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Sérgio Rial

Country Head Brazil

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Agenda

1 Market and financial system

2 Strengths and opportunities

3 Strategy

4 Targets

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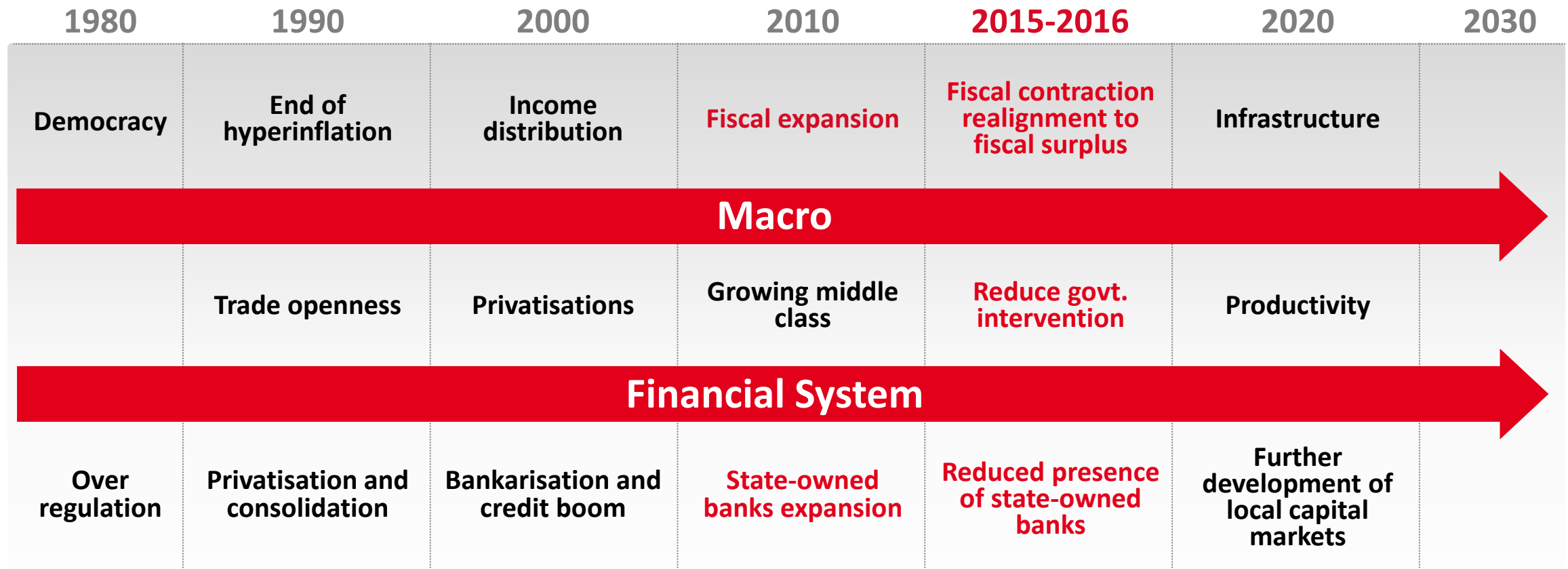
1 Market and financial system

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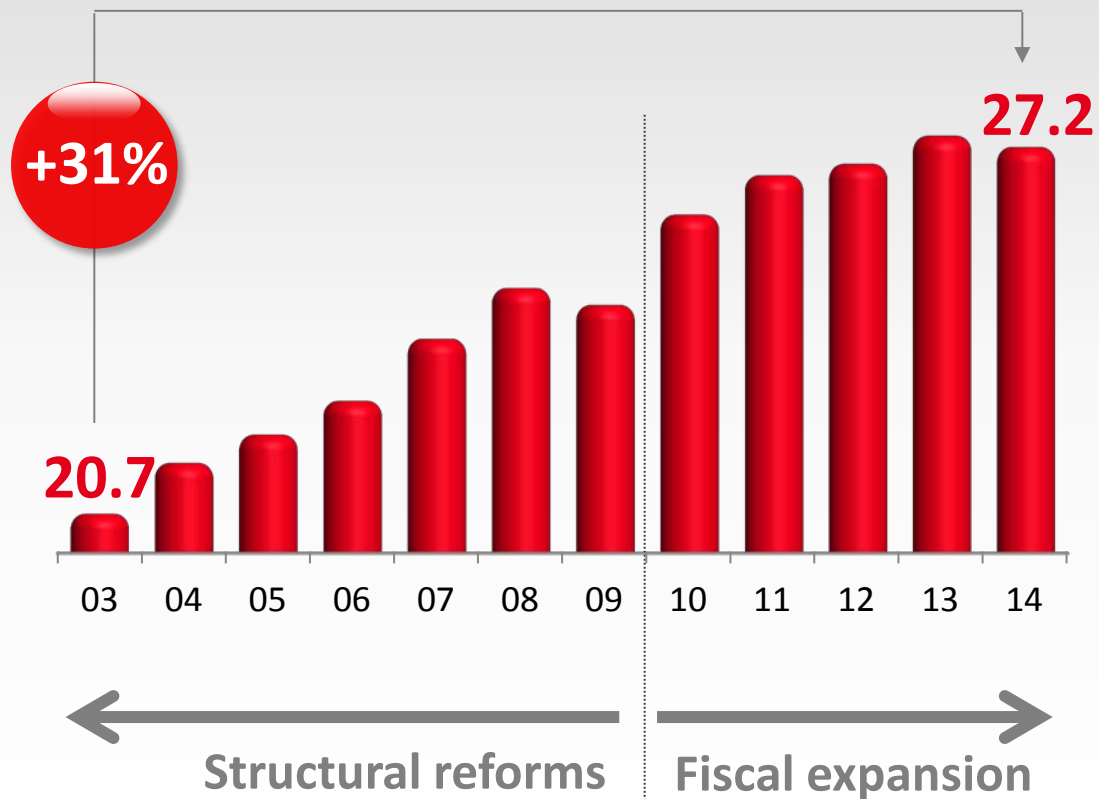
Strengthening fundamentals for continued growth



