


Santander

# 2nd Quarter 2018

## (BR GAAP) Results

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# Agenda

01 **Key Messages**

02 Santander Group's Results

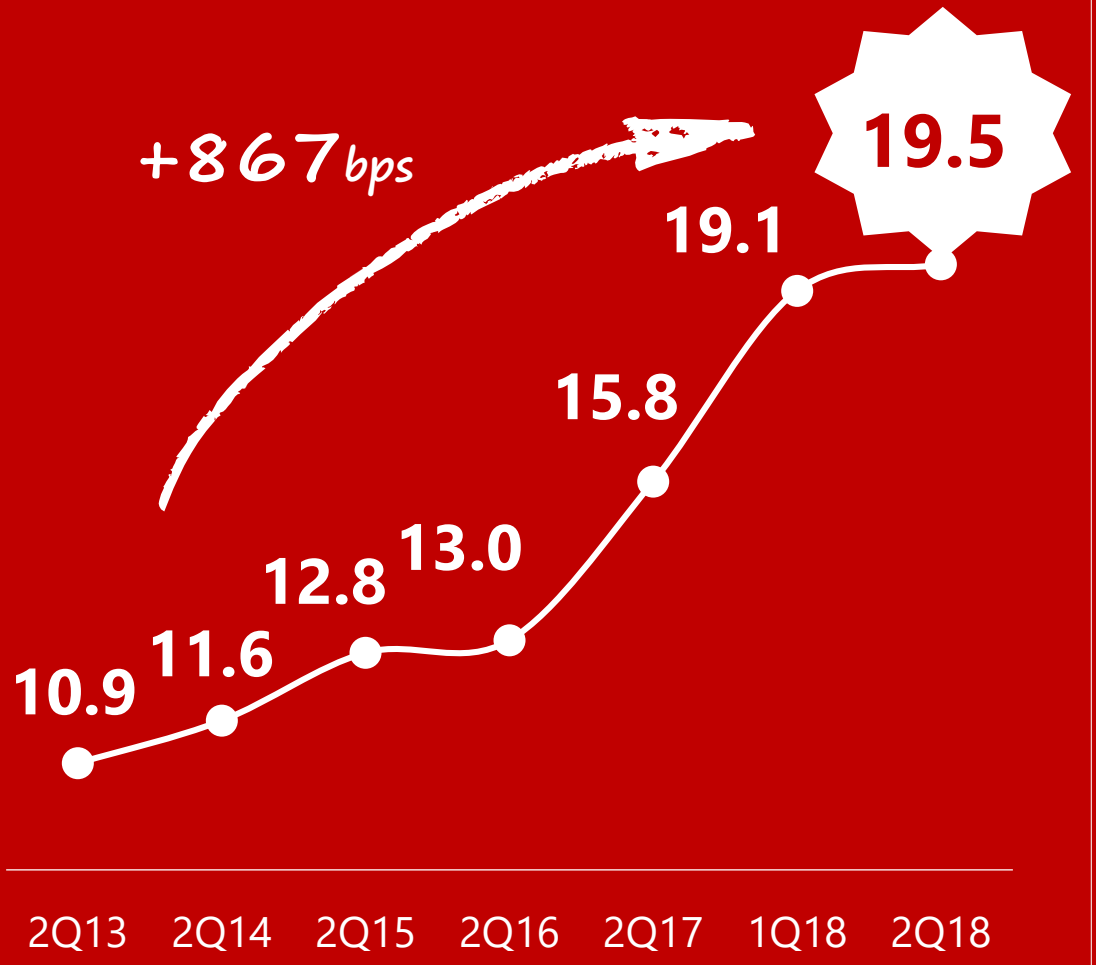
03 Macroeconomic Scenario

04 2Q18 Results Highlights

05 Final Remarks

# Generating **recurrent results**

| | 2Q18 | | 1H18 | |
|---|---|---|---|---|
| Net Interest Income | +3% | QoQ | +15% | YoY |
| Fees | +3% | QoQ | +12% | YoY |
| Efficiency Ratio | -42bps | QoQ | -433bps | YoY |



# Consistent profitable market share gain

- **Loans**[1]

Balance, May-18

**9.2%**

+80 bps YoY

- **Deposits**[1]

Balance, May-18

**10.3%**

+165 bps YoY

## Vehicles

**23.9%**[1]

(+201 bps YoY)
in total loans

## Cards

**13.8%**[2]

(+92 bps YoY)
in credit turnover

## Getnet

**13.2%**[3]

(+216 bps YoY)
in total turnover

## Payroll Loans

**12.2%**[1]

(+195 bps YoY)
in origination

## SMEs

**11.2%**[4]

(+223 bps YoY)
in loan portfolio

## Agro

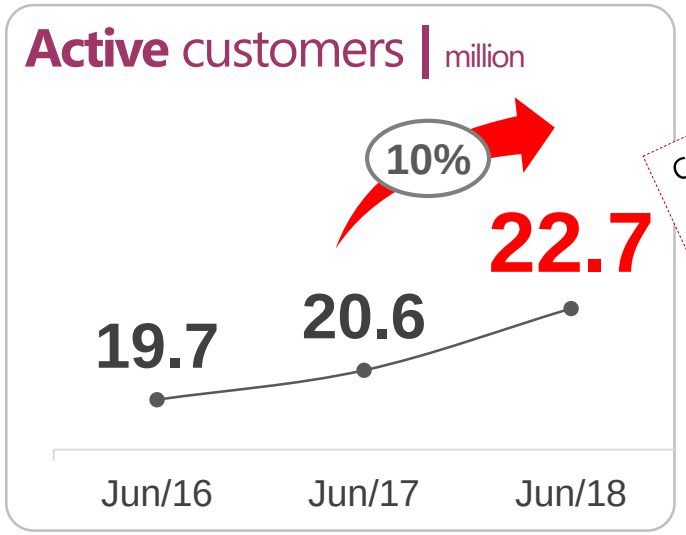
**6.5%**[1]

(+217 bps YoY)
in LCA

[1]BACEN, data as of May-18. For better comparability, the month of May was considered for all periods. [2] ABECS, 1Q18. "Monitor Bandeiras". Methodology includes all acquirings. [3] ABECS - Acquirings, 1Q18. [4] BACEN, March-18.

