# Banco Santander (Brasil) S.A.

## 2009 IFRS Results – Pro forma

**February 4th, 2010**

# Table of Contents

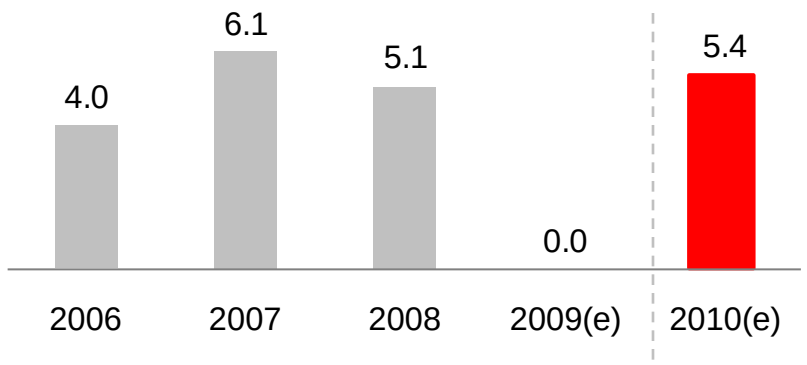



- **Macroeconomic Scenario and Financial System**
- 2009
  - Strategy
  - Business
  - Results

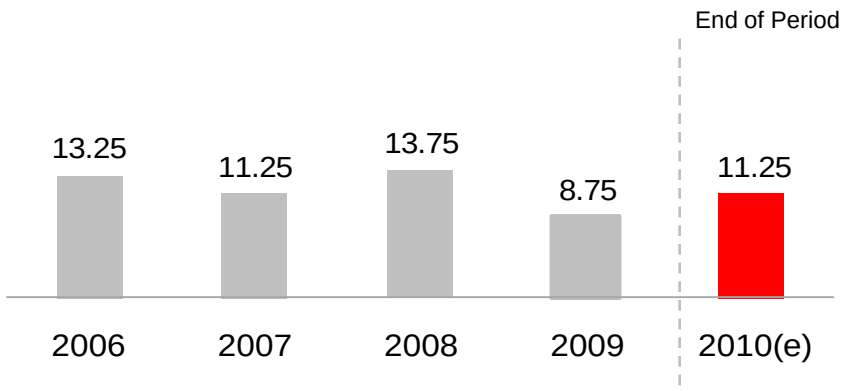
# Macroeconomic Scenario

## Economy retakes growth in 2010

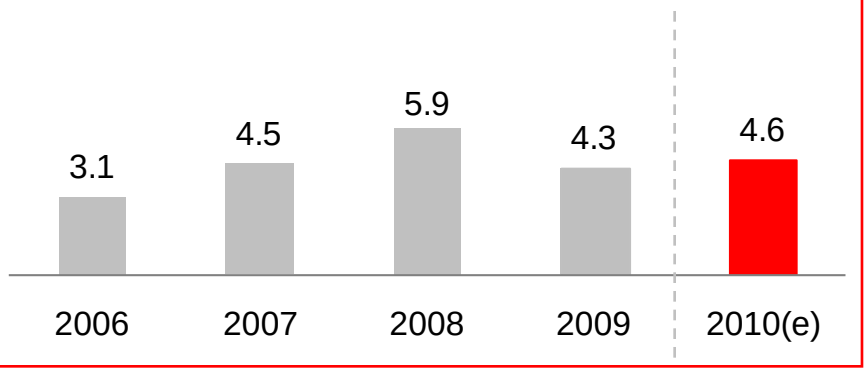
### GDP (year-on-year growth %)



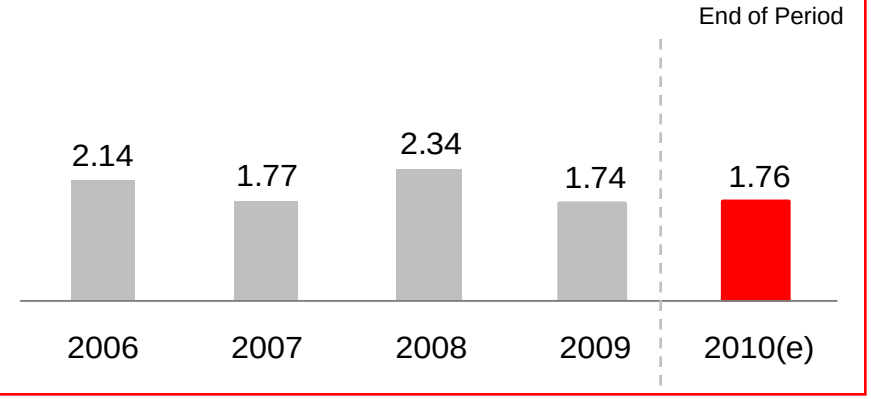

### Interest Rate - Selic (%)




### Inflation (IPCA %)




### Exchange Rate – (R$/US$)




Sources: The Brazilian Central Bank, IBGE and Focus – BC Reports.

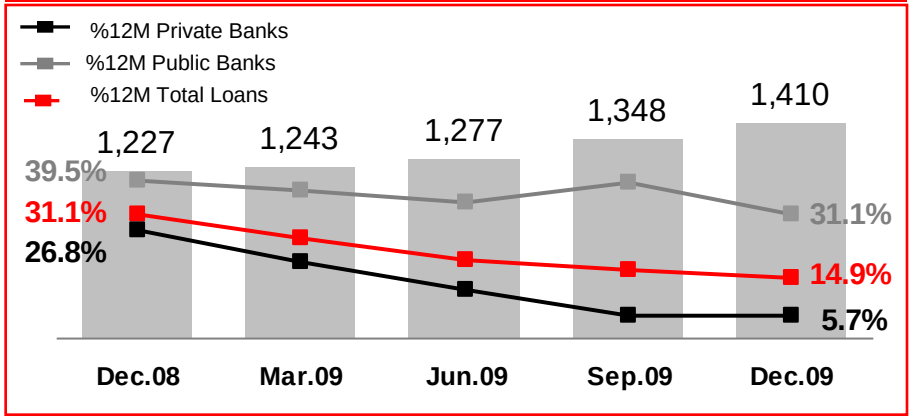
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# Financial System: Loan dynamics

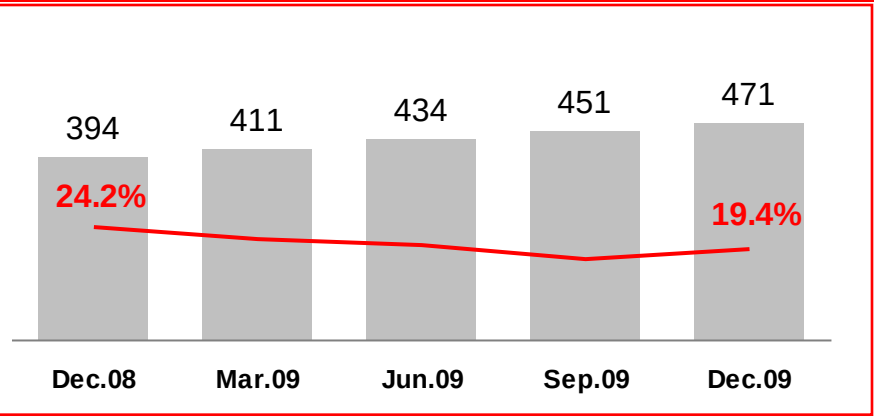


R$ Billion

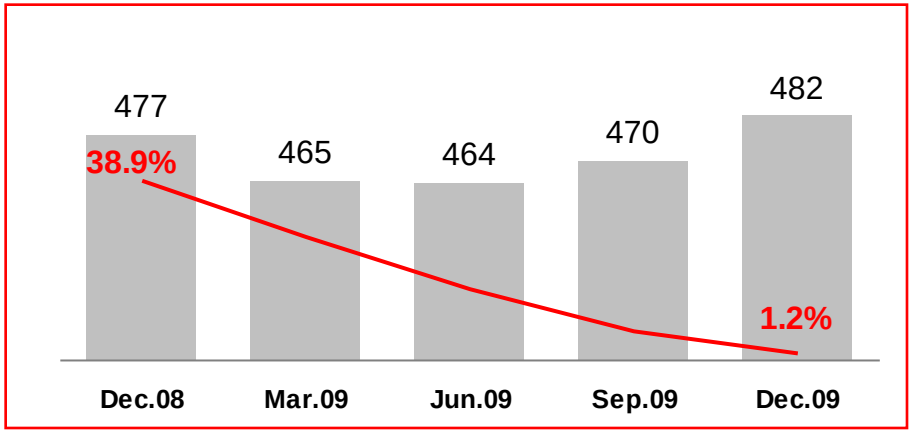
## Total Loans



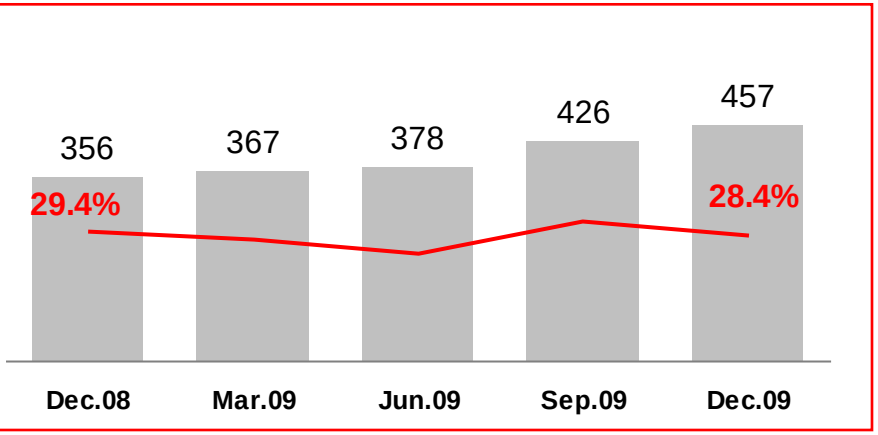

## Nonearmarked Loans to Individuals




## Nonearmarked Loans to Corporations




## Regulated Loans




Volume  Y-o-Y Variation %

Source: The Brazilian Central Bank

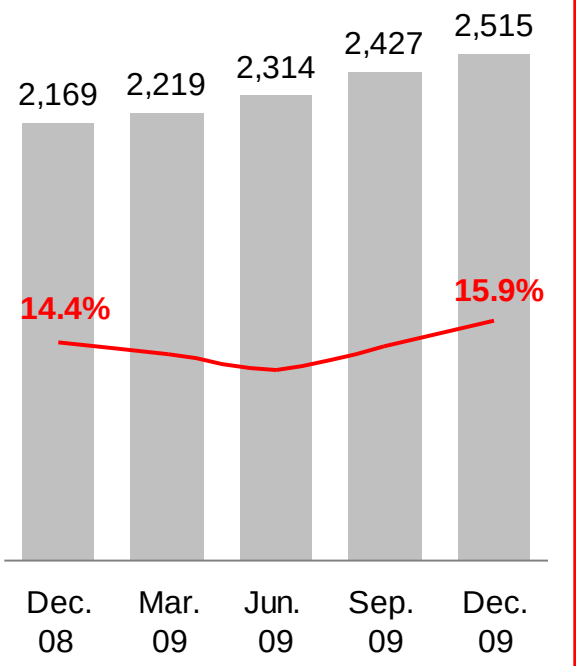
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# Financial System: Deposits and Assets Under Management