2003-2014: Economic policies focused on income distribution improvement

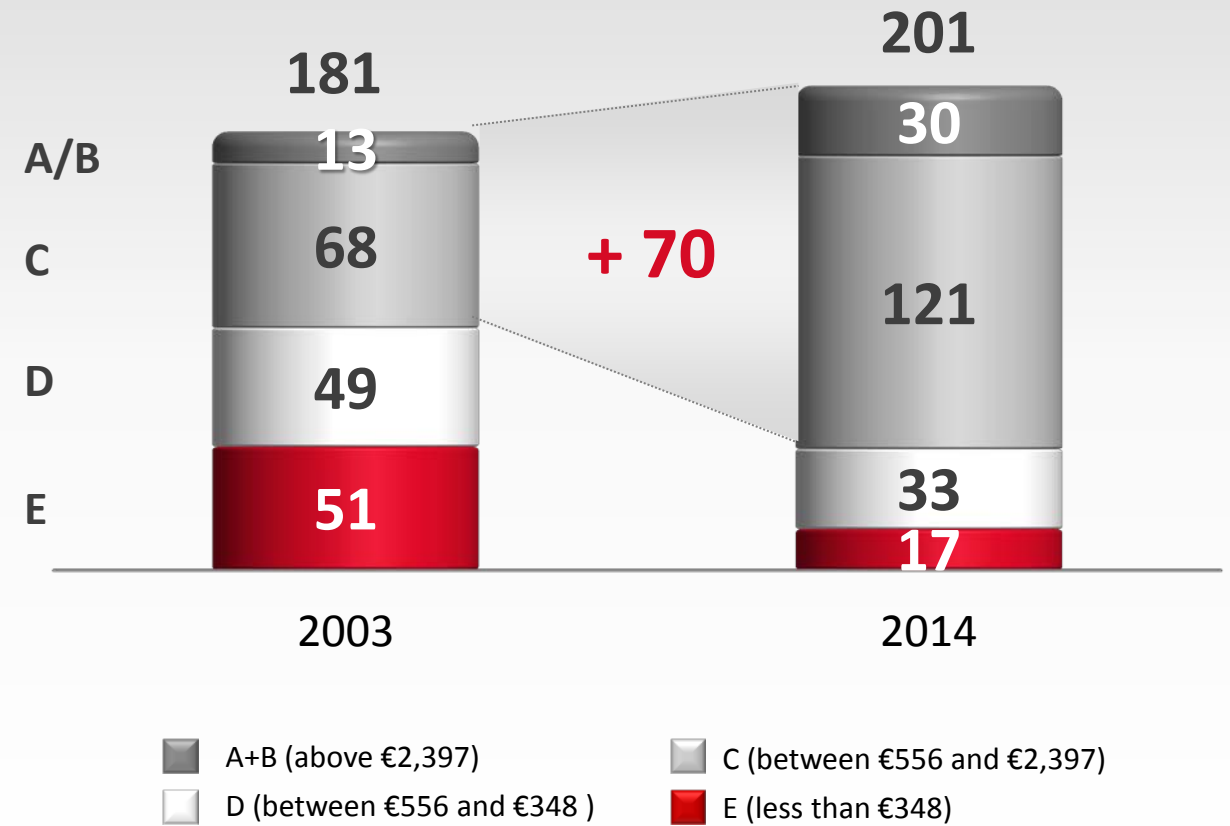
Growth of the income per capita

Income per capita (BRL Thousands)



Significant growth of the middle class

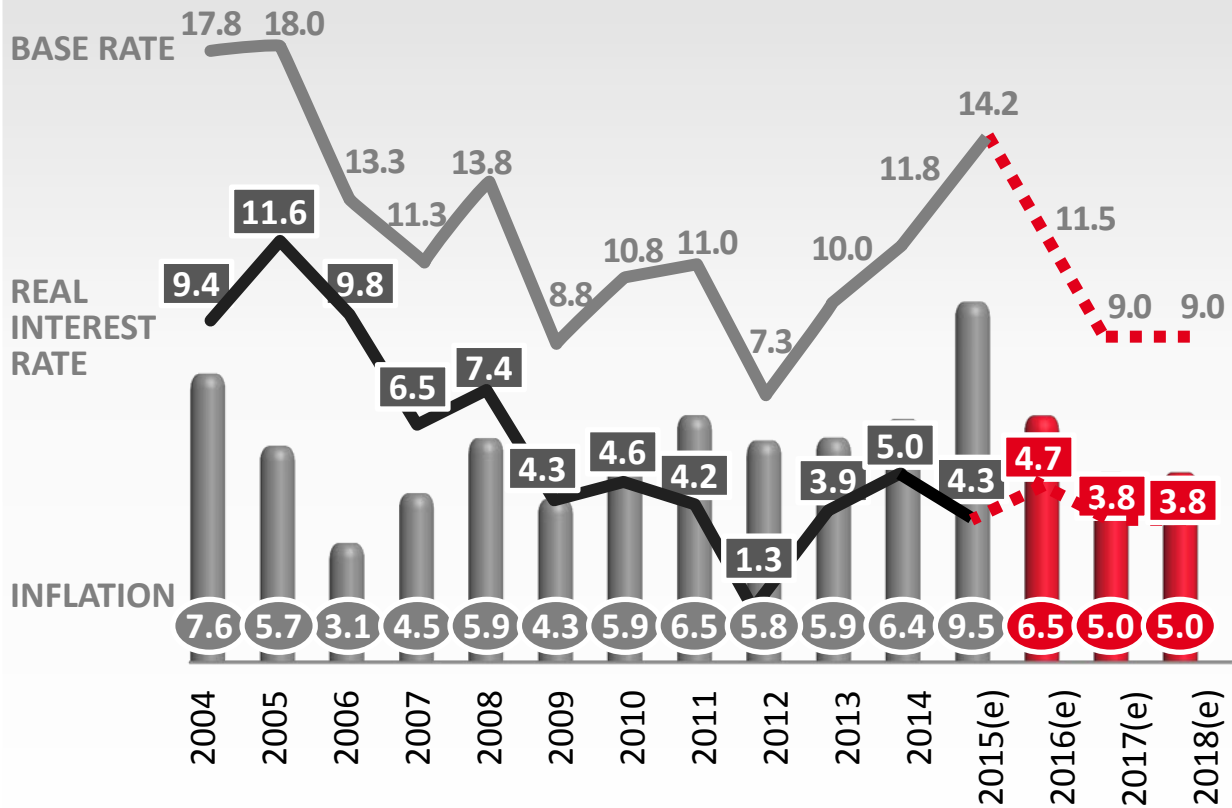
Socioeconomic segment (MM)



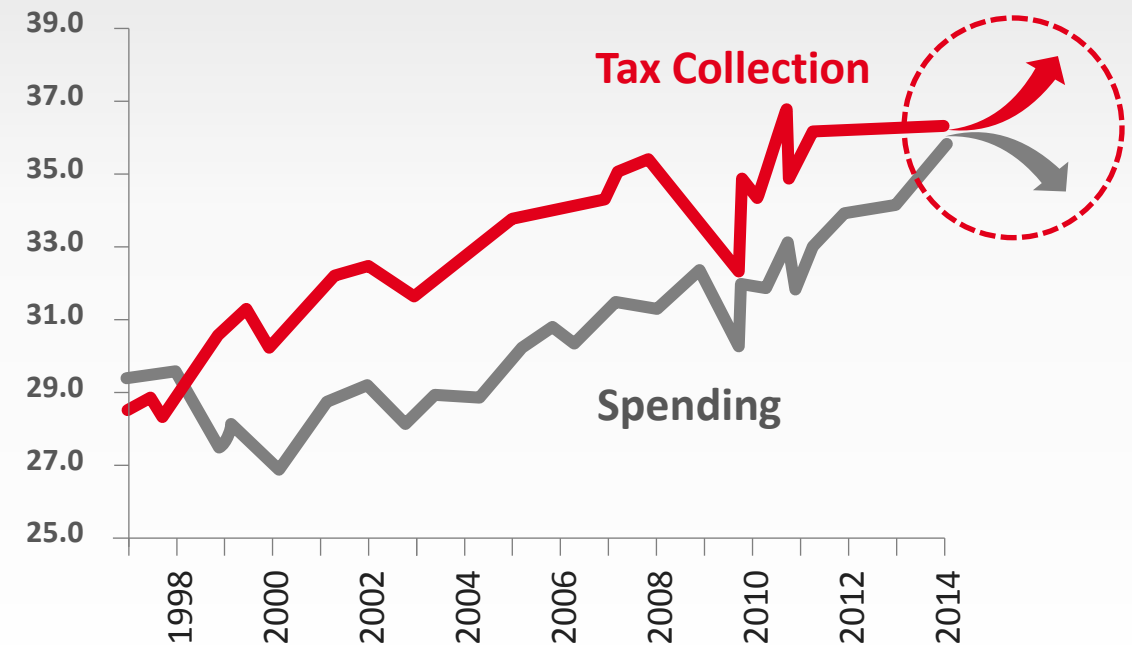
2015: Adjusting macro, converging policies

