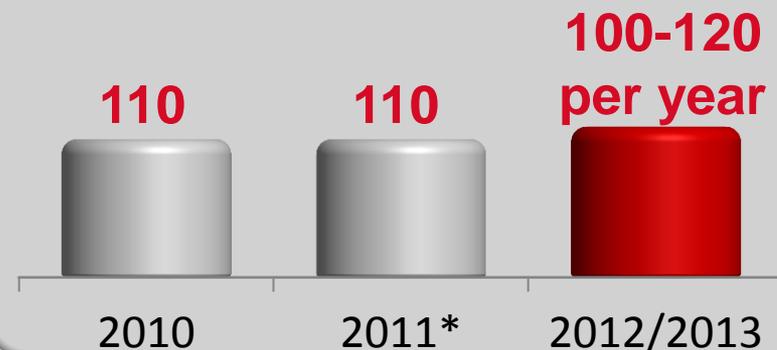
## Leverage robust technological platform

- CRM
- Customer friendly
- Quality of services
- Time-to-market
- Infrastructure

### Customer Satisfaction target



### New Branches target



# Closer to the customer



To be the bank of choice of our customers by 2013

Improve value proposition  
for each customer segment

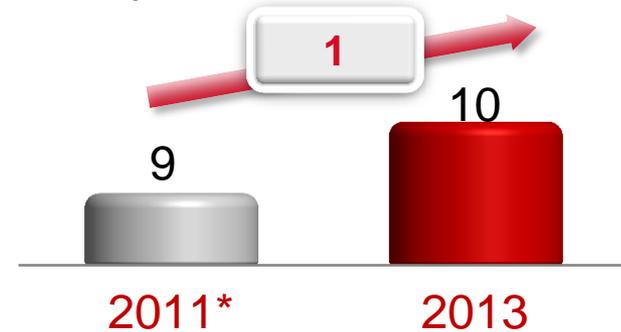
Increase customer satisfaction

Increase penetration in  
our current customer base

Growth in customer base

## Customer<sup>1</sup> - Individuals

In million



## Loyal Customer<sup>2</sup> - Individuals

In million



# Commercial punch in key areas

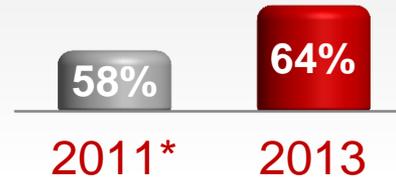


## SME



## Credit Cards – Issuer Business

### Credit Card Penetration<sup>1</sup>



### New Commercial Agreements



## Santander Acquiring

### Market Share



## Mortgage

### Market Share<sup>2</sup>



## Auto Finance

### Market Share

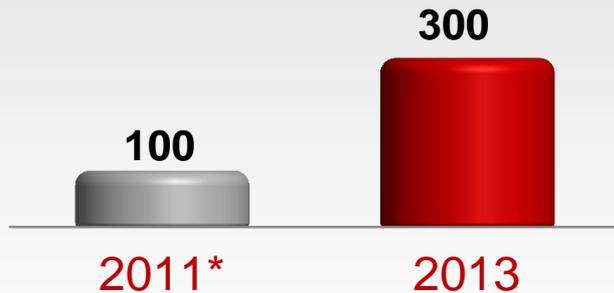


# Identified cross-sell opportunities



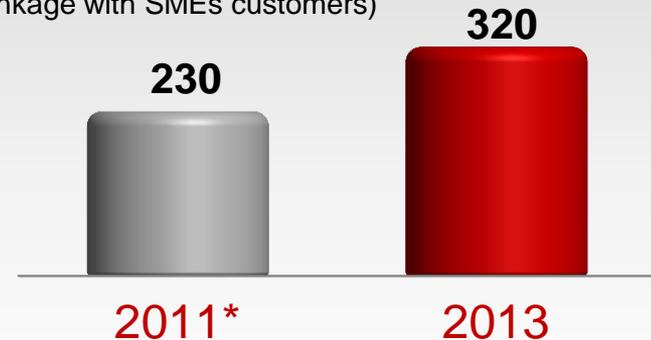
## Auto Finance X Insurance

**Number of Policies<sup>1</sup>** Thousand  
(Sold through the Auto Finance distribution channel)



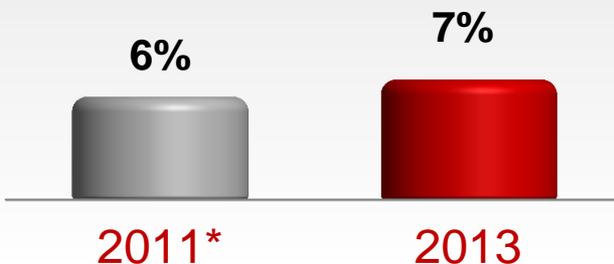
## SMEs X Owner

**Active Current Customers** Thousand  
(Linkage with SMEs customers)



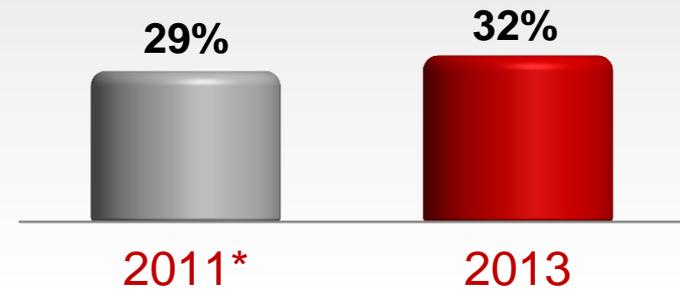
## BNDES X SMEs

**Market Share**  
(Total Bank)



## Corporate X Individuals

**Payroll - Product Penetration**  
(Wholesale Share)



# Marketing - Capitalizing global branding initiatives



2010

2013

Brand  
Attractiveness

Top 3



5<sup>o</sup>

SANTANDER 3.1

- Support strategic plan
- In three years to become the bank of choice of our customers

# Santander Brazil is prepared to capture the growth opportunity with quality risk management



**Risk function is independent**

**Correct risk pricing is always fostered**

**Efficient collection process**

**Risk model proved in different scenarios**

- Risk premium by segment normalizing after 4Q11
- Comfortable coverage ratio
- Provisions: growing in line with the lending portfolio and the business mix

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# Targets for 2012 and 2013

## Targets for 2012 and 2013

Spanish Gaap

Growth in R\$ - %

**CAGR**

■ Revenues: 14-16%

■ Costs (includes amortization): 11-13%

■ Total Credit: 15-17%

**Net Profit:  
Ca. 15%  
CAGR  
2012-2013**