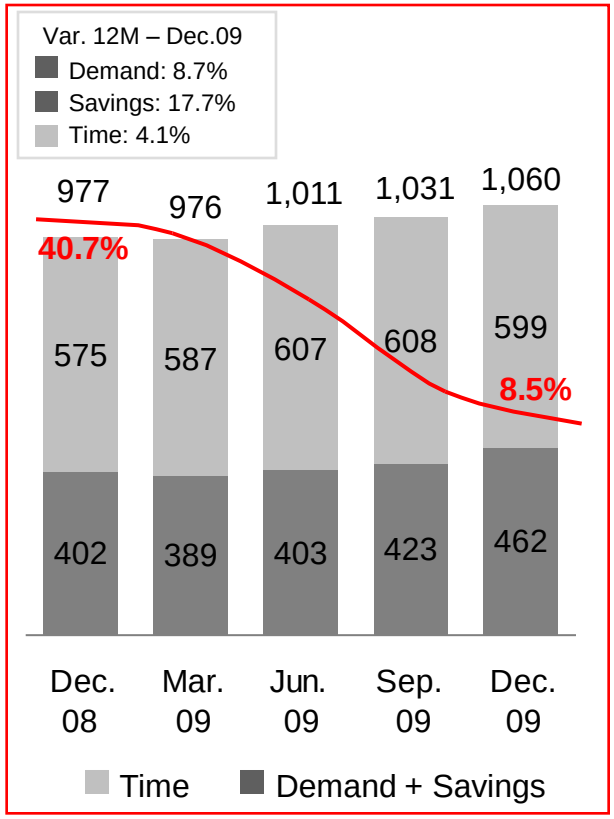


R$ Billion

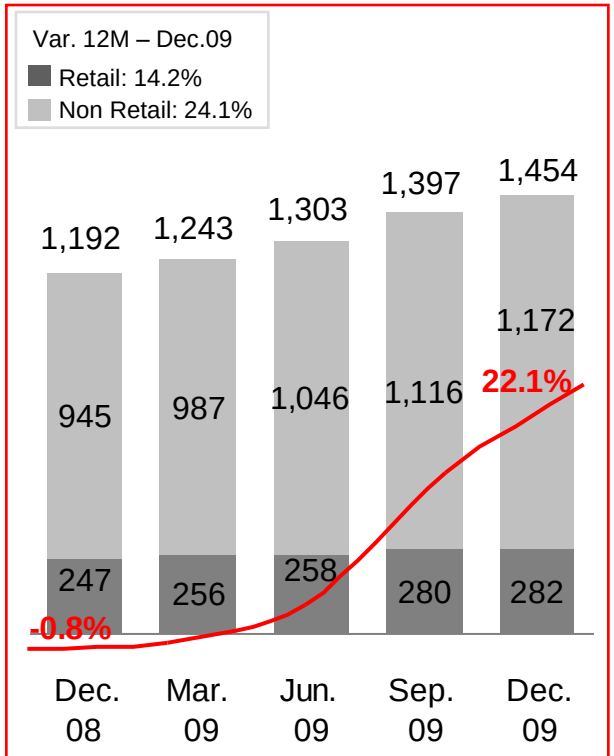
## Deposits + Assets Under Management




## Deposits




## Assets Under Management




Volume — Y-o-Y Variation %

Source: The Brazilian Central Bank

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# Table of Contents




- Macroeconomic Scenario and Financial System
- **2009**
  - **- Strategy**
  - - Business
  - - Results

# Franchise



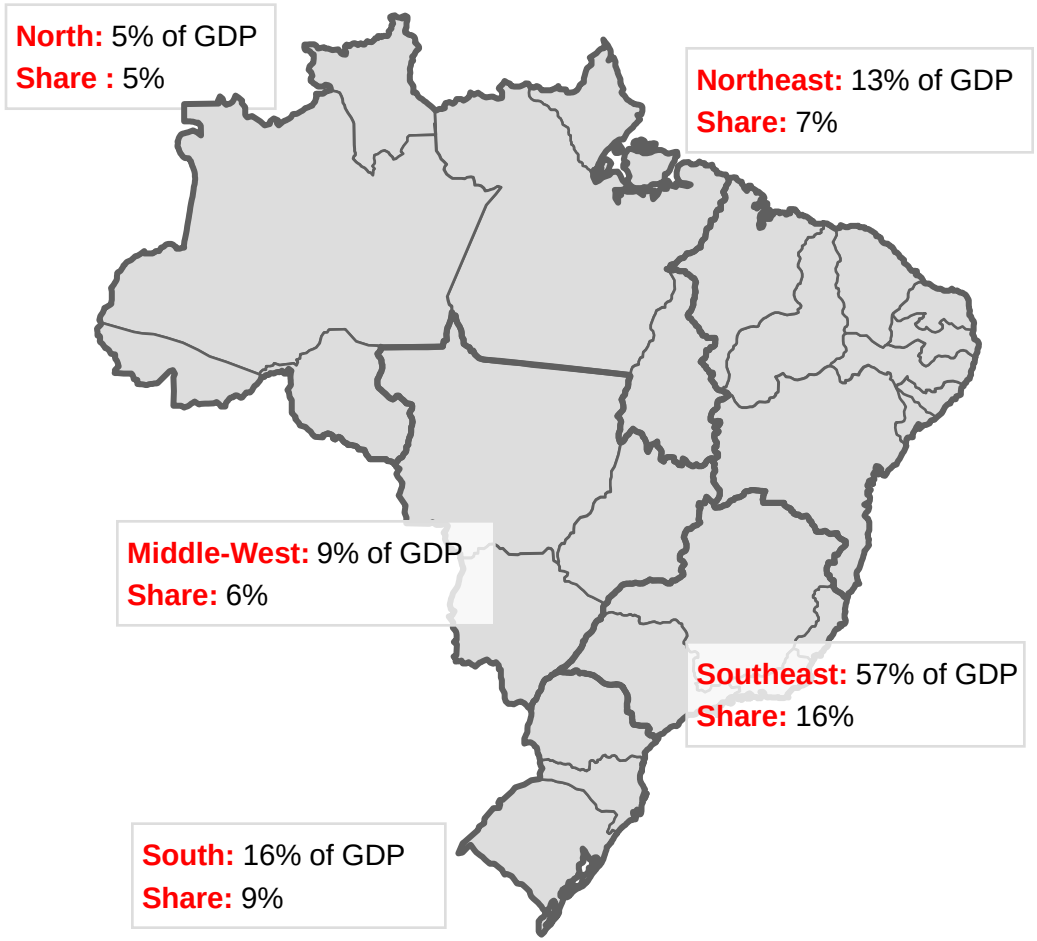
## Santander is the 3rd largest private bank in Brazil with scale to compete

| | Dec/09 |
|---|---|
| Loans (R$ MM) | 138,394 |
| Funding from Clients[1] (R$ MM) | 143,672 |
| Funding Total[2] (R$ MM) | 242,079 |
| Net Profit (R$ MM) | 5,508 |

### Strong distribution platform…

- One of the largest network in the South / South East (73% of GDP)
  - 2,091 Branches
  - 1,502 Mini Branches
  - 18,094 ATMs
- 10.2 mln active account holders[3]

**Market Share of Branches (%)**
**December 2009**



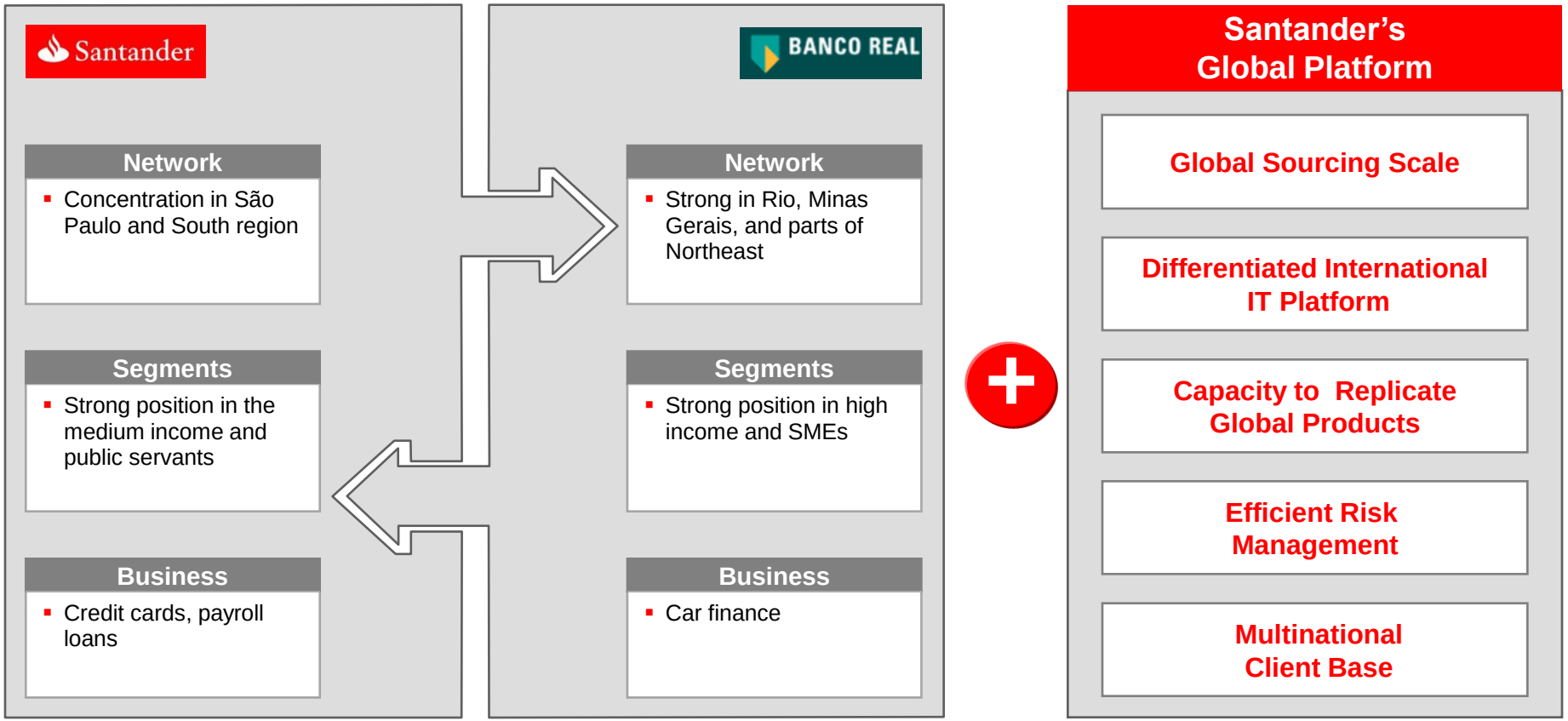

Source: The Brazilian Central Bank and IBGE. GDP date: 2007.
1) Demand Deposits + Time Deposits + Savings + Debentures + Real Estate Credit Notes (LCI) and Agribusiness Credit Notes (LCA)
2) Includes Assets Under Management
3) Customers with active accounts during a 30-day period, according to the Brazilian Central Bank.