Tightening of Monetary and Fiscal policy

Monetary policy (%)



Fiscal policy (% of GDP)

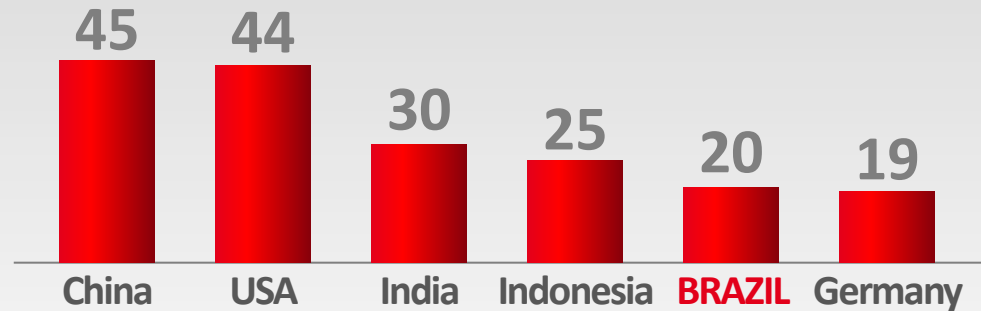


Sources: Santander Research and Central Bank of Brazil

2016-2018: a recovery period

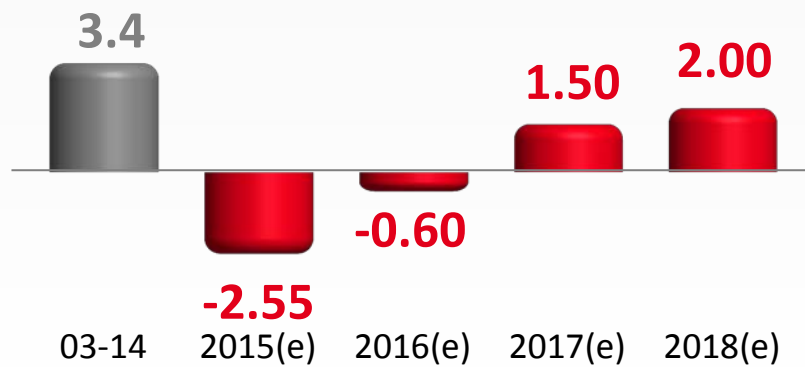
Within top prospective host economies

Percentage of respondents selecting economy as amongst top five destinations



The world's **7th largest economy** (1st in LATAM). Key target of many global industries

GDP growth (%)



Reserves and external debt (US\$bn)



- **Competitiveness increase** will support GDP growth
- Higher **resilience to shocks** due to a strong external position

Sources: IBGE, World Bank and Central Bank of Brazil

An attractive, consolidated banking market

MAIN HIGHLIGHTS *(5 largest banks)*

DOUBLE DIGIT PROFITABILITY

RoE

17.0%

MARKET SHARE

Deposits

~78%

Loans

~70%

AUM

~73%

WELL CAPITALISED

BIS Ratio

16.3%

WELL FUNDED

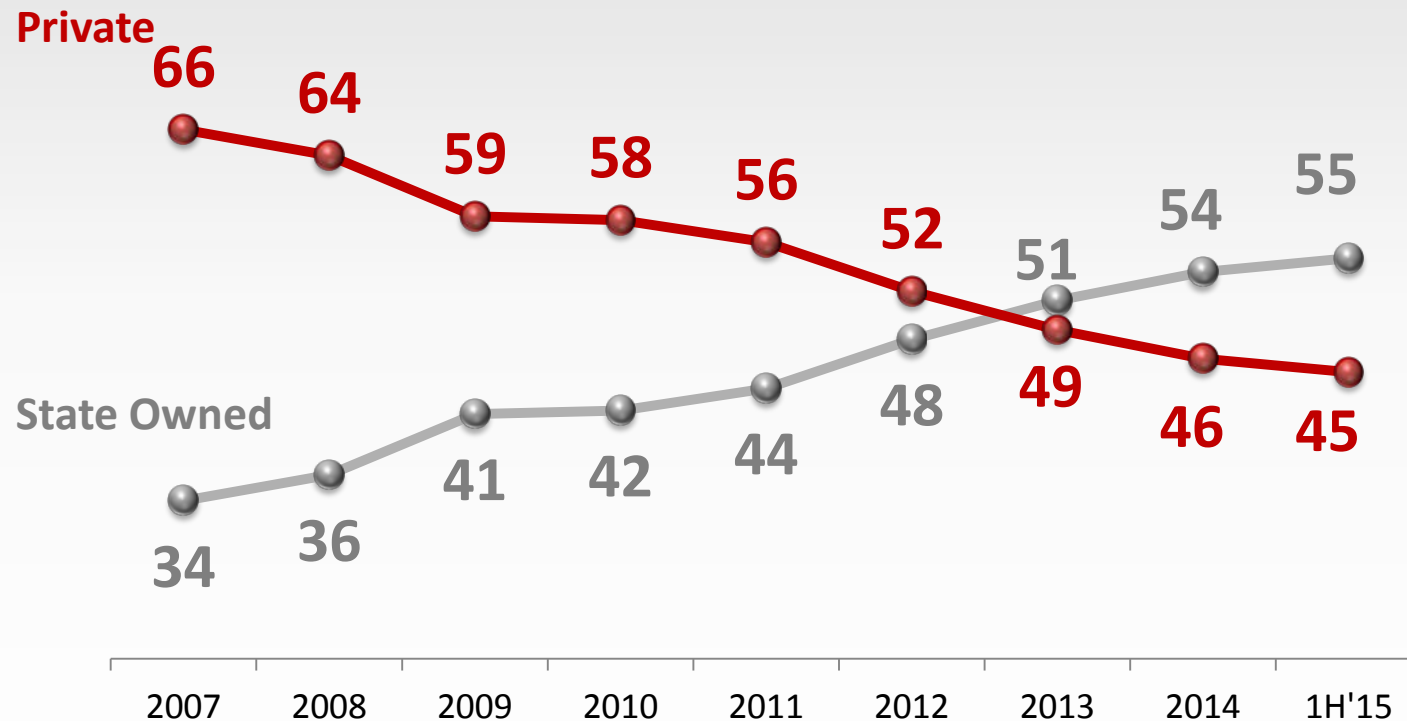
Loans/Funding

107%

Source: Central Bank of Brazil. Data 1H'15

Going forward, private banks have room to regain market share

Loan market share by type of bank (%)



- State-owned banks (SOBs) current **market share** (55%) is **overweighted** compared to the previous period (2000-2007)
- SOBs have **limited capital availability** to sustain accelerated growth
- SOBs are **2.3x more leveraged than private owned banks**

Source: Central Bank of Brazil

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Strengths: Santander Brazil is well positioned to capture opportunities

- 1 Critical mass** The only **international Bank with critical mass** in the country
- 2 Customer service** Focused on **customer service** and digital development to **drive differentiation**
- 3 Platform** Solid and **innovative product platform** to meet customer needs
- 4 People** Talented and engaged team
- 5 Commercial momentum** Positive **commercial trends** and momentum



FINANCIAL HIGHLIGHTS	1H'15
• Total Assets	€159bn
• Loan Portfolio ¹	€81bn
• Core Capital ²	15.5%
• RoTE ³	14.8%