# Continued customer base growth and innovative solutions reinforce the products we offer

**Active** customers | million




Customers[1] base has been growing for 37 consecutive months

**Loyal** customers | million

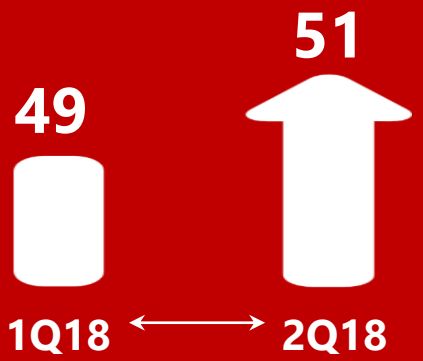
**4.8** +25% YoY

**Digital** customers | million

**9.8** +33% YoY

nps[2]

Net promoter score






## "Meus compromissos"

Enhanced financial management on mobile devices



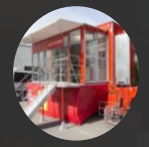
## SuperGet

More innovations in the sales management app




## Select Direct

Greater convenience and agility



## Itinerant mini-branch

Innovative project created to meet customer needs in any region of the country

[1] Active customer accounts. [2] Methodology that makes daily evaluations of the likelihood of customers recommending Banco Santander based on their experience with the Bank, across the entire branch network and service channels.

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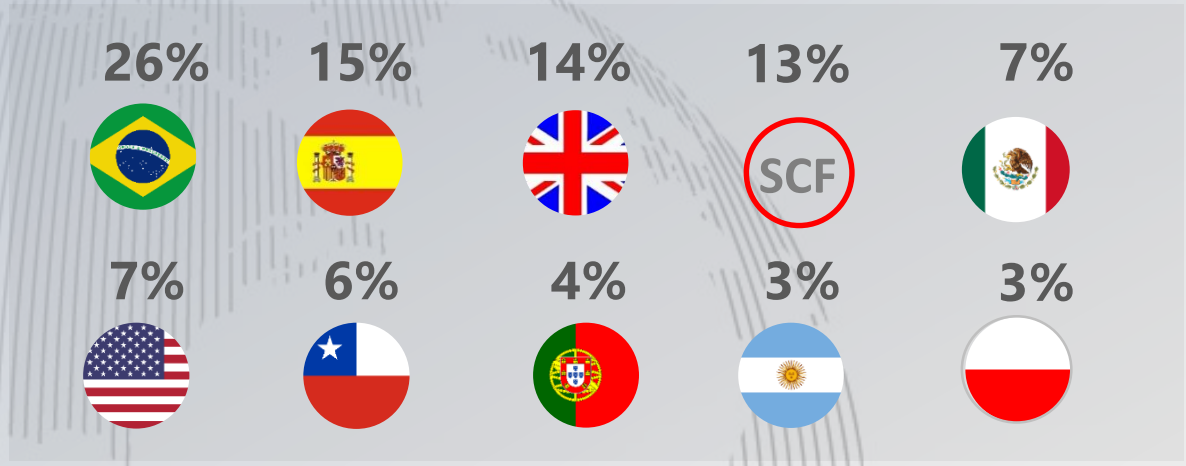
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Santander

# Well-diversified results

**Brazil** contributed **26%** of 1H18 results

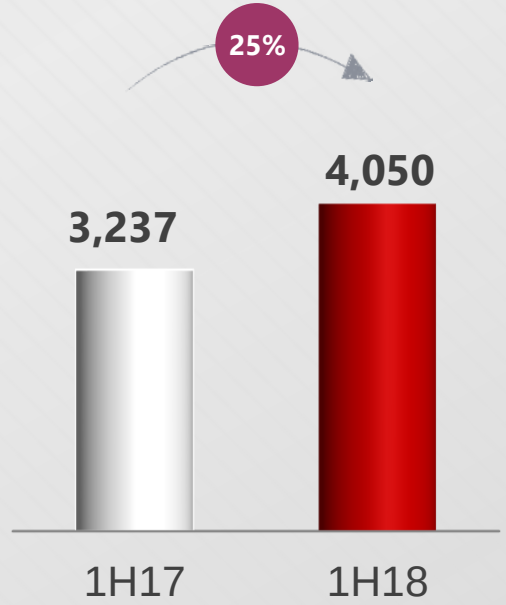





51% America[1]

49% Europe

## Attributable Profit
(EUR million)




## Ratings

| | LONG TERM | SHORT TERM | OUTLOOK |
|---|---|---|---|
| Moody's | A2 | P-1 | Stable |
| Standard & Poor's | A | A-1 | Stable |
| Fitch Ratings | A- | F2 | Stable |

(*) Excluding Corporate Center and real estate activities in Spain. [1]Includes 2% regarding other Latam.

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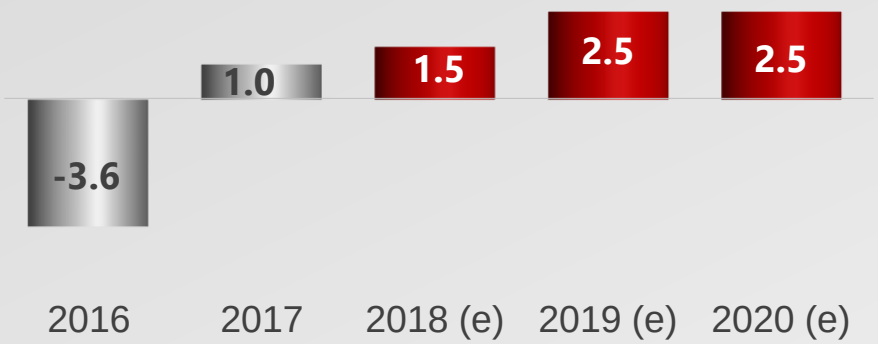
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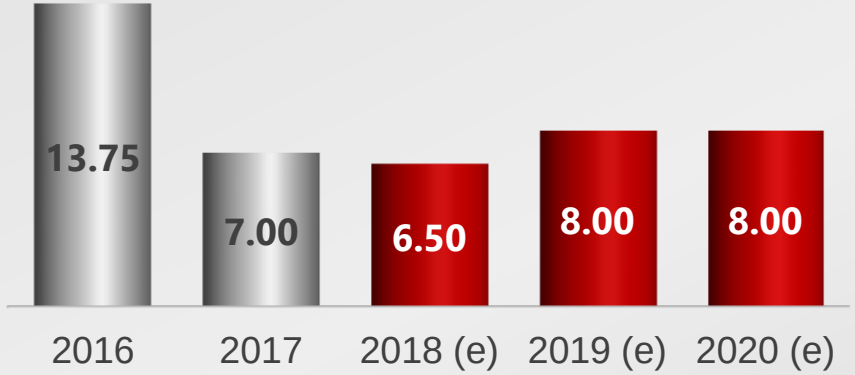
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# Anchored expectations suggest a **gradual recovery of economic activity**