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# Integration



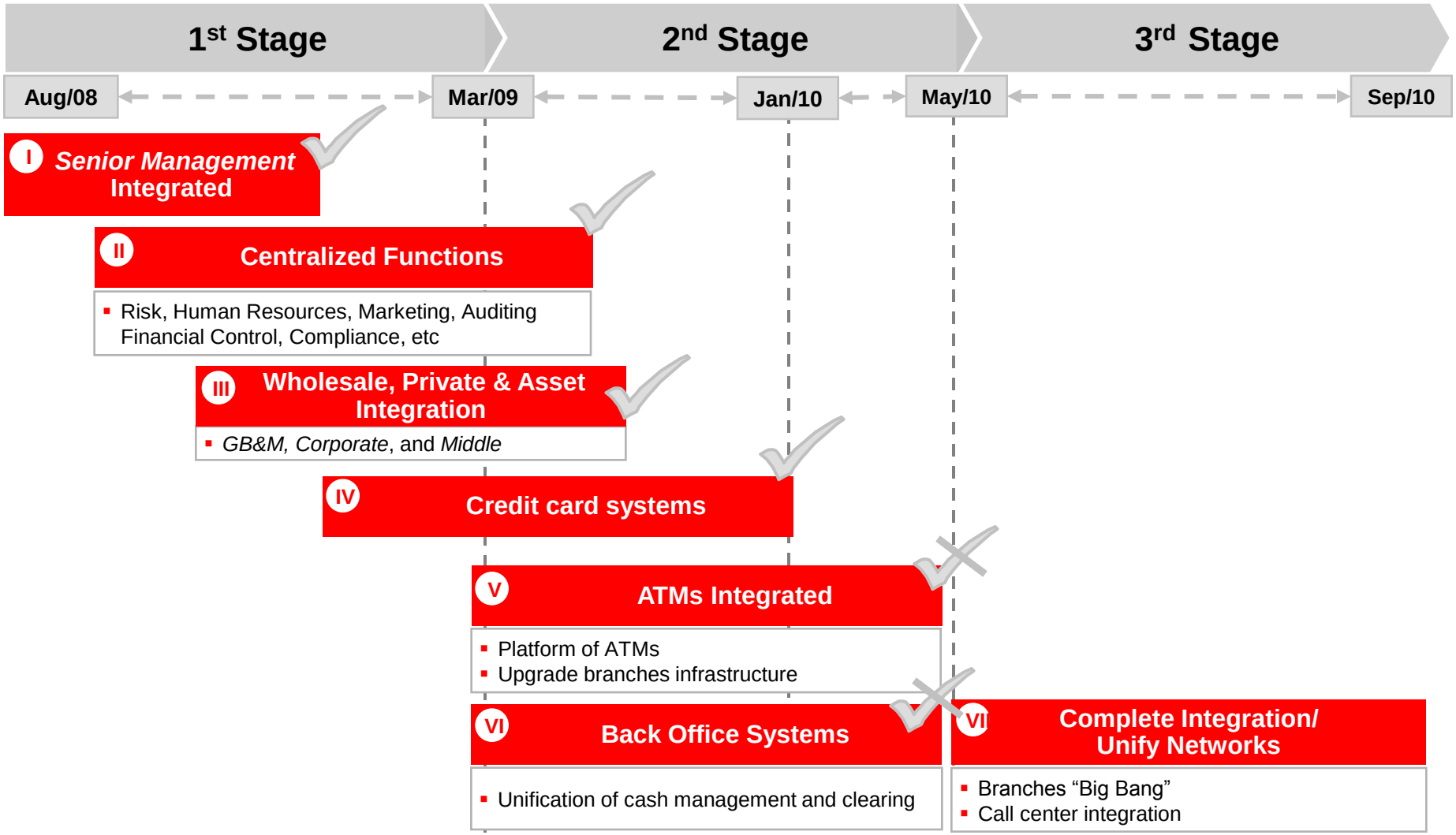
## A unique combination of highly complementary local platforms enhanced by Santander's Group affiliation



# Integration



## The integration process moves as planned…



# Integration

## …and *Together* we are taking the best of each bank to our customers

### Santander Master

- The two best overdraft ideas, now together.

10 days without paying interest per month + Installment of debit by half of overdraft interest



### Van Gogh Services




- Santander launches Van Gogh services for high income customers, providing appropriate and innovative financial solutions.

### Auto Max




- Santander and Real embrace single format for hiring and sale of insurance in Brazil.
- With this process, the marketing of insurance is optimized.



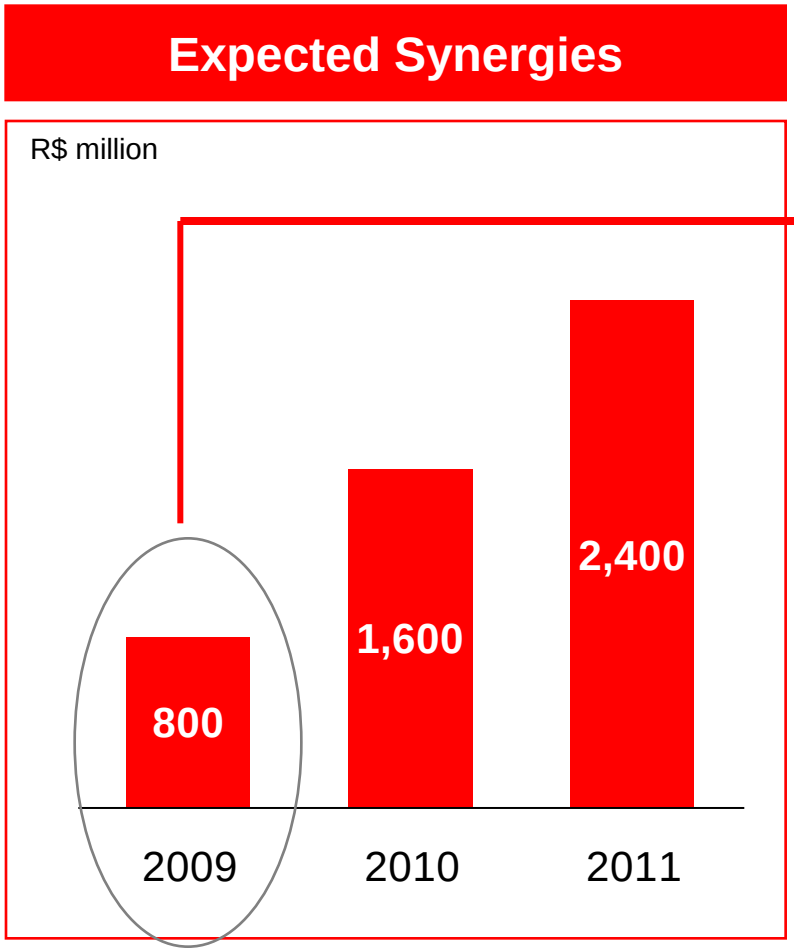

### Santander Flex and Real Flex




Every month, 5 days to pay the invoice
Every year, a month without interest
+ Installment of invoice by half of credit card interest

# Integration: Synergies






**We reached cost synergies of R$ 1,1 Bi in 2009, R$ 300 MM above expectations**

# Table of Contents

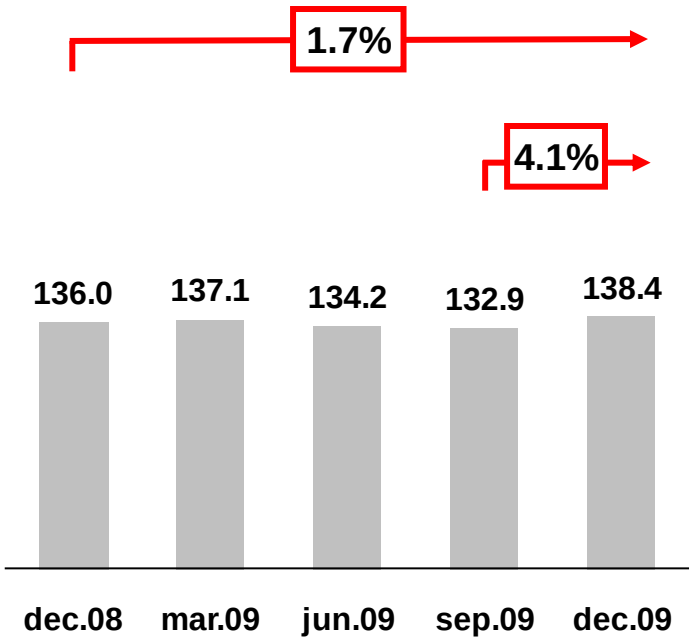



- Macroeconomic Scenario and Financial System
- **2009**
  - Strategy
  - **Business**
  - Results

# Business: Loans Evolution



R$ Billion




| R$ Million | 2009 | 2008 | Var. 12M (%) | Var. 3M (%) |
|---|---|---|---|---|
| Individuals | 43,352 | 39,153 | 10.7% | 2.2% |
| Consumer Financing | 24,627 | 24,757 | -0.5% | 1.7% |
| SMEs | 32,417 | 34,289 | -5.5% | 4.5% |
| Corporate | 37,998 | 37,839 | 0.4% | 7.7% |
| **Total[1]** | **138,394** | **136,039** | **1.7%** | **4.1%** |

✓ Including portfolio purchased from other banks (not considered in the loan portfolio in IFRS), the credit growth in twelve months would be 3.0% and 4.2% in the quarter

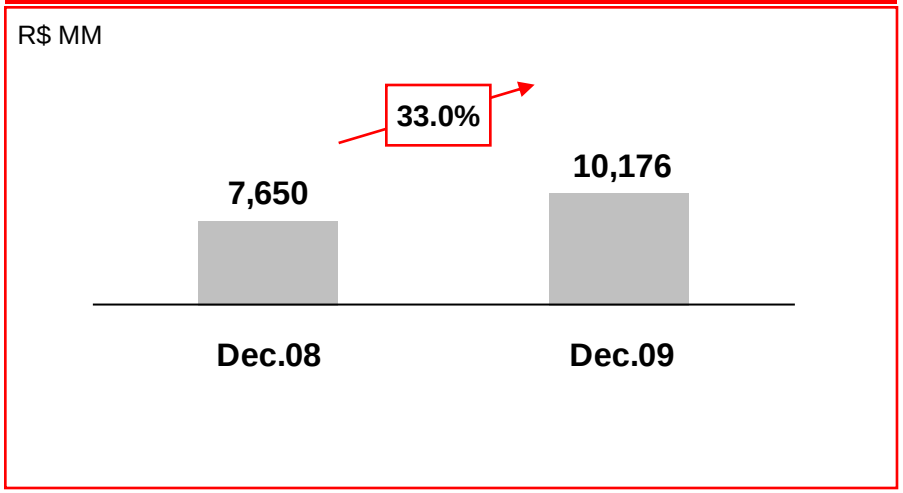
1) In 2009, the Bank acquired, through Cayman branch, credit portfolio of trade and export financing agreements related to operations contracted with Brazilian clients in the amount of US$ 1,977 million, equivalent to R$ 3,442 million. In 4Q09, the amount was US$ 1,170 million.