COMMERCIAL PLATFORM	
• Branches ⁴	3,436
• ATMs	14,338

(1) Expanded (2) BR GAAP (3) Group criteria (4) Includes mini-branches

Strengths: proactive de-risking based on deeper knowledge of customer behaviour

Underwriting

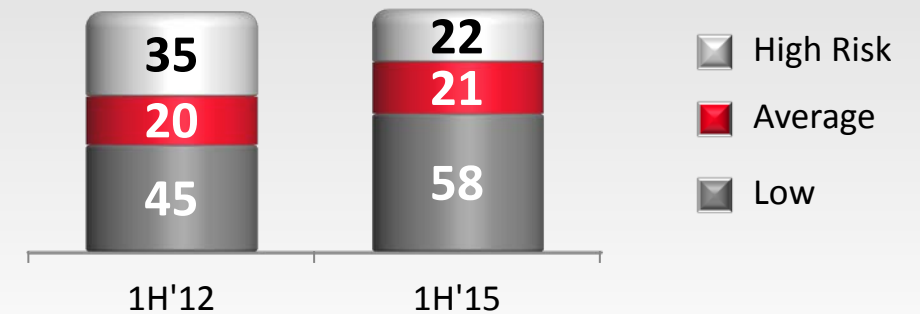
- **Customer centric Risk Model**
- **Underwriting enhancement:** improvement of capabilities for credit quality differentiation both in retail and in SMEs
- SME risk model: **deeper knowledge and proximity to customers**
- Focus on better risk/return and **longer term relationship** products (acquiring, mortgages)

Monitoring and recoveries

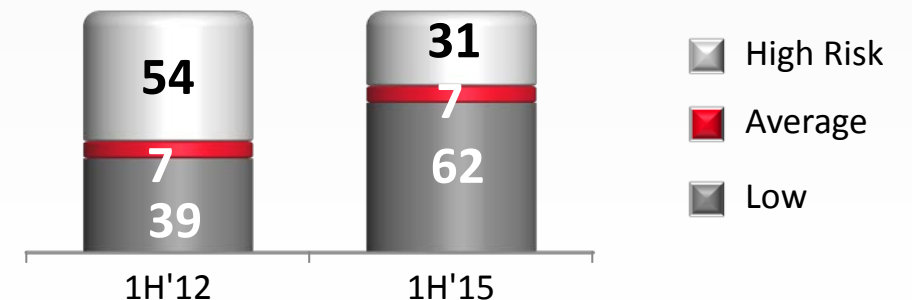
- **Early warning system:** immediate response to deterioration of customers and portfolios
- **Improved collection capabilities:** early delinquency focus, multichannel, balancing specialisation, ...

Portfolio breakdown by rating

Individuals (%)



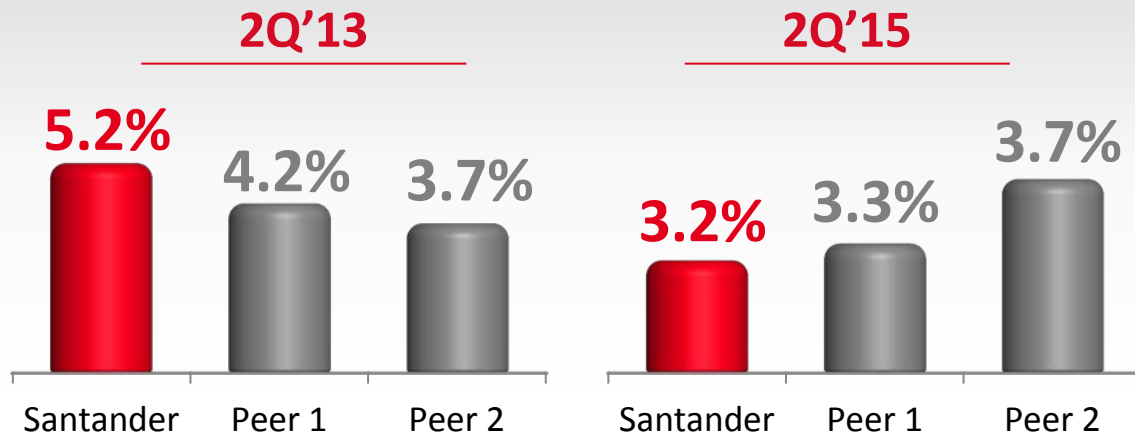
SMEs (%)



Strengths: we have laid the foundations for future growth...

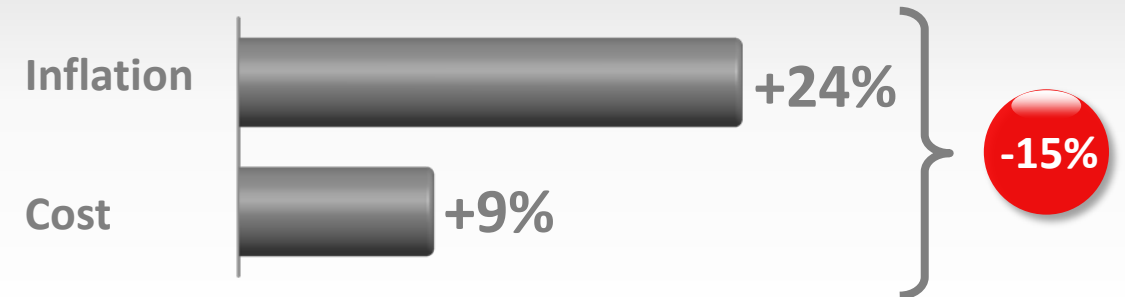
Asset quality convergence

NPL Over 90



Cost reduction

1H'15/1H'12



Transformation process

- **New multichannel platform**
 - New mobile and internet banking
 - Improved call centre
- **Streamlined operational** processes and branch workflows
- Improve **customer onboarding**

(1) Sales. Data as of 7M'15 / 7M'14

Strong commercial drive

- **New commercial model** focused on customers
 - Commercial production **+12%¹**
- **Well trained and qualified team** with the right incentives



Strengths: ...and we have improved our customer experience

Onboarding

- **Days to open an account:**
 - Market average: D+15
 - Santander: D+1

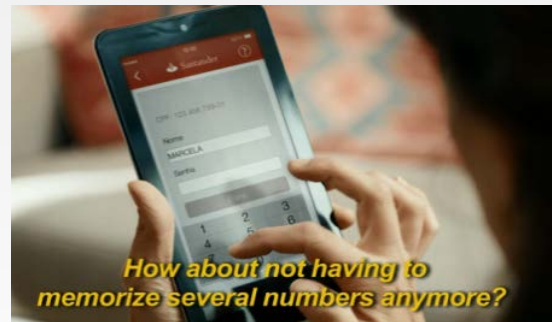
**CURRENT ACCOUNT+
CREDIT CARD +
ACCESS CHANNELS**



**BEST
IN CLASS
May'15**

Current account

- **Number of codes required to access account data:**
 - Market: several codes
 - Santander: single code



**BEST
IN CLASS
Nov'14**

Integrated account

- **Operation of POS¹ device:**
 - Market average: different product than the current account
 - Santander: single offer with the current account