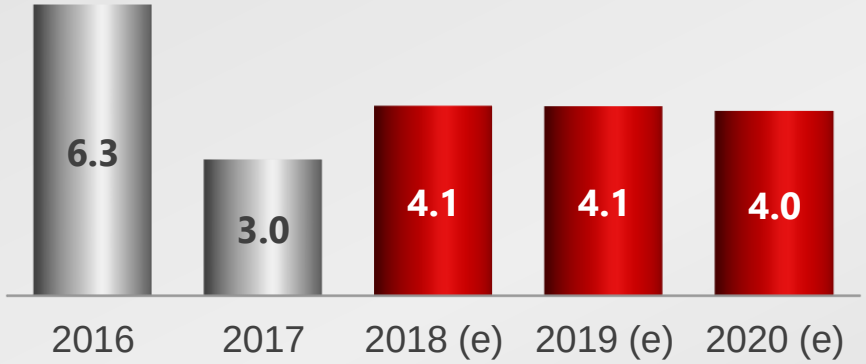
**GDP** | Real annual growth (%)



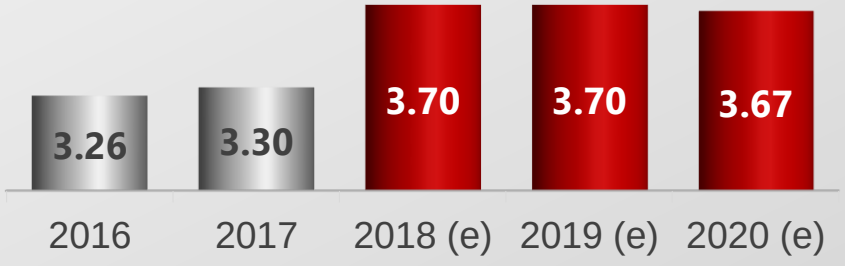

**Interest rate** | SELIC (%)




**Inflation** | IPCA (%)




**Exchange rate** | (R$/US$)




Source: Central Bank of Brazil (BACEN), IBGE, Focus Research projections (07/20/2018).

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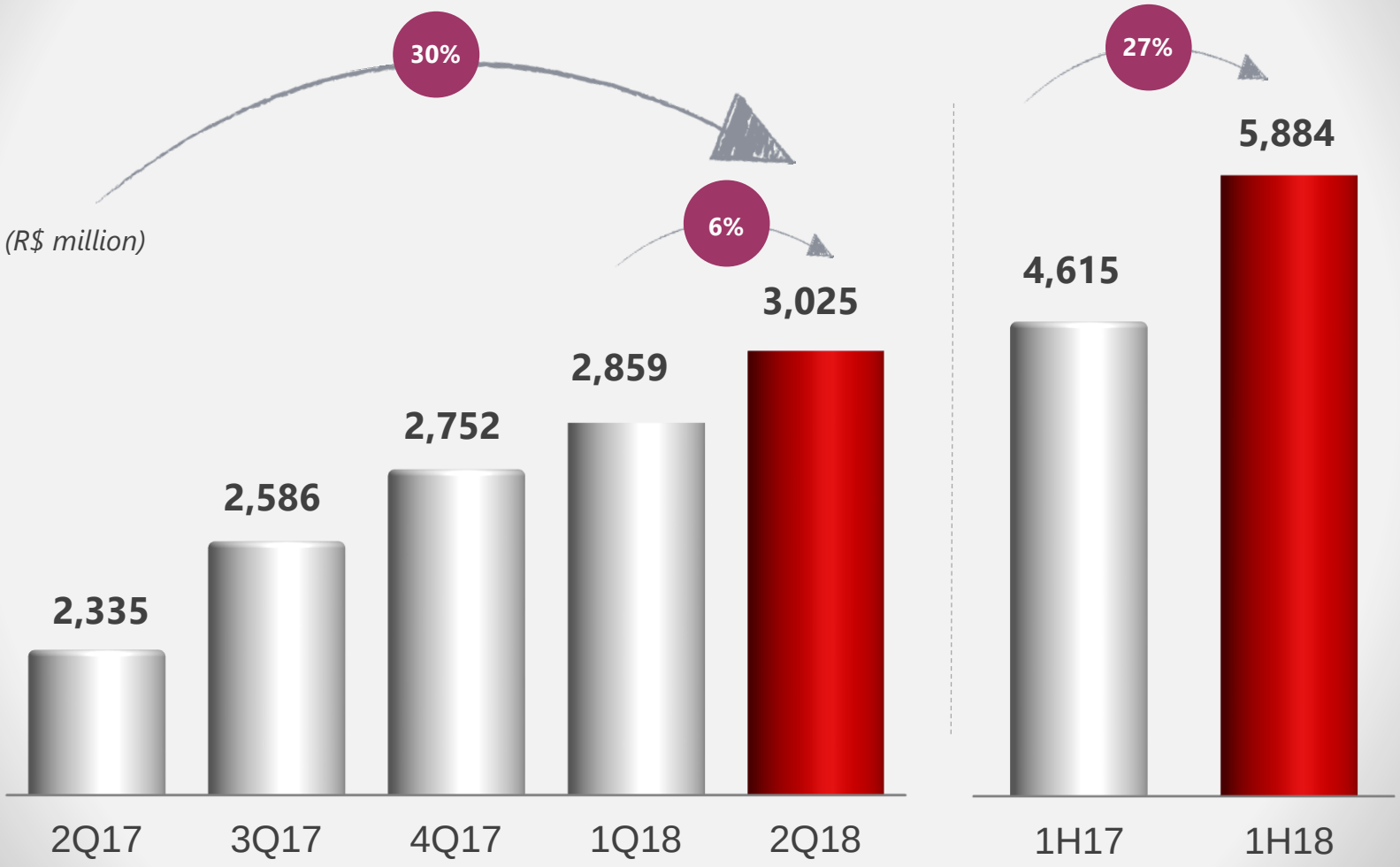
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# **Organic and recurrent growth** confirms our ability to generate solid earnings