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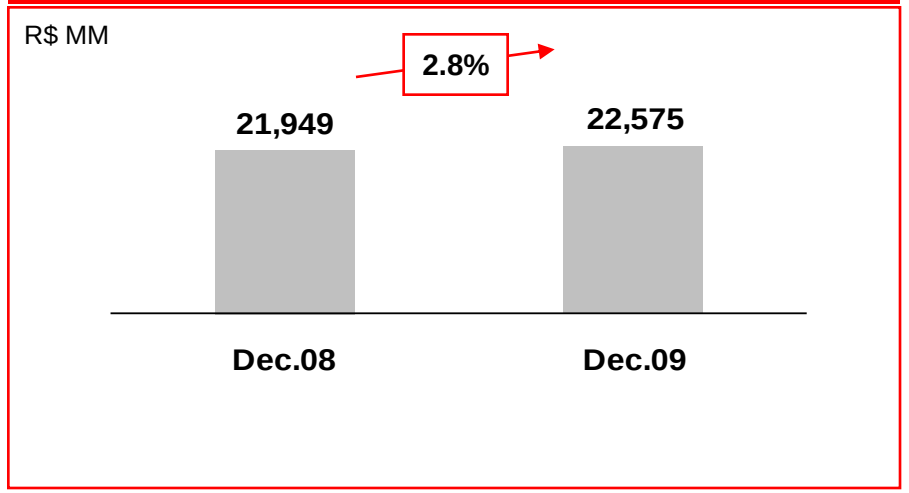
# Loans: Loans to individuals by product



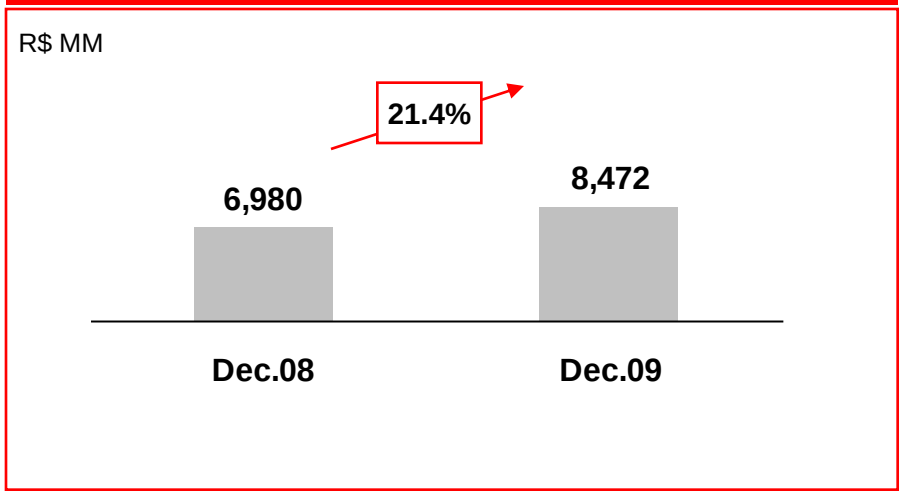
## Payroll Loans[1]



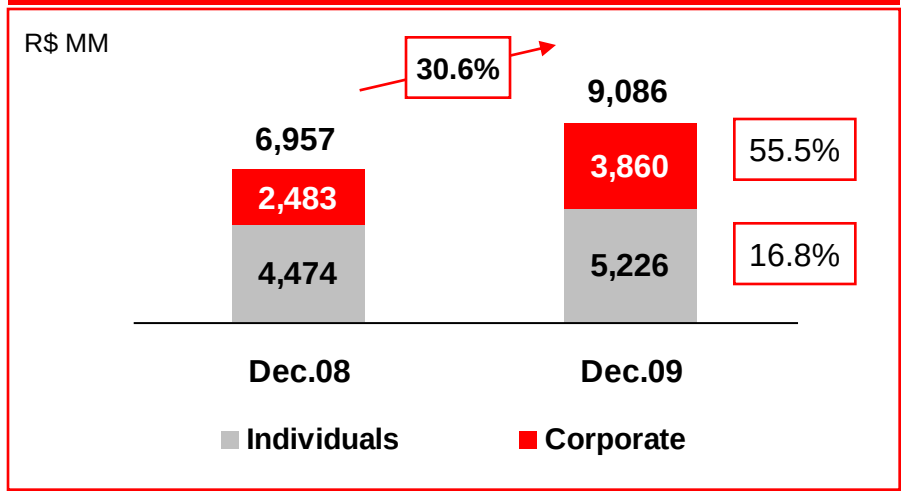

## Auto Loans




## Credit Cards




## Mortgage[2]

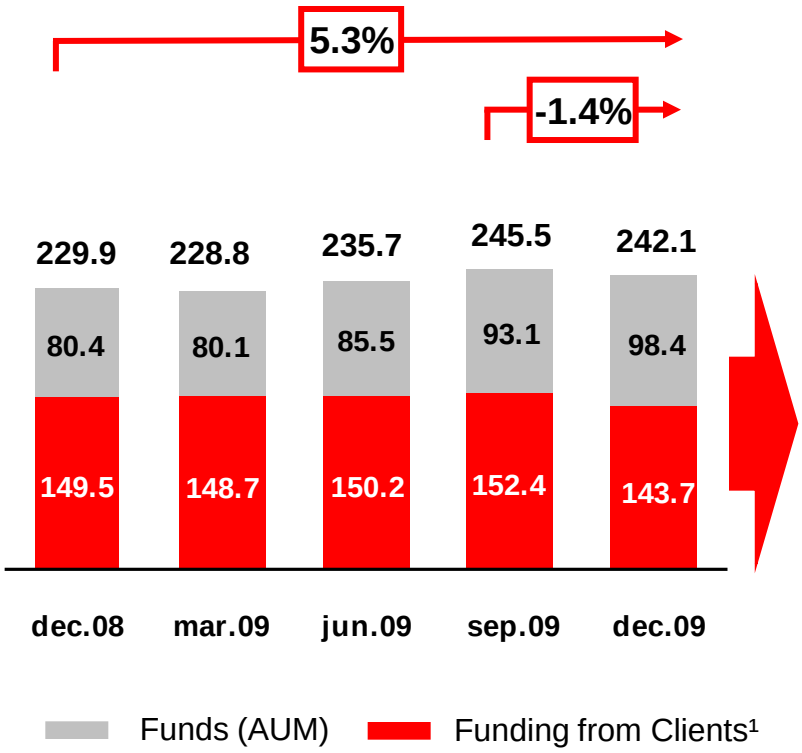



1) Includes purchase of portfolio of R$ 2.220 million in Dec/09 and R$ 443 million in Dec/08
2) Includes funding for Individuals and Corporate.

# Business: Deposits and Assets Under Management



R$ Billion




| R$ Million | 2009 | 2008 | Var. 12M (%) | Var. 3M (%) |
|---|---|---|---|---|
| Demand | 15,140 | 15,298 | -1.0% | 12.0% |
| Savings | 25,217 | 20,643 | 22.2% | 10.3% |
| Time | 75,771 | 88,907 | -14.8% | -13.7% |
| Others[1] | 27,544 | 24,686 | 11.6% | -2.2% |
| **Funding from Clients** | **143,672** | **149,534** | **-3.9%** | **-5.7%** |
| Funds (AUM) | 98,407 | 80,402 | 22.4% | 5.7% |
| **Total** | **242,079** | **229,936** | **5.3%** | **-1.4%** |

1) Repurchase commitments backed on Debentures, Real Estate Credit Notes (LCI) and Agribusiness Credit Notes (LCA)

# Table of Contents




- Macroeconomic Scenario and Financial System
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  - Strategy
  - Business
  - **Results**

# Results: Non-recurrent events



| Non-recurrent events 4Q09 | Value (R$ Million) |
|---|---|
| - Cetip | 54 |
| - REFIS (Law 11,941/09)[1] | 207 |
| - Provision for contingencies | -207 |
| **TOTAL** (before taxes) | **54** |

1) Relative to tax payment through program for payment of tax debits through cash and installment payments under law 11,941/09 (REFIS)

# Results: Highlights



- In 2009, **net profit** amounted to R$ **5,508 MM** growing 41% in twelve months.
- Net profit increase driven by **revenue growth and cost control**
- **Performance Ratios** improved in twelve months (12M09/12M08)
  - **Efficiency Ratio[1]: 35.0%,** drop of 9.1 p.p.
  - **Recurrence[2]: 57.0%,** increase of 6.1 p.p.
  - **ROE[3]: 19.3%,** increase of 2.6 p.p.
- Sound **Balance Sheet Metrics**
  - **BIS Ratio[3]: 25.6%,** increase of 10.9 p.p. in twelve months (12M09/12M08)
  - **Coverage: 101.7%,** increase of 0.7 p.p. in the quarter
- **Equity[3] of R$ 40,954 MM**