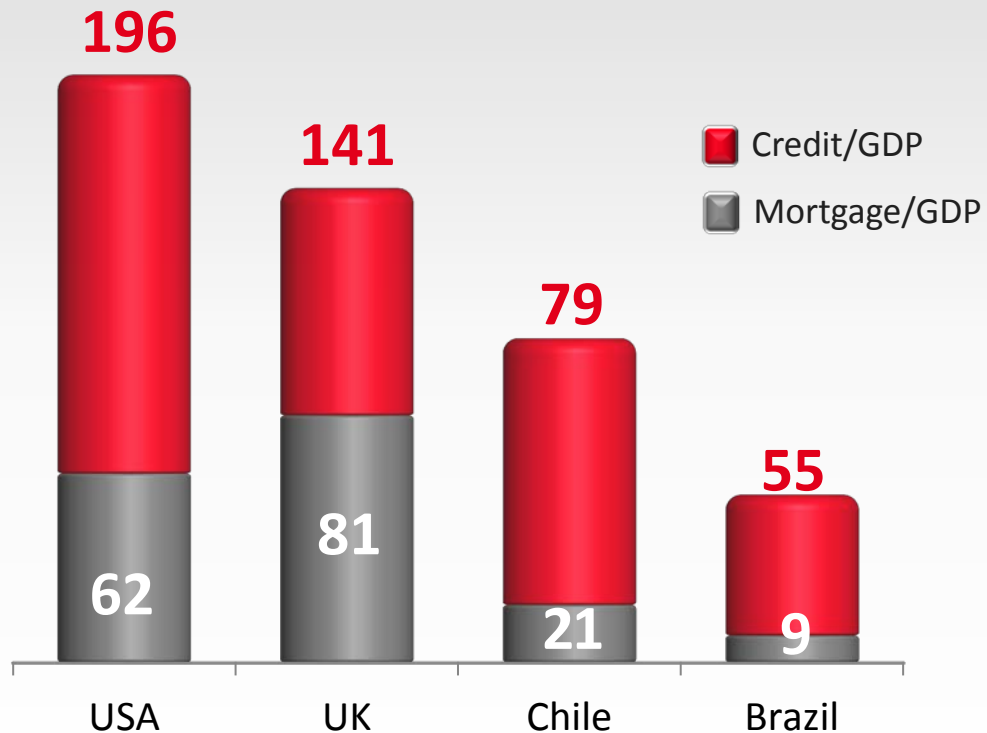
**BEST
IN CLASS
Apr'11**

(1) Point of sale

Opportunities: room for higher penetration in retail...

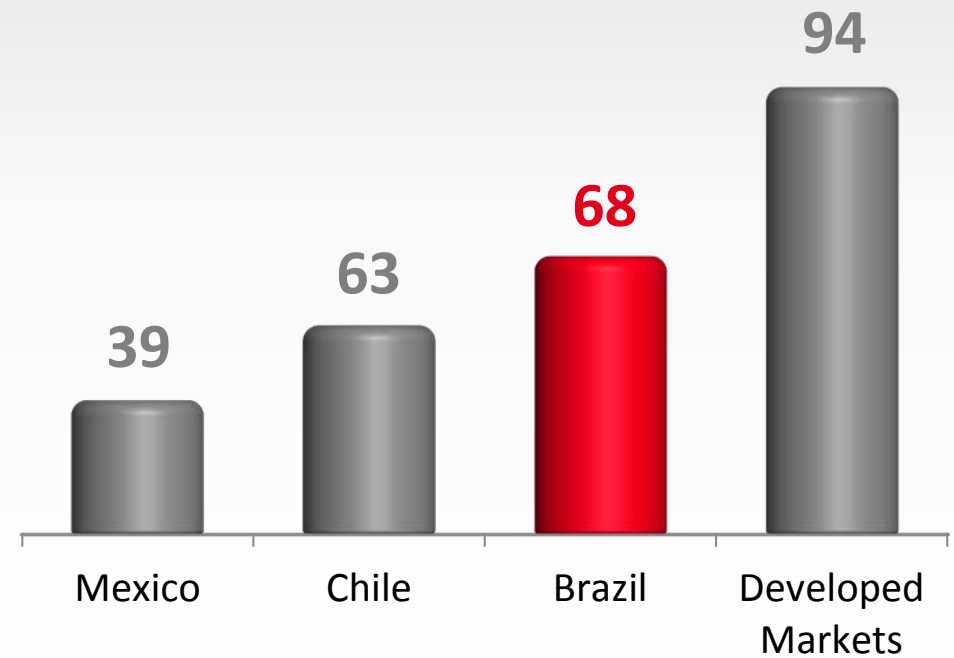
Credit penetration

Credit penetration (%)



Bankarisation

Adults with a current account (%)

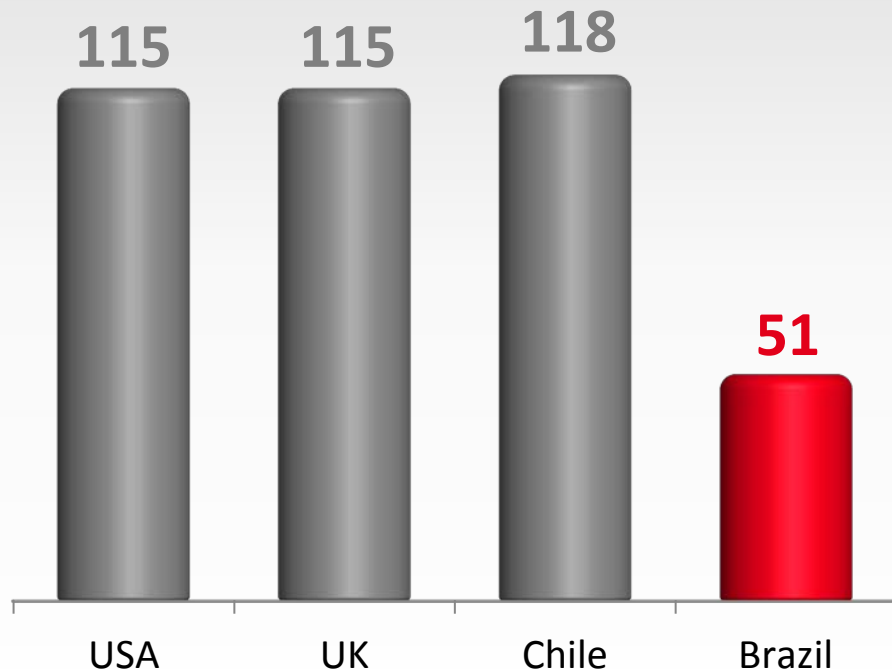


Sources: Central Bank of Brazil, World Bank

Opportunities: ...and also in SMEs and Corporate

Size of capital markets

Total listed market cap / GDP (%)



Potential of SMEs

- **27% of Brazilian GDP**
- 52% of formal jobs
- **Increased business resilience**
- Better management leads to longer life span
- Owners' skills have improved
- **Entrepreneurial spirit**

Sources: World Bank, Sebrae and Dieese

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Focusing on the real goal: **THE CUSTOMER**

Until 2012

- Challenges around multi-cultural and system integration
- Volume driven culture vs margin focus
- Incomplete business platform
- Uneven service quality

2013 to present

Laying the foundation of future growth

- Improved customer experience, focused on service and consistency
- Achieved a tighter grip on efficiency and credit risk
- Engaged team

2015 - 2018

STRATEGY



RETAIL AND COMMERCIAL
+1.3MM loyal customers by 2018

Strategies differentiated by segment



D Larger and more loyal customer base



OTHER SEGMENTS

Strengthening existing strategies

- Global Corporate Banking
- Local corporate
- Consumer Finance



SUPPORT/CONTROL FUNCTIONS

- Full alignment with **platform updates**
- Support the **sustainable** growth of the **business**

Synergies across all segments

A Individuals - differentiated strategy for each segment



Affluent SELECT

Acceleration and consolidation

- Build on **existing branch network**
- Launch a dedicated digital **platform for the segment**