## Net Profit reaches R$ 5.9 billion in 1H18, a 27%YoY growth




**Continuous improvement in profitability based on revenue growth and cost control**

**Revenues** boosted by customer base increase and greater transactionality

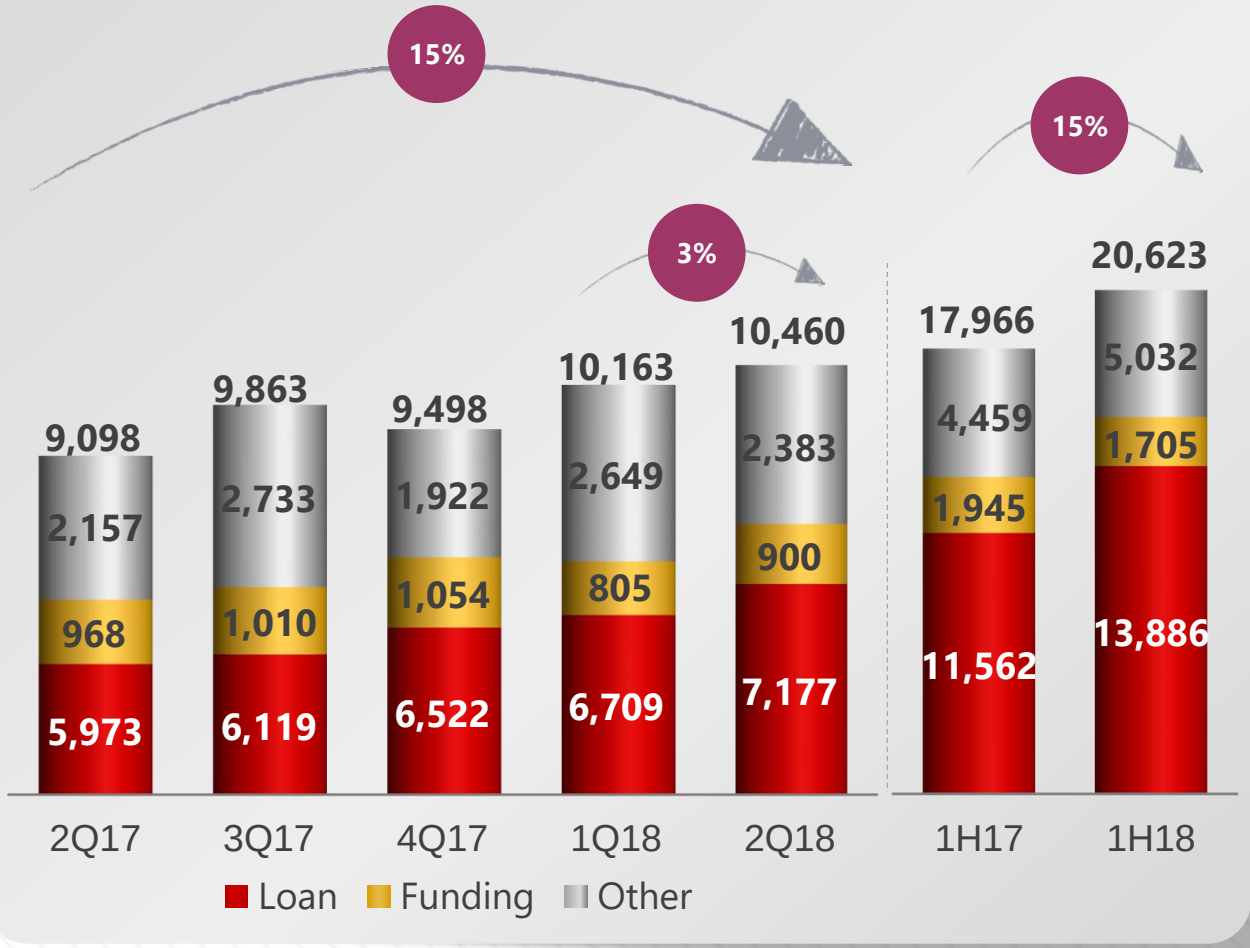
Consistency in **risk management** and **cost discipline**

**Loan portfolio** with positive performance among segments

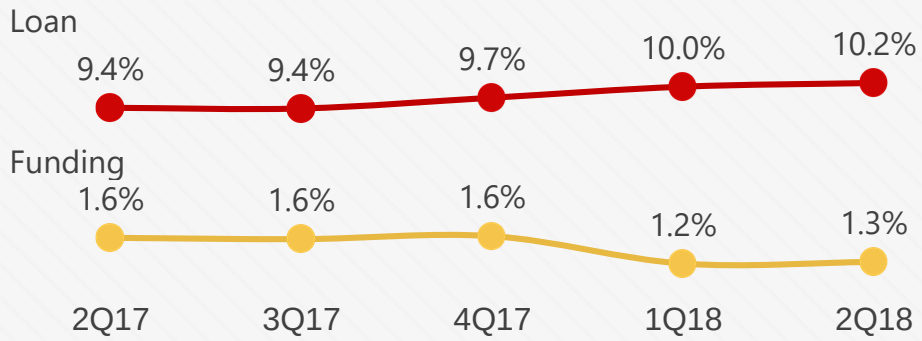
| *Managerial P&L (R$ million)* | 1H18 | 1H17 | 12M | 2Q18 | 1Q18 | 3M |
|---|---|---|---|---|---|---|
| Net Interest Income | 20,623 | 17,966 | 14.8% | 10,460 | 10,163 | 2.9% |
| Fees | 8,409 | 7,501 | 12.1% | 4,275 | 4,134 | 3.4% |
| **Total Revenues** | **29,032** | **25,467** | **14.0%** | **14,734** | **14,298** | **3.1%** |
| Allowance for Loan Losses | (5,256) | (4,624) | 13.7% | (2,604) | (2,652) | -1.8% |
| General Expenses | (9,672) | (9,179) | 5.4% | (4,867) | (4,805) | 1.3% |
| Others | (4,718) | (4,960) | -4.9% | (2,435) | (2,283) | 6.7% |
| **Profit Before Taxes** | **9,386** | **6,705** | **40.0%** | **4,829** | **4,557** | **6.0%** |
| Taxes and Minority Interest | (3,502) | (2,089) | 67.6% | (1,804) | (1,698) | 6.2% |
| **Managerial Net Income** | **5,884** | **4,615** | **27.5%** | **3,025** | **2,859** | **5.8%** |