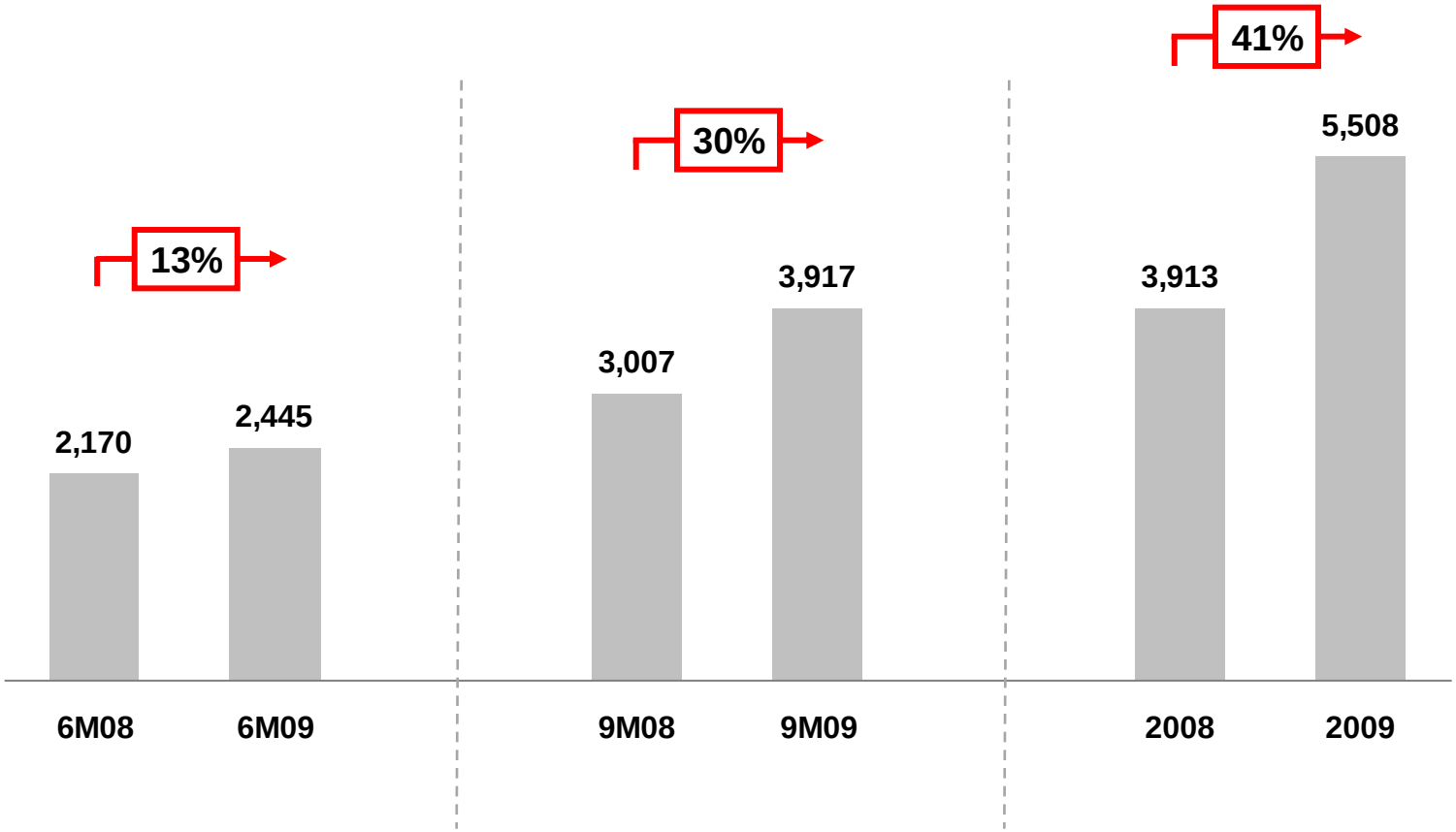
1) General Expenses excluding amortization / Total Revenue
2) Net Fee / General Expenses excluding amortization
3) Excludes Goodwill on acquired companies (Banco Real and Real Seguros Vida e Previdência).

# Results: Accumulated Net profit



R$ MM

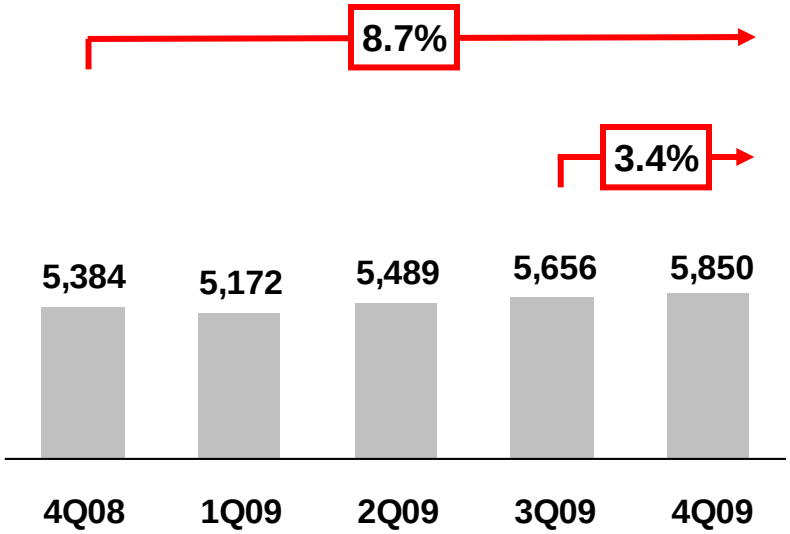
## Net profit growth is accelerating



# Results: Net Interest Margin



R$ MM



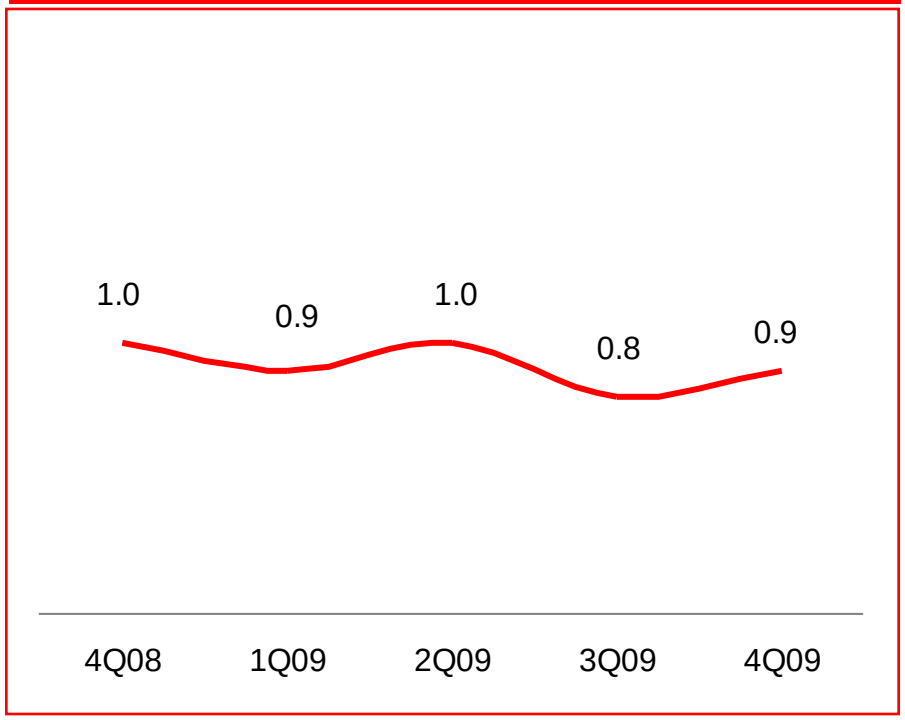

| | 2009 | 2008 | Var. 12M (%) |
|---|---|---|---|
| Net Interest Margin | 22,167 | 19,231 | 15.3% |

**Interest Rate (Average) – Selic**

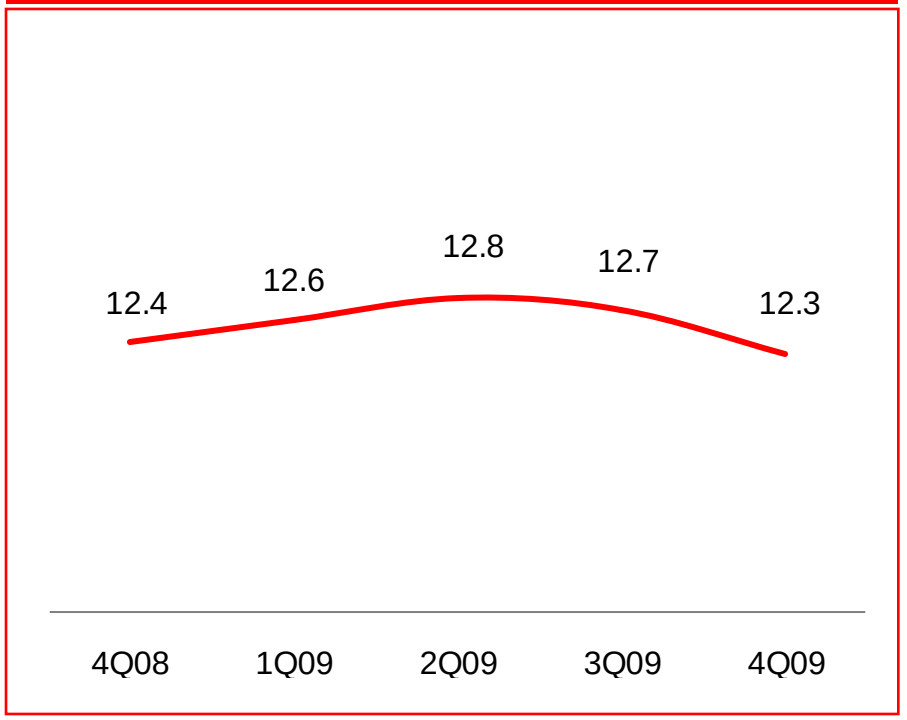
| | | | | |
|---|---|---|---|---|
| 13.66% | 11.70% | 9.54% | 8.65% | 8.65% |