Mass affluent van gogh

Strengthening the segment

- **Brand reinforcement**
- **Multichannel** approach: remote relationship manager, digital channels

Mass market

Increase profitability

- More products provided and acquired through **digital channels**
- Operational simplification

PAYROLL LOANS

- Aligning channel, product and market knowledge
- High potential growth

Payroll loans

2018 (CAGR 2015-2018): **>25%**

Our strategy

- Leverage on **improvements/upgrades already delivered** to:
 - Larger SMEs
 - Global SME platform with unrivalled customised offerings
- From average to **leading / best in class**
- Smaller SMEs: next **segment** to be re-launched
- High growth **business platform** in place



getnet[®]

ACQUIRING

- Platform optimises banking with acquiring services
- Strong commercial proposition

2018

**Market share
increase to >14%**
(from 8%)

C We will continue to implement a customer-centric model in all business decisions and operations



Branches

- Full roll out of the new customer branch model “CERTO”
- Further simplification of processes

An innovative retail platform for a new growing middle class

Multichannel

- Complete SMEs Online Banking
- Offer new products at ATMs
- Expand biometric capabilities (100% penetration by 2017)
- Further development of the mobile platform (68% mobile banking penetration by 2018)
- Increase capabilities to service customers remotely

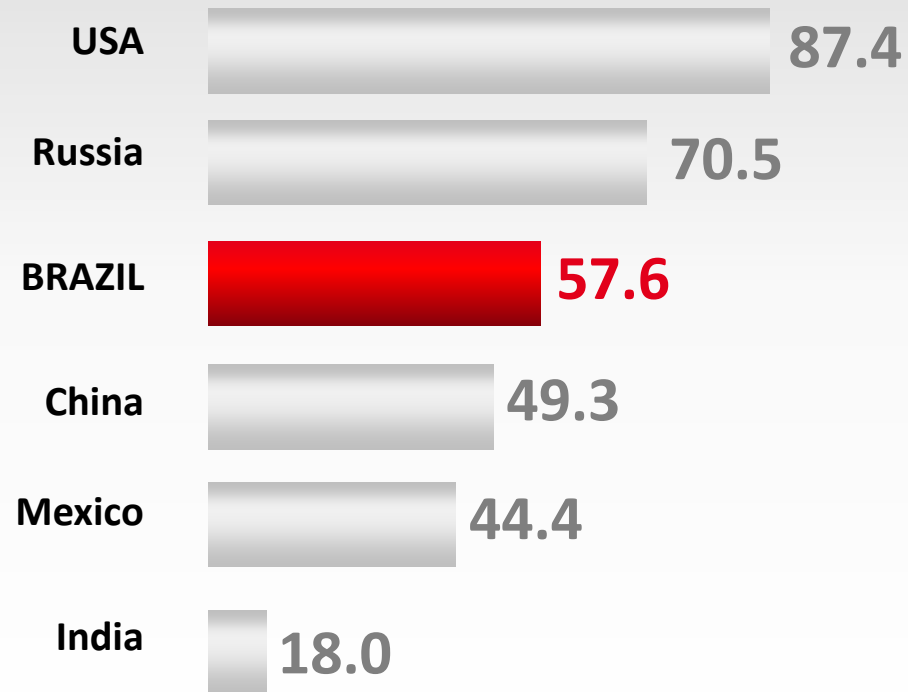
Increase the use of electronic channels

C Digital channels usage is thriving



High internet penetration

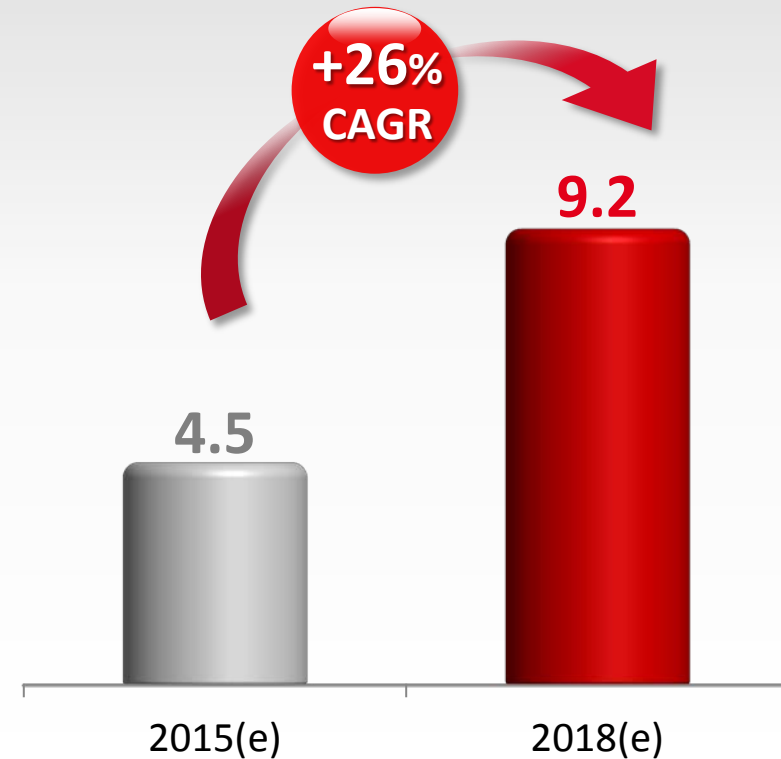
Internet users (%)



Source: World Bank 2014

Santander digital customers

Digital customers (MM)