# Focus on commercial efforts boosts loan NII for the year and quarter

## Net Interest Income Breakdown *(R$ million)*



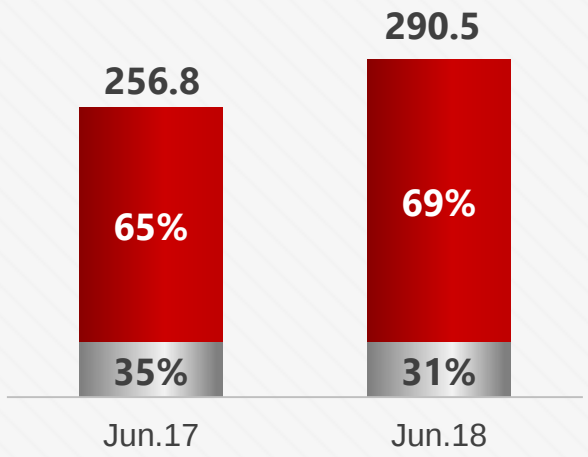

## Interest Income | Ratios




## Selic Interest Rate | Average

| 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|---|---|---|---|---|
| 11.0% | 9.2% | 7.5% | 6.7% | 6.4% |

## Segment Mix | Loan

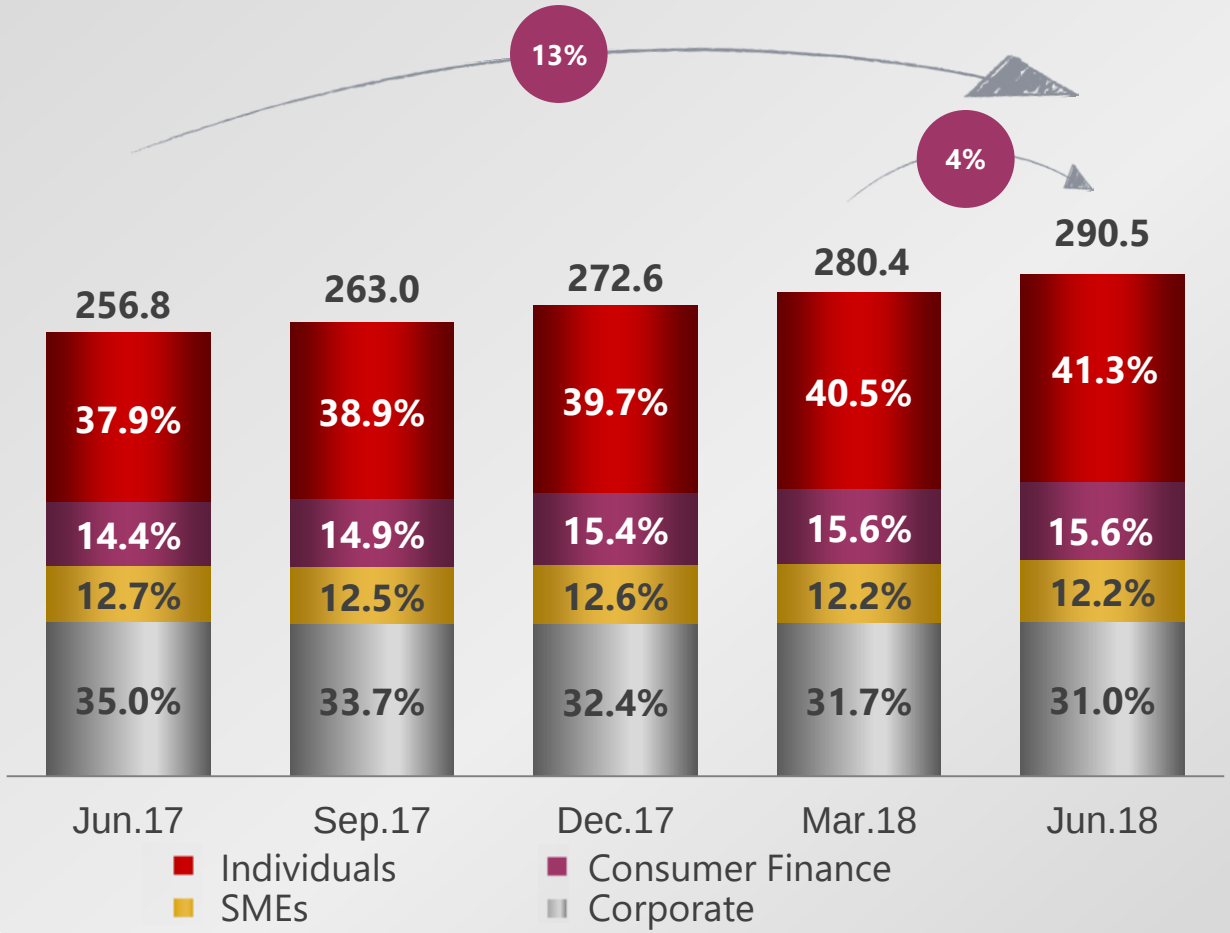



**Retail**
+401bps

**Corporate**
-401bps

# Loan portfolio accelerates, with **positive performance among segments**

## Loan Portfolio *(R$ billion)*

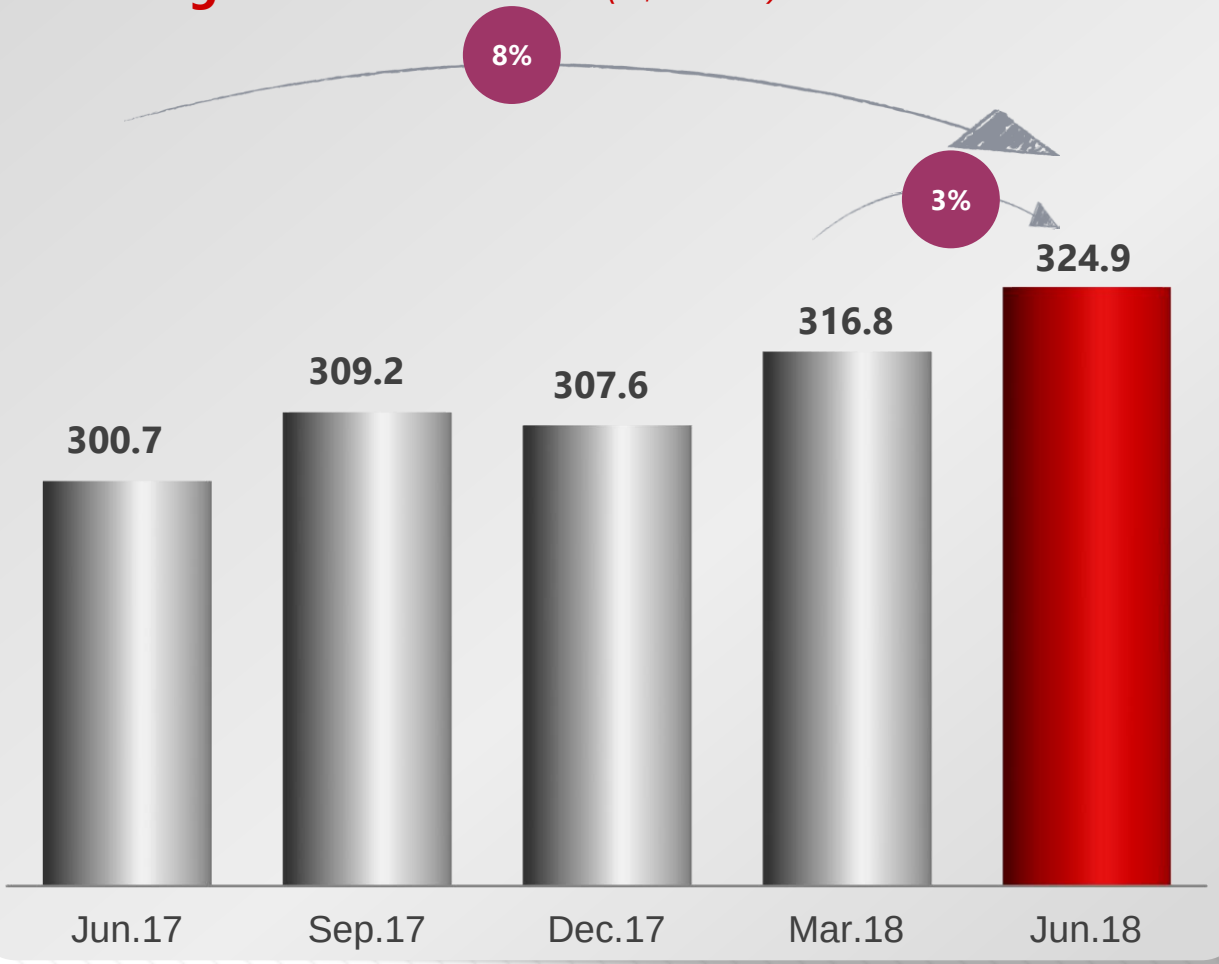



| R$ million | Jun 18 | Jun 17 | 12M | 3M |
|---|---|---|---|---|
| Individuals | 119,837 | 97,414 | 23.0% | 5.4% |
| Consumer Finance | 45,369 | 36,988 | 22.7% | 4.0% |
| SMEs | 35,319 | 32,552 | 8.5% | 2.9% |
| Corporate | 89,954 | 89,811 | 0.2% | 1.3% |
| **Total** | **290,479** | **256,765** | **13.1%** | **3.6%** |
| Other Transactions[1] | 77,766 | 68,249 | 13.9% | 5.8% |
| **Expanded Portfolio** | **368,245** | **325,014** | **13.3%** | **4.0%** |

[1] Includes debentures, FIDC, CRI, international distribution promissory notes, promissory notes, acquiring activity-related assets and guarantees.