# Results: Spreads

## Deposits Spread, %



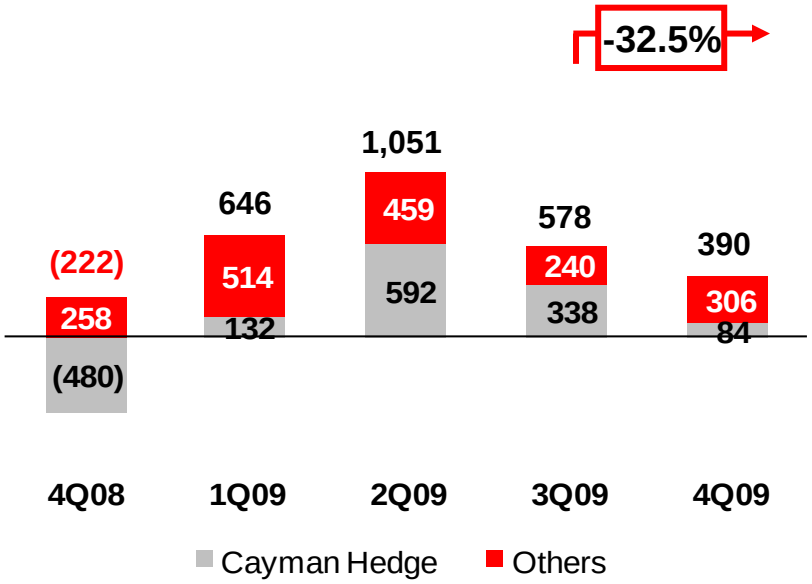

## Loans Spread, %



# Results: Gains/losses on financial assets and liabilities + exchange differences



R$ MM



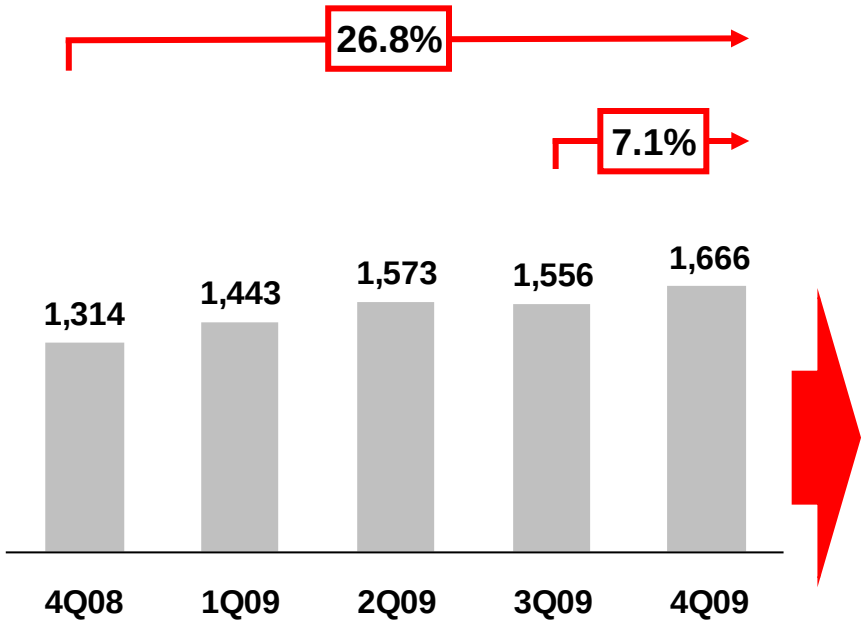

| | 2009 | 2008 | Var. 12M (%) |
|---|---|---|---|
| Gains/losses on financial assets and liabilities + exchange differences | 2,665 | 777 | 243.0% |
| - Cayman Hedge[1] | 1,146 | - 600 | n.a. |
| **Gains/losses on financial assets and liabilities + exchange differences (excluding Cayman Hedge)** | **1,519** | **1,377** | **10.3%** |

1) The increase in gains originated by the Cayman Hedge was offset by an increase in income tax expenses.

# Results: Net Fees



R$ MM



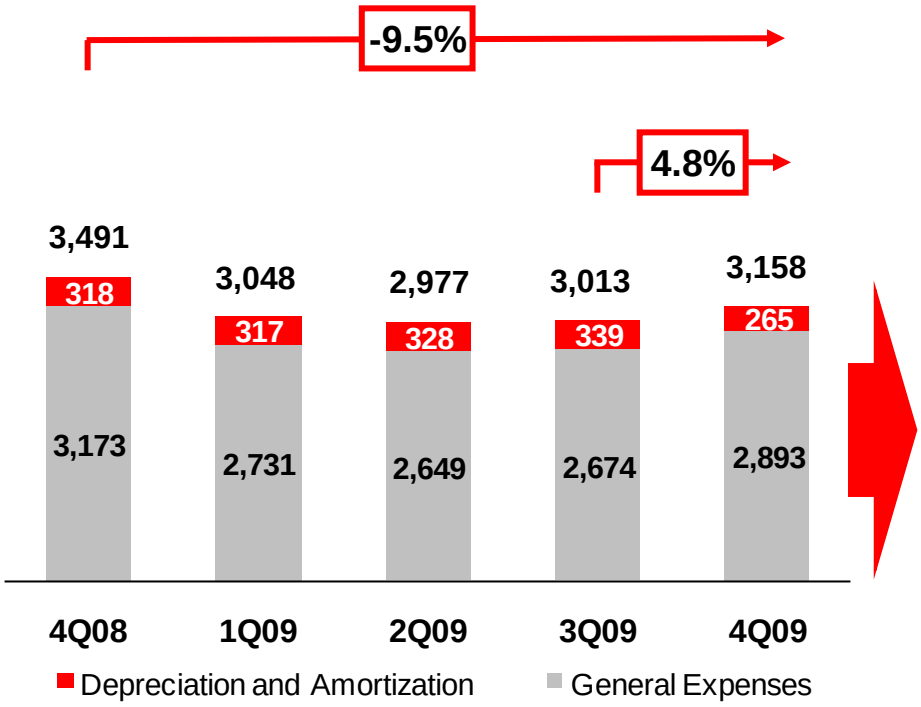

| | 2009 | 2008 | Var. 12M (%) |
|---|---|---|---|
| Banking fees | 2,458 | 2,376 | 3.4% |
| Insurance | 1,042 | 844 | 23.4% |
| Asset Management | 737 | 830 | -11.2% |
| Credit and Debit Cards | 746 | 635 | 17.5% |
| Collection services | 502 | 442 | 13.5% |
| Capital Markets | 539 | 413 | 30.6% |
| Trade (COMEX) | 384 | 397 | -3.2% |
| Others[1] | -171 | -72 | 136.5% |
| **Total** | **6,238** | **5,866** | **6.3%** |

1) Includes taxes and others

# Results: General Expenses and Amortization



R$ MM

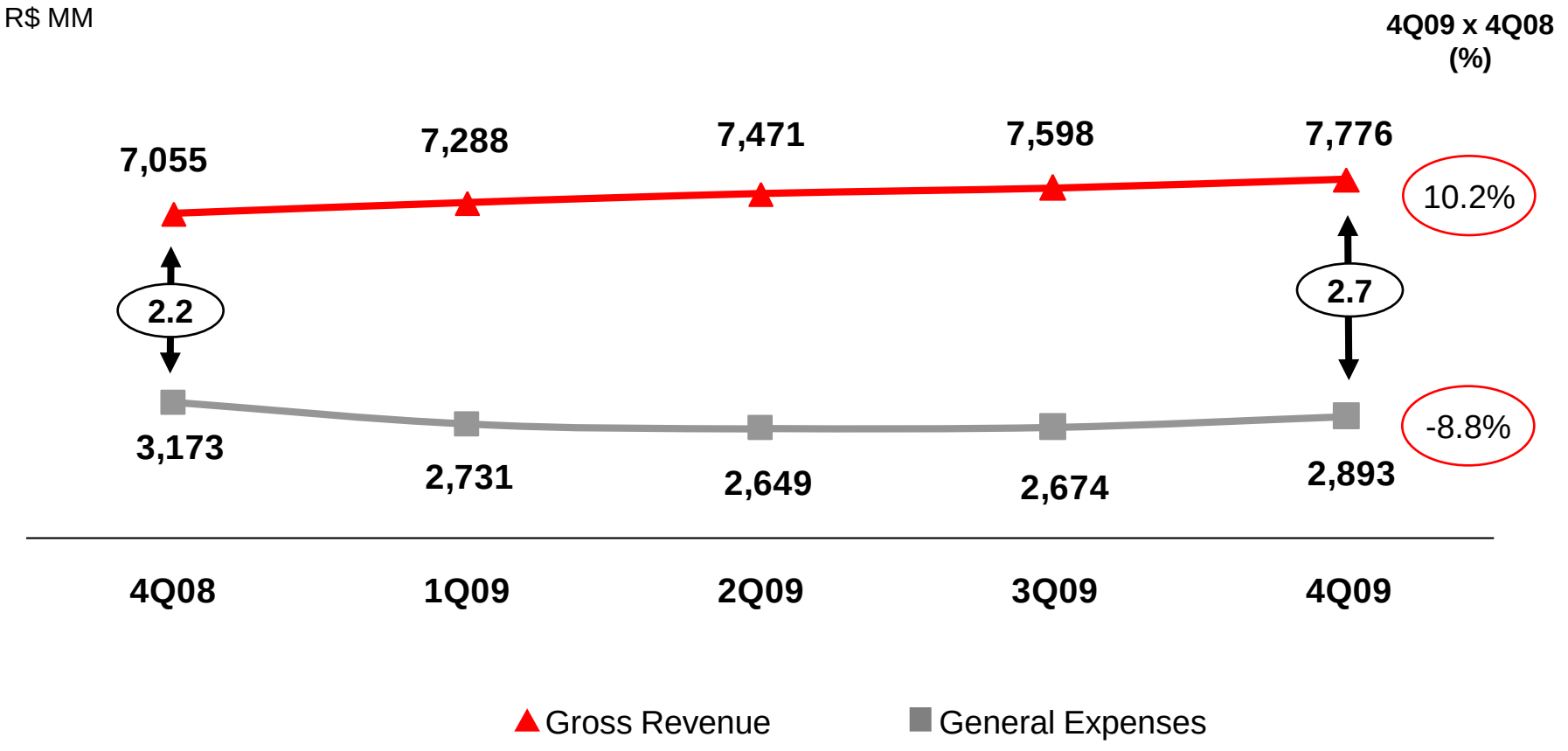



| | 2009 | 2008 | Var. 12M (%) |
|---|---|---|---|
| Other General Expenses | 5,436 | 5,858 | -7.2% |
| Personnel Expenses | 5,511 | 5,674 | -2.9% |
| Depreciation and Amortization | 1,249 | 1,236 | 1.1% |
| **Total** | **12,196** | **12,768** | **-4.5%** |