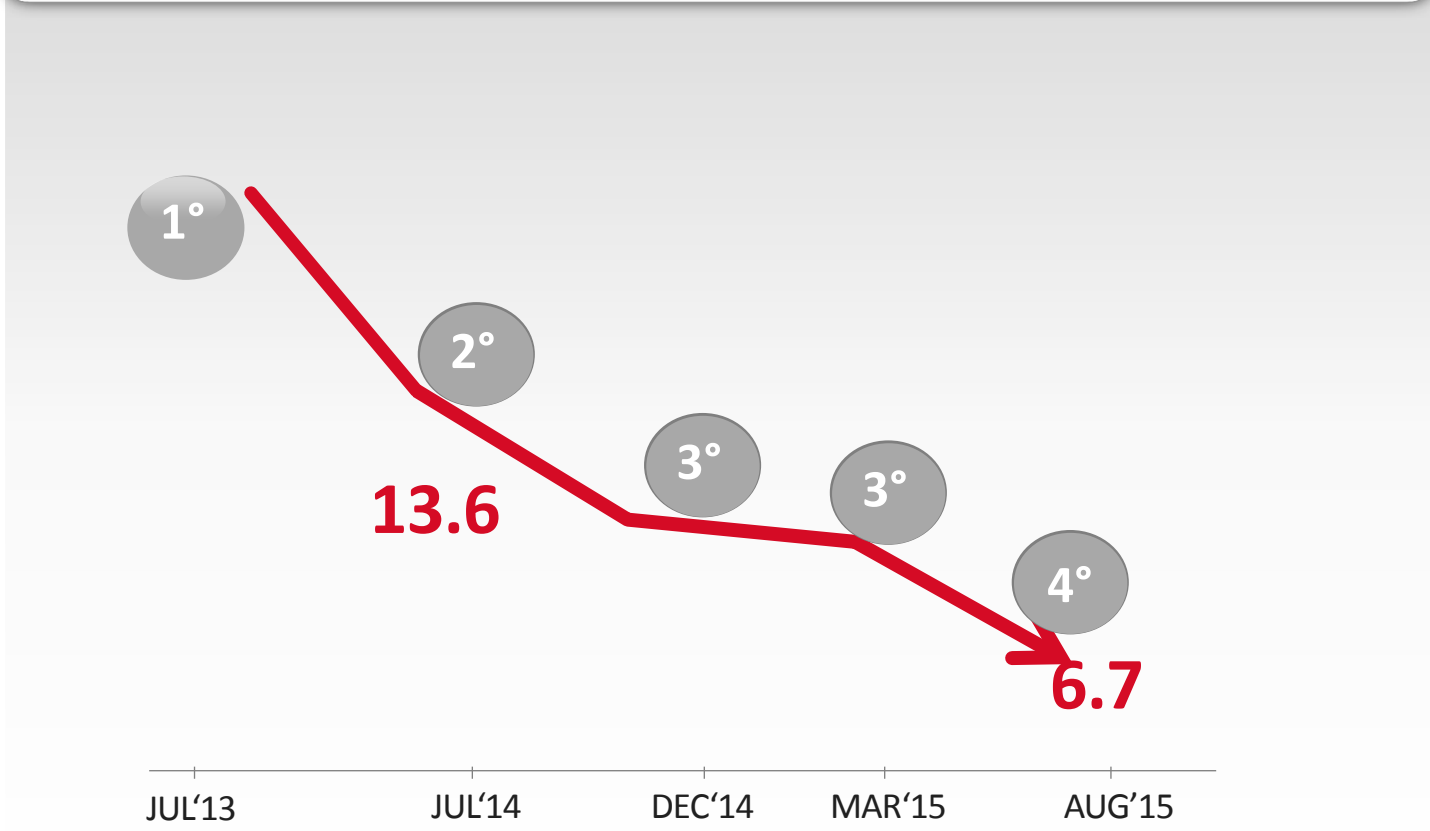


Better service levels and customer satisfaction.

The organisation is aligned with the objective: “É comigo Santander”



Complaints per 1 million customers (per month)



2018 TOP 3 IN CUSTOMER SERVICE QUALITY

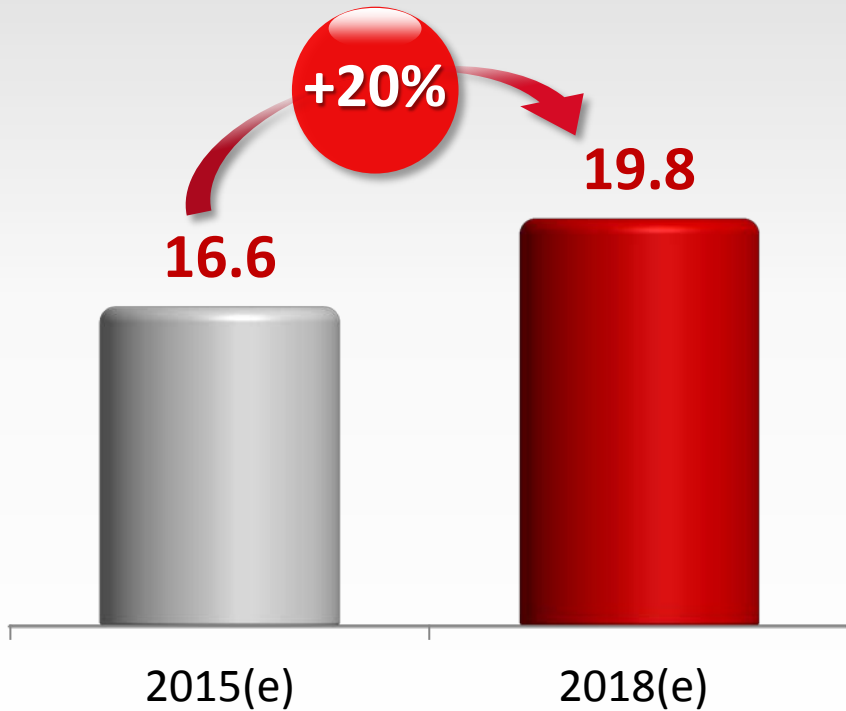
Sources: Central Bank ranking and Ibope

D We will achieve a larger and more loyal customer base



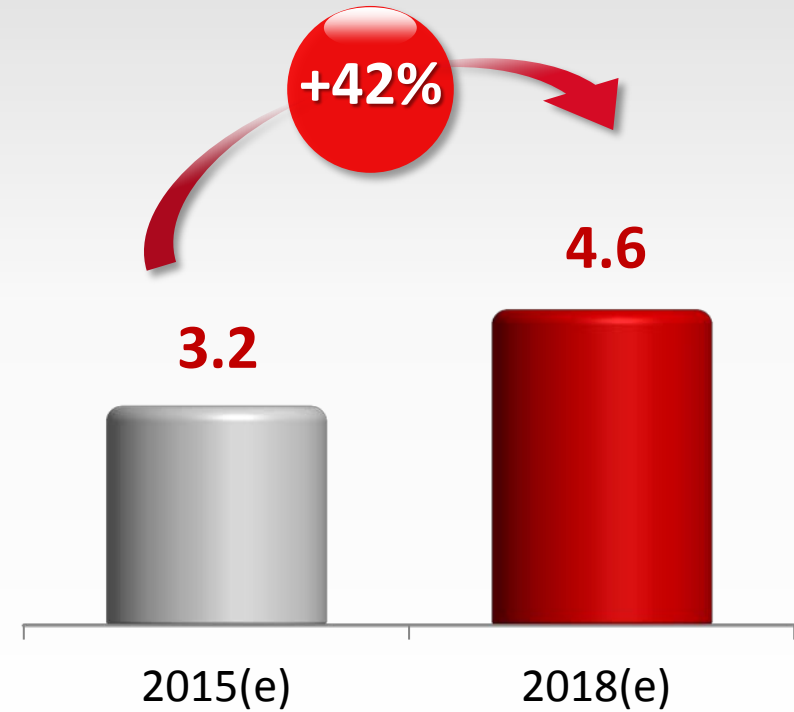
Active customers

(MM)



Loyal customers

(MM)



We will extract full value of leading segments that already have a consolidated business model



Consumer Finance

Leader on the Auto market

- Market share 18%
- Best and largest web platform: Web Motors

Global Corporate Banking

Only international bank with full service

1st/2nd player in key activities:

- FX
- Financial advisor in Project Finance LATAM
- Trade Finance / Export Finance

Local corporate

- 2nd player
- Consistent leader in customer satisfaction

2018

RoRWA 2018 >3%

2018

- Increase loyalty through a more complete service offering
- Intensify diversification of customer base