# Funding from customers grows by 8% in the year, deposits are the highlight

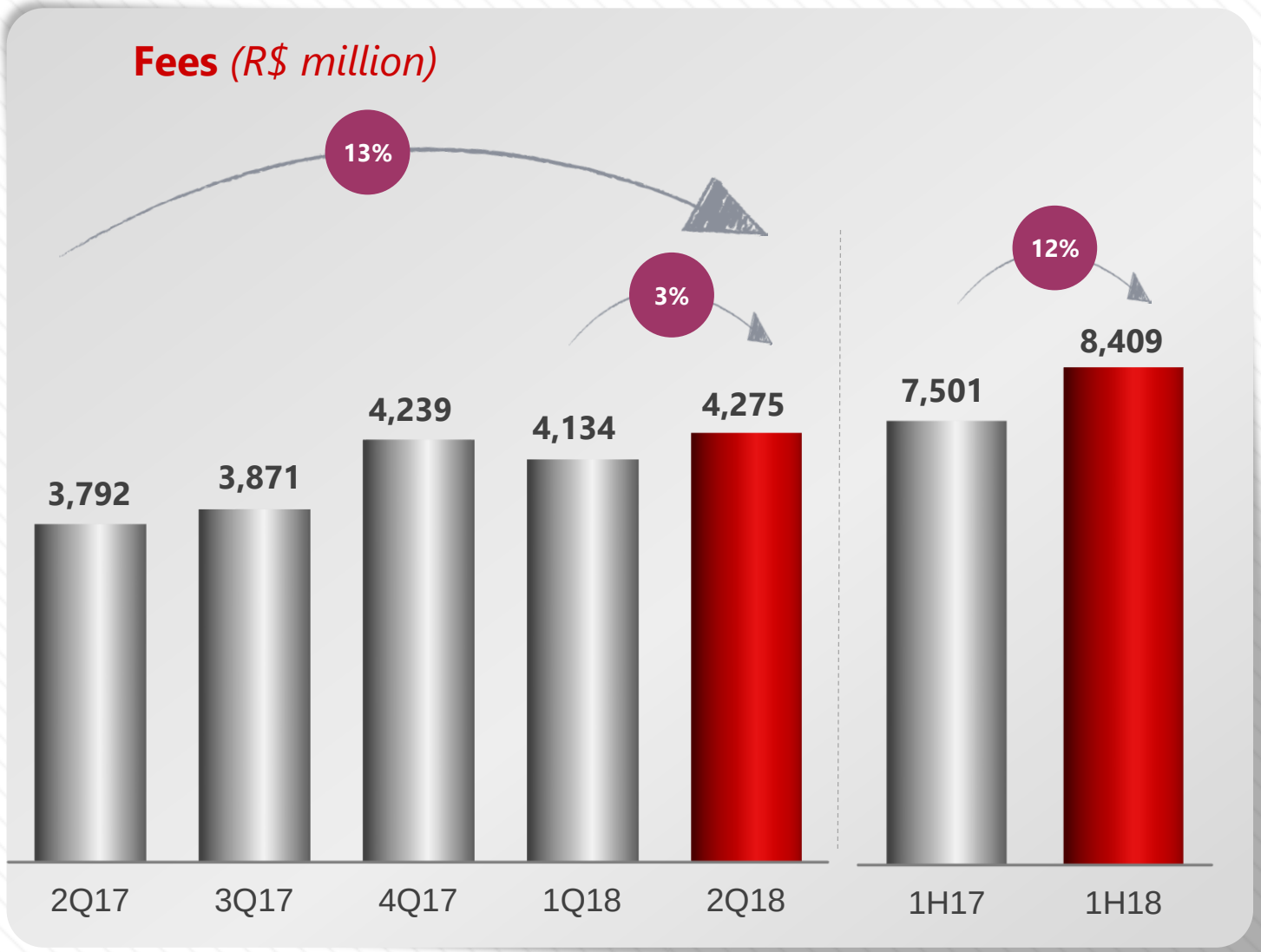
## Funding from Customers *(R$ billion)*




| R$ million | Jun 18 | Jun 17 | 12M | 3M |
|---|---|---|---|---|
| Demand Deposits | 17,369 | 16,175 | 7.4% | 3.4% |
| Savings Deposits | 42,571 | 37,064 | 14.9% | 2.8% |
| Time Deposits + Debentures[1] | 231,590 | 200,793 | 15.3% | 5.7% |
| Financial Bills[2] | 33,348 | 46,635 | -28.5% | -15.7% |
| **Funding from Customers** | **324,879** | **300,668** | **8.1%** | **2.5%** |
| (-) Reserve Requirements | (69,416) | (65,012) | 6.8% | 12.7% |
| Others | 75,802 | 57,173 | 32.6% | 24.7% |
| **Total Funding** | **331,265** | **292,829** | **13.1%** | **4.8%** |
| Funds | 302,162 | 272,118 | 11.0% | 1.1% |
| **Total Funding + AUM** | **633,427** | **564,947** | **12.1%** | **3.0%** |

[1] Includes LCI (Real Estate Credit Notes) and LCA (Agribusiness Notes). [2] Includes COE (Structured Notes Certificate).

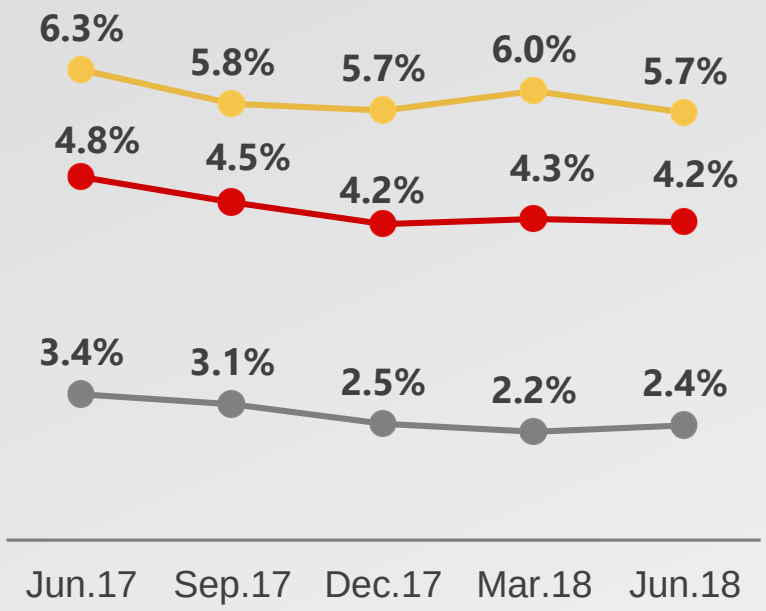
# Fees continue to be driven by the increase in customer base and loyalty