# Results: Gross Revenue vs General Expenses



## Gross Revenue[1] and General Expenses[2]

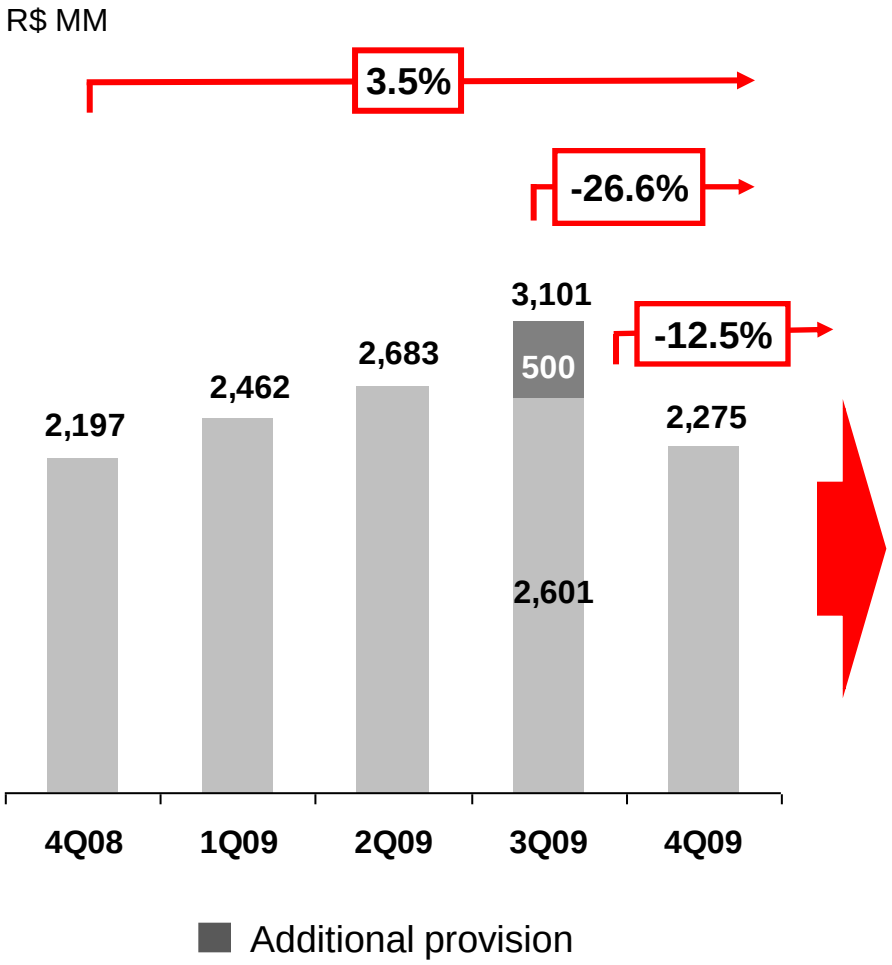



1) Gross Revenue = Total Income excluding Cayman Hedge. Including Cayman Hedge 4Q09/4Q08 grows 19.5%.
2) Excludes amortization.

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# Results: Allowance for Loan Losses[1]



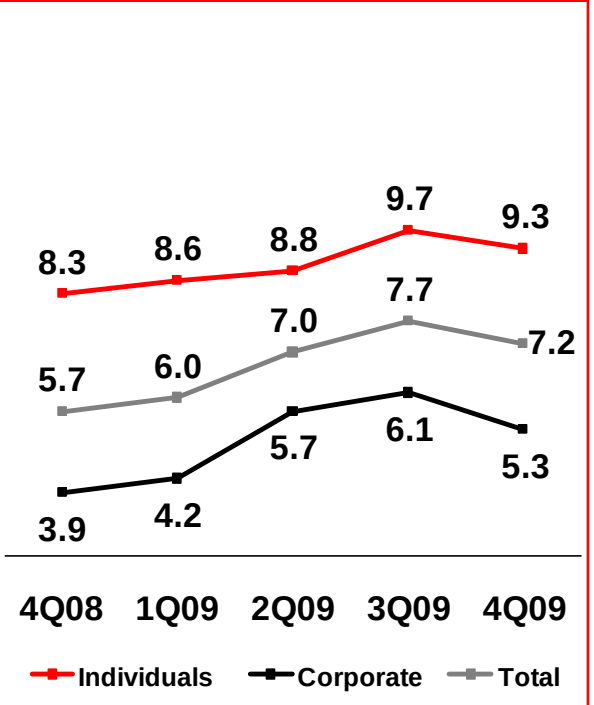



| | 2009 | 2008 | Var. 12M (%) |
|---|---|---|---|
| Allowance for loan losses | 10,520 | 7,240 | 45.3% |

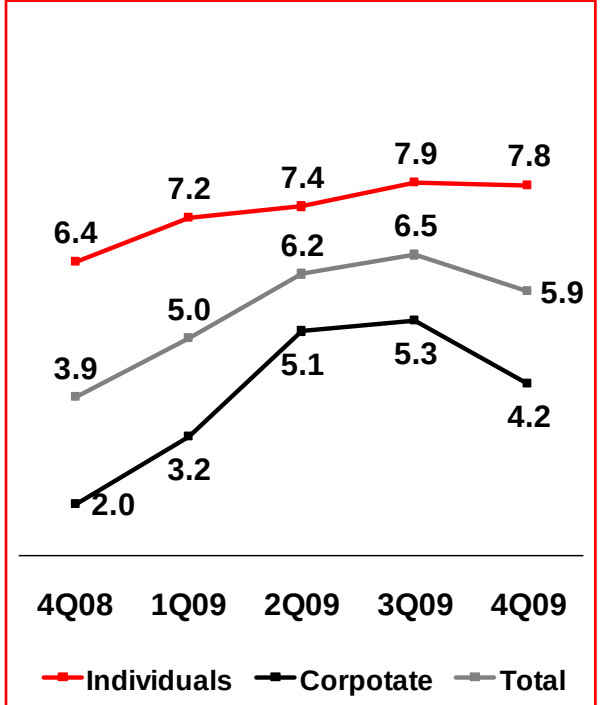
1) Excluding recoveries of written-off credits.

# Business: Asset Quality

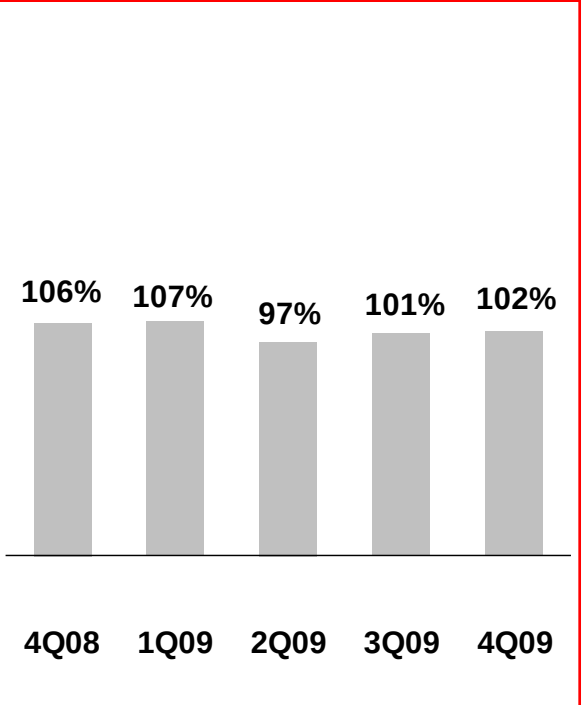
## Delinquency IFRS[1] (%)




## Delinquency BRGAAP[2] (%)




## Coverage Ratio IFRS[3]



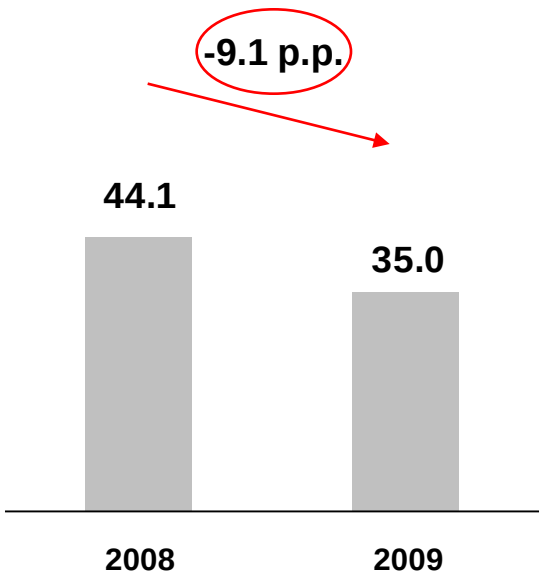

1) Nonperforming loans for over 90 days + performing loans with high delinquency risk / total loans managerial.
2) Nonperforming loans for over 90 days / total loans BRGAAP
3) Allowance for Loan Losses / nonperforming loans for over 90 days + performing loans with high delinquency risk

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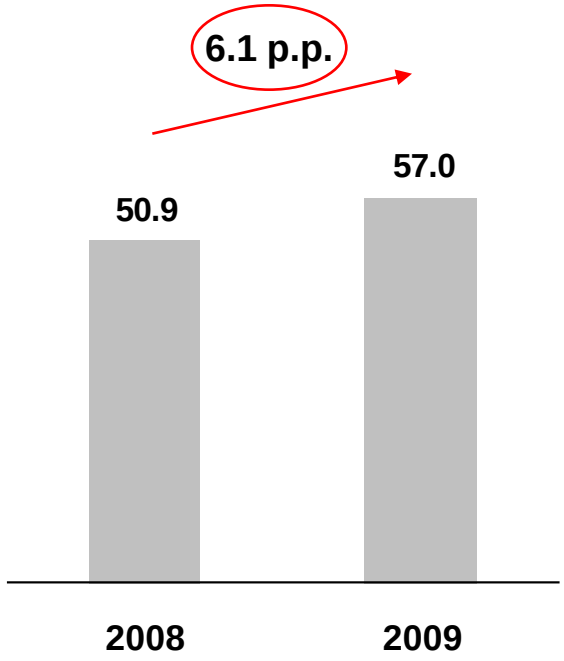
# Results: Performance Ratios



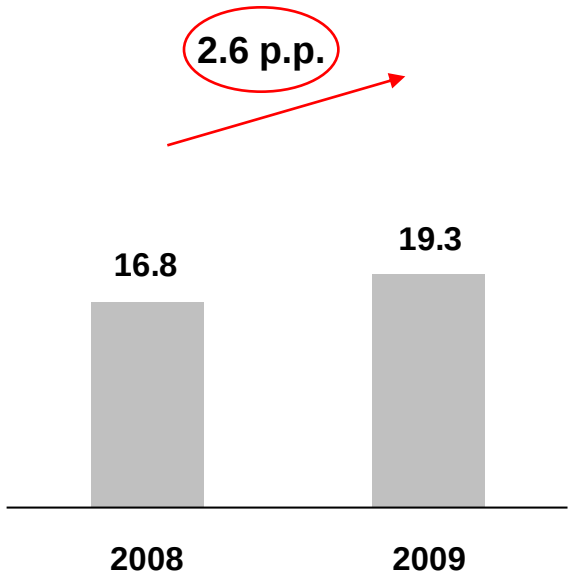
## Efficiency Ratio[1] (%)




## Recurrence[2] (%)




## ROE (adjusted)[3] (%)




1) Excluding hedge, the 2008 and 2009 ratios are 43.1% e 36.3% respectively
2) Net Fee/General Expenses
3) Excludes Goodwill on acquired companies (Banco Real and Real Seguros Vida e Previdência)