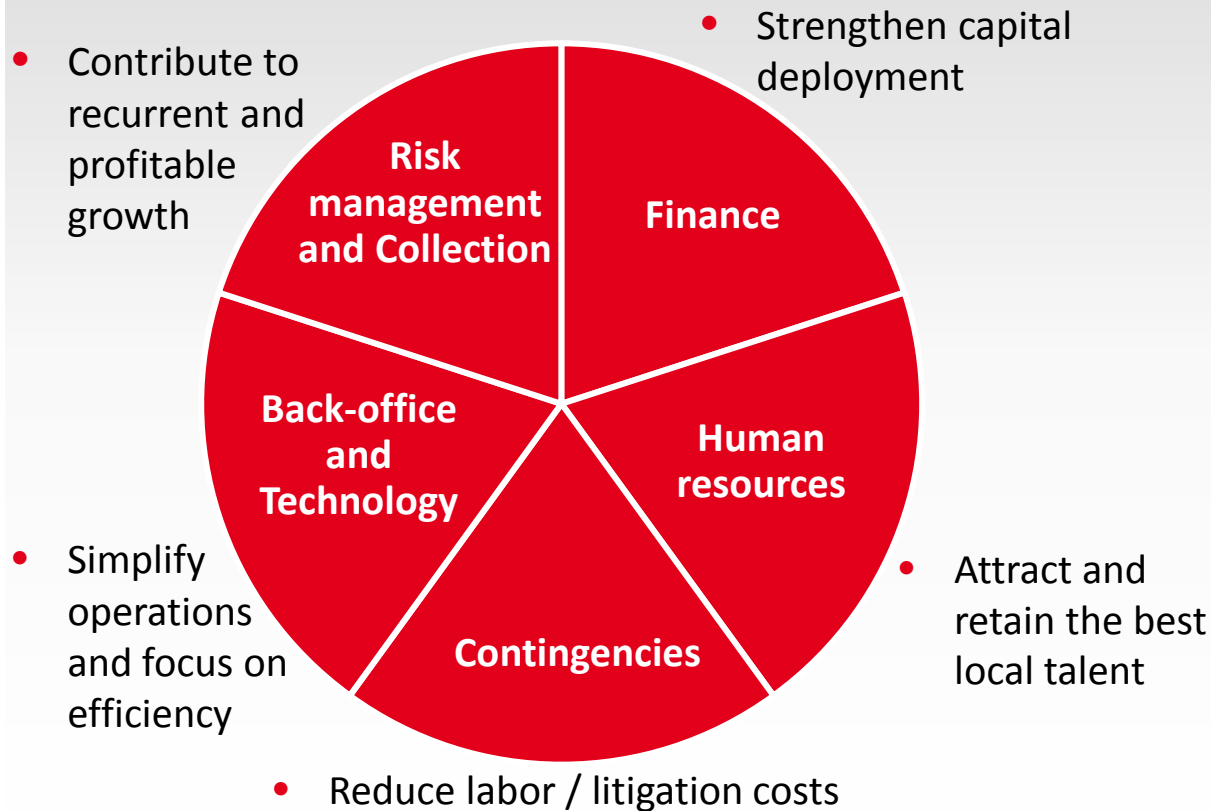
Double digit revenue growth

Sources: Central Bank ranking and Ranking Dealogic

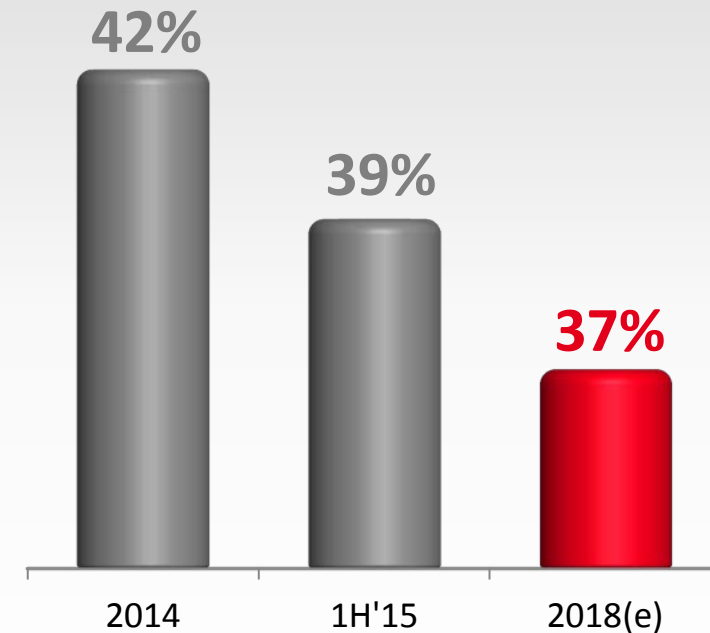
Platforms upgrades support the growth of the businesses and assure efficiency



Support functions will enable this commercial transformation



Efficiency ratio





Risk management and collection

**STRONG FOCUS ON
ASSET QUALITY**

- Top-class models
- Solid infrastructure
- High quality risk professionals
- Scenario analysis / Stress test
- Risk appetite
- Risk identification

2018

NPL ratio¹ ~ peers

(1) BR GAAP

Risk management: prepared to face the macro challenge



Under-writing quality

- For retail models predictive power increased from 60% to 77% in 2015
- Specialised coverage of risk analysts for 100% mid /large corporates
- Reviewed risk appetite for riskier products

Monitoring discipline

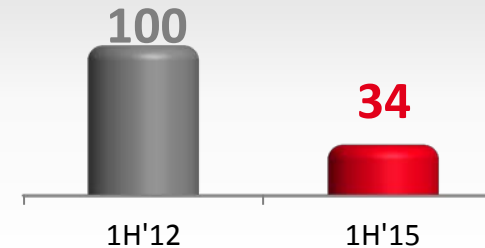
- Revised risk policies and reduced exposure for sensitive industries
- 100% of higher risk portfolio reviewed quarterly

Collection task force

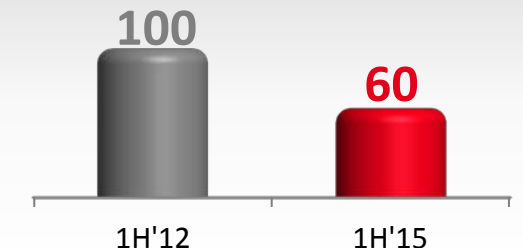
- Capacity increase (call centre, dedicated team...) over 20%
- New strategies, products & channels

New production – Over 30 (%)

Retail



SMEs



Selected industries exposure reduction vs 2014

(% in constant currency)



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4 **Targets**

2018 Brazil targets

		1H'15	2018
People	Great Place to Work bank ranking	-	Top 3
Customers	Retail loyal customers (MM)	2.73	4.03
	Loyal SMEs and corporates (MM)	0.26	0.52
	Digital customers (MM)	4.0	9.2
	Customer service quality (rank)	4 th	3 rd
	Fee income CAGR	11% ²	>10% ³
Shareholders	NPL ratio ¹	3.2%	~ peers
	RoTE	15%	c.17%
	C/I ratio	39%	37%
Communities	Number of scholarships 2016-2018 (k)		10.7
	Number of micro credit 2016-2018 (k)		478

Note: Group criteria except FL CET1 (1) BR GAAP (2) 1H'15/1H'14 (3) 2018/2015

Transparent performance metrics for 2016







	<u>Key metric</u>	<u>1H'15</u>	<u>2016</u>	<u>Improvement</u>
Commercial activity	Total Loyal customers (MM)	3.0	3.6	+19%
	Digital customers (MM)	4.0	6.7	+66%
	NPL ratio ¹ (%)	3.2	~ peers	
	Micro credit ²	#1	#1	

Note: Group criteria (1) BR GAAP (2) Among privates

Key takeaways

 The **only sizeable international bank** in a highly attractive/profitable banking system

 We believe in **differentiation** through:

-  Talent delivering Santander Brasil on an integrated manner. **One team one goal: serving the customer**
-  High quality and consistent **customer service**
-  **Innovation/digital focus** - setting the ground for convenience, speed and transparency
-  **Cost discipline**
-  **Asset quality** - embedded risk management culture at all levels
-  Commitment to **Shareholders** - superior returns stemming from focused management & clearly identified growth pillars throughout this presentation



Simple | Personal | Fair