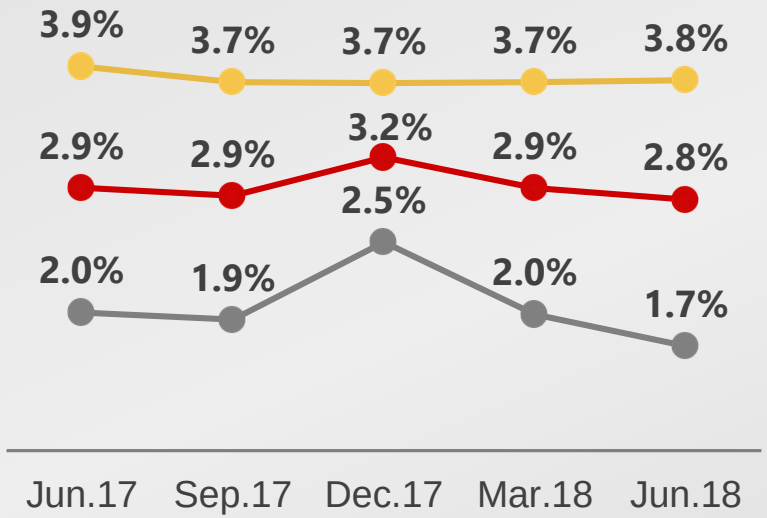

| R$ million | 1H18 | 1H17 | 12M | 3M |
|---|---|---|---|---|
| Asset Management | 510 | 509 | 0.1% | 2.7% |
| Current Account | 1,624 | 1,398 | 16.2% | 3.6% |
| Lending Operations | 785 | 740 | 5.9% | 3.5% |
| Insurance | 1,338 | 1,214 | 10.2% | 2.1% |
| Cards | 2,767 | 2,335 | 18.5% | 3.5% |
| Collection Services | 753 | 664 | 13.4% | 1.5% |
| Securities Placement, Custody and Brokerage | 353 | 340 | 3.8% | 18.6% |
| Other | 280 | 301 | -6.9% | -3.7% |
| **Total** | **8,409** | **7,501** | **12.1%** | **3.4%** |

# Asset quality reflecting **our risk model's accuracy**

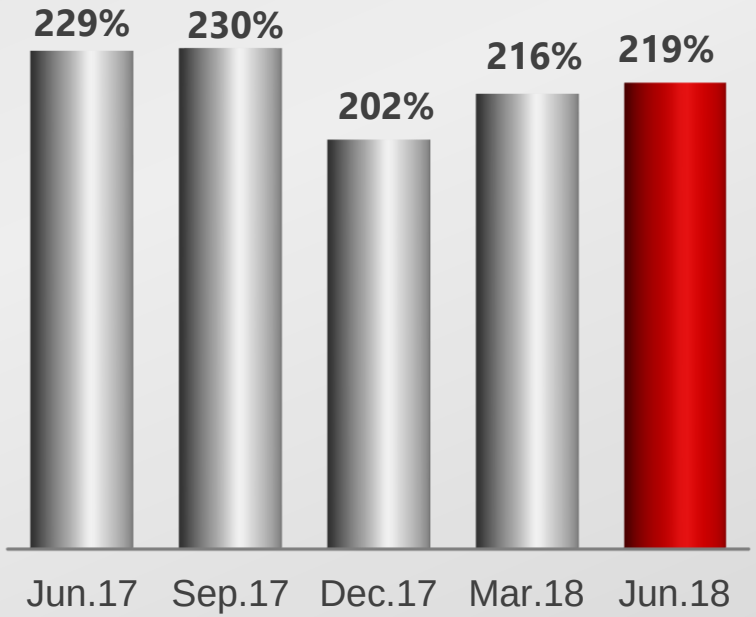
## NPL from 15 to 90 days




## NPL over 90 days



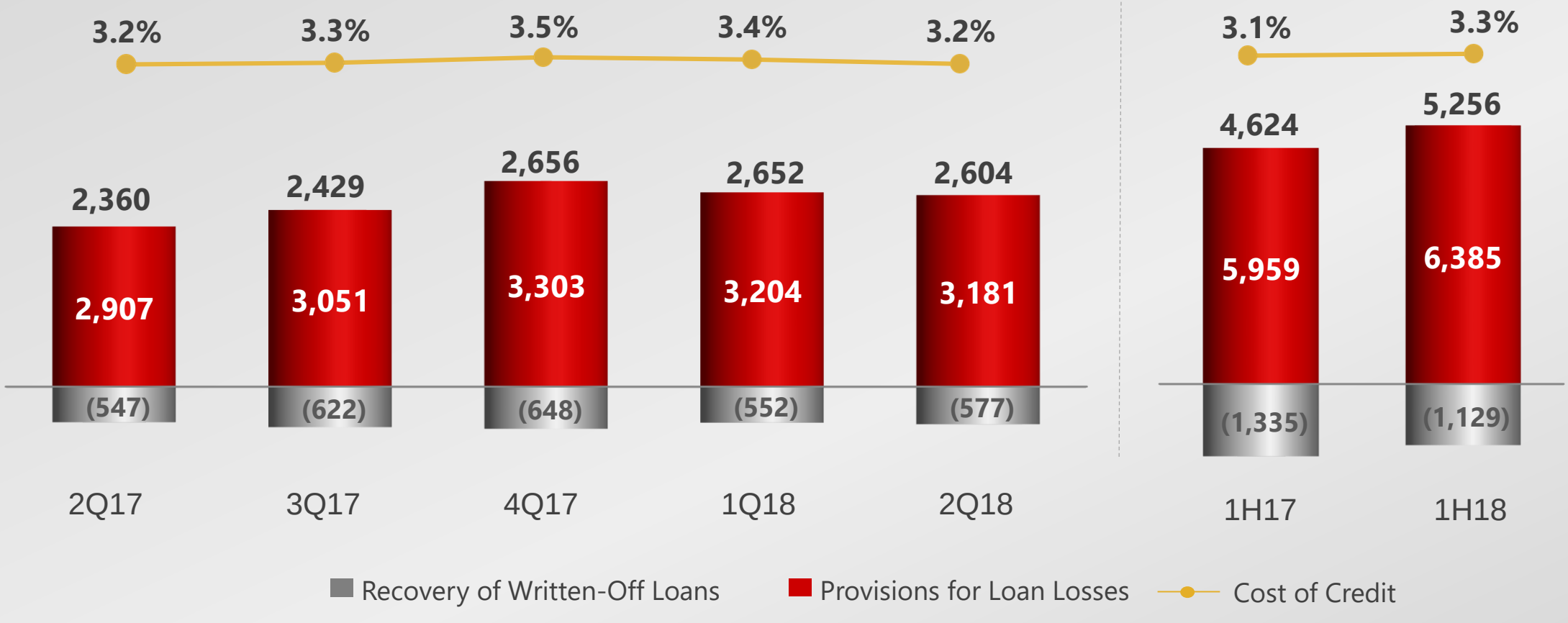

## Coverage Ratio over 90 days




Individuals — Total — Corporate & SMEs