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# Conclusion

- **Integration process** on track, keeping best practices of each institution
- In 2009, **Synergies** reached R$ 1.1 Bi, R$ 300 Million above expectations
- Improving **Performance Ratios** and Balance Sheet Metrics
- **Net profit** growth acceleration: 12M09/12M08= 41%; 9M09/9M08 = 30%; 6M09/6M08 = 13%

# ANNEXES

- Pro Forma Income Statement
- Pro Forma Balance Sheet

# Quarterly Pro forma Results



R$ MM

| Income Statements | 4Q08 | 1Q09 | 2Q09 | 3Q09 | 4T09 |
|---|---|---|---|---|---|
| - Interest and Similar Income | 11,117 | 9,996 | 9,775 | 9,731 | 10,934 |
| - Interest Expense and Similar | (5,733) | (4,824) | (4,286) | (4,075) | (5,084) |
| **Interest Income** | **5,384** | **5,172** | **5,489** | **5,656** | **5,850** |
| Income from Equity Instruments | 5 | 7 | 8 | 7 | 8 |
| Income from Companies Accounted for by the Equity Method | 88 | 205 | 52 | 33 | 5 |
| Net Fee | 1,314 | 1,443 | 1,573 | 1,556 | 1,666 |
| - Fee and Commission Income | 1,581 | 1,664 | 1,799 | 1,797 | 1,888 |
| - Fee and Commission Expense | (267) | (221) | (226) | (241) | (222) |
| Gains/Losses on Financial Assets and Liabilities and Exchange Diferences | (222) | 646 | 1,051 | 578 | 390 |
| Other Operation Income (Expenses) | 6 | (53) | (110) | 106 | (59) |
| **Total Income** | **6,575** | **7,420** | **8,063** | **7,936** | **7,860** |
| General Expenses | (3,173) | (2,731) | (2,649) | (2,674) | (2,893) |
| - Administrative Expenses | (1,659) | (1,371) | (1,297) | (1,345) | (1,423) |
| - Personnel espenses | (1,514) | (1,360) | (1,352) | (1,329) | (1,470) |
| Depreciation and Amortization | (318) | (317) | (328) | (339) | (265) |
| Provisions (net)[1] | (432) | (559) | (1,250) | (1,190) | (482) |
| Impairment Losses on Financial Assets (net) | (1,983) | (2,381) | (2,518) | (3,844) | (2,125) |
| - Allowance for Loan Losses[2] | (1,920) | (2,360) | (2,467) | (3,008) | (2,148) |
| - Impairment Losses on Other Financial Assets (net) | (63) | (21) | (51) | (836) | 23 |
| Net Gains on Disposal of Assets | 5 | 49 | 1,040 | 2,280 | 34 |
| **Net Profit before taxes** | **674** | **1,481** | **2,358** | **2,169** | **2,129** |
| Income Taxes | 232 | (649) | (745) | (697) | (538) |
| **Net Profit** | **906** | **832** | **1,613** | **1,472** | **1,591** |

1) Includes provision for tax contingencies and legal obligations.
2) Includes recovery of credits written off as losses.

# Pro forma Results 2009



R$ MM

| Income Statements | 2009 | 2008 | Var 12M ABS | Var 12M % |
|---|---|---|---|---|
| - Interest and Similar Income | 40,436 | 38,102 | 2,334 | 6.1% |
| - Interest Expense and Similar | (18,269) | (18,871) | 602 | -3.2% |
| **Interest Income** | **22,167** | **19,231** | **2,936** | **15.3%** |
| Income from Equity Instruments | 30 | 39 | (9) | -23.1% |
| Income from Companies Accounted for by the Equity Method | 295 | 305 | (10) | -3.3% |
| Net Fee | 6,238 | 5,866 | 372 | 6.3% |
| - Fee and Commission Income | 7,148 | 6,849 | 299 | 4.4% |
| - Fee and Commission Expense | (910) | (983) | 73 | -7.4% |
| Gains/Losses on Financial Assets and Liabilities and Exchange Diferences | 2,665 | 777 | 1,888 | 243.0% |
| Other Operation Income (Expenses) | (116) | (75) | (41) | 54.7% |
| **Total Income** | **31,279** | **26,143** | **5,136** | **19.6%** |
| General Expenses | (10,947) | (11,532) | 585 | -5.1% |
| - Administrative Expenses | (5,436) | (5,858) | 422 | -7.2% |
| - Personnel espenses | (5,511) | (5,674) | 163 | -2.9% |
| Depreciation and Amortization | (1,249) | (1,236) | (13) | 1.1% |
| Provisions (net)[1] | (3,481) | (1,702) | (1,779) | 104.5% |
| Impairment Losses on Financial Assets (net) | (10,868) | (6,655) | (4,213) | 63.3% |
| - Allowance for Loan Losses[2] | (9,983) | (6,573) | (3,410) | 51.9% |
| - Impairment Losses on Other Financial Assets (net) | (885) | (82) | (803) | n.a |
| Net Gains on Disposal of Assets | 3,403 | 54 | 3,349 | n.a |
| **Net Profit before taxes** | **8,137** | **5,072** | **3,065** | **60.4%** |
| Income Taxes | (2,629) | (1,159) | (1,470) | 126.8% |
| **Net Profit** | **5,508** | **3,913** | **1,595** | **40.8%** |

1) Includes provision for tax contingencies and legal obligations.
2) Includes recovery of credits written off as losses.

# Pro Forma Balance Sheet - Assets



R$ MM

| Assets | Dec-08 | Mar-09 | Jun-09 | Sep-09 | Dec-09 |
|---|---|---|---|---|---|
| Cash and Balances with the Brazilian Central Bank | 23,701 | 23,317 | 24,813 | 21,261 | 27,269 |
| Financial Assets Held for Trading | 19,986 | 22,347 | 15,809 | 19,261 | 20,116 |
| Other Financial Assets at Fair Value Through Profit or Loss | 5,575 | 6,462 | 6,068 | 16,986 | 16,294 |
| Available - for- Sale Financial Assets | 30,736 | 27,294 | 30,593 | 44,763 | 46,406 |
| Loans and Receivables | 162,725 | 159,356 | 161,645 | 149,973 | 152,163 |
| - Loans and advances to credit institutions | 29,692 | 30,977 | 31,993 | 27,932 | 24,228 |
| - Loans and advances to credit customers | 141,214 | 137,227 | 138,811 | 132,343 | 138,005 |
| - Impairment losses | (8,181) | (8,848) | (9,159) | (10,302) | (10,070) |
| Hedging derivatives | 106 | 99 | 178 | 157 | 163 |
| Non-current assets held for sale | 113 | 120 | 58 | 53 | 171 |
| Investments in associates | 634 | 460 | 502 | 417 | 419 |
| Tangible Assets | 3,829 | 3,742 | 3,600 | 3,682 | 3,702 |
| Intangible Assets: | 30,995 | 30,534 | 30,589 | 30,982 | 31,618 |
| - Goodwill | 27,488 | 27,190 | 27,263 | 28,312 | 28,312 |
| - Others | 3,507 | 3,344 | 3,326 | 2,670 | 3,306 |
| Tax Assets | 12,920 | 12,798 | 13,386 | 15,058 | 15,779 |
| Other Assets | 2,870 | 3,170 | 1,637 | 3,642 | 1,873 |
| **Total Assets** | **294,190** | **289,699** | **288,878** | **306,235** | **315,973** |

# Pro Forma Balance Sheet - Liabilities



R$ MM

| Liabilities | Dec-08 | Mar-09 | Jun-09 | Sep-09 | Dec-09 |
|---|---|---|---|---|---|
| Financial Liabilities Held for Trading | 11,210 | 8,268 | 4,887 | 5,316 | 4,435 |
| Other Financial Liabilities at Fair Value Through Profit or Loss | 307 | 257 | 363 | 2 | 2 |
| Financial liabilities at amortized cost | 213,974 | 208,267 | 207,644 | 205,801 | 203,567 |
| - Deposits from the Brazilian Central Bank | 185 | 1,049 | 870 | 562 | 240 |
| - Deposits from credit institutions | 26,326 | 23,435 | 21,793 | 18,754 | 20,956 |
| - Customer deposits | 155,495 | 155,231 | 154,922 | 154,548 | 149,440 |
| - Marketable debt securities | 12,086 | 11,535 | 11,299 | 10,945 | 11,439 |
| - Subordinated liabilities | 9,197 | 10,938 | 10,996 | 11,149 | 11,304 |
| - Other financial liabilities | 10,685 | 6,079 | 7,764 | 9,843 | 10,188 |
| Liabilities for Insurance Contracts | - | - | - | 13,812 | 15,527 |
| Provisions[1] | 8,915 | 9,749 | 10,203 | 11,555 | 9,480 |
| Tax Liabilities | 6,156 | 6,402 | 7,352 | 9,287 | 9,457 |
| Other Liabilities[2] | 3,791 | 6,084 | 6,624 | 4,796 | 4,239 |
| **Total Liabilities** | **244,353** | **239,027** | **237,073** | **250,569** | **246,707** |
| Equity Shareholders' Equity | 49,318 | 50,113 | 51,135 | 55,079 | 68,706 |
| Minority Interests | 5 | 5 | 5 | 5 | 1 |
| Valuation Adjustments | 514 | 554 | 665 | 582 | 559 |
| **Total Equity** | **49,837** | **50,672** | **51,805** | **55,666** | **69,266** |
| **Total Liabilities and Equity** | **294,190** | **289,699** | **288,878** | **306,235** | **315,973** |

1) Includes provision for pension and contingencies.
2) Includes other financial liabilities at fair value in income and derivatives used as hedge.

# Loan Portfolio Breakdown[1]

R$ MM

| Total Loans | 4Q08 | 1Q09 | 2Q09 | 3Q09 | 4Q09 |
|---|---|---|---|---|---|
| Individuals | 39,153 | 40,602 | 41,321 | 42,405 | 43,352 |
| Consumer Financing | 24,757 | 24,284 | 24,332 | 24,225 | 24,627 |
| SMEs | 34,289 | 32,933 | 31,748 | 31,029 | 32,417 |
| Corporate | 37,839 | 39,298 | 36,772 | 35,290 | 37,998 |
| **Total Loans** | **136,039** | **137,117** | **134,173** | **132,949** | **138,394** |
| Sureties and endorsements | 25,405 | 24,118 | 22,671 | 21,247 | 20,967 |
| **Total Loans including sureties and endorsements** | **161,444** | **161,235** | **156,844** | **154,196** | **159,361** |

1) Managerial loan breakdown considers the 3Q09 reclassification of certain products/transactions from loans and receivables into other balance sheet lines.

# IFRS x BRGAAP



R$ MM

| | 2009 |
|---|---|
| **BR GAAP Net Profit** | **1,806** |
| - Reversal of Goodwill amortization / Others | 3,030 |
| - PPA amortization | 411 |
| - Others | 261 |
| **IFRS Net profit** | **5,508** |

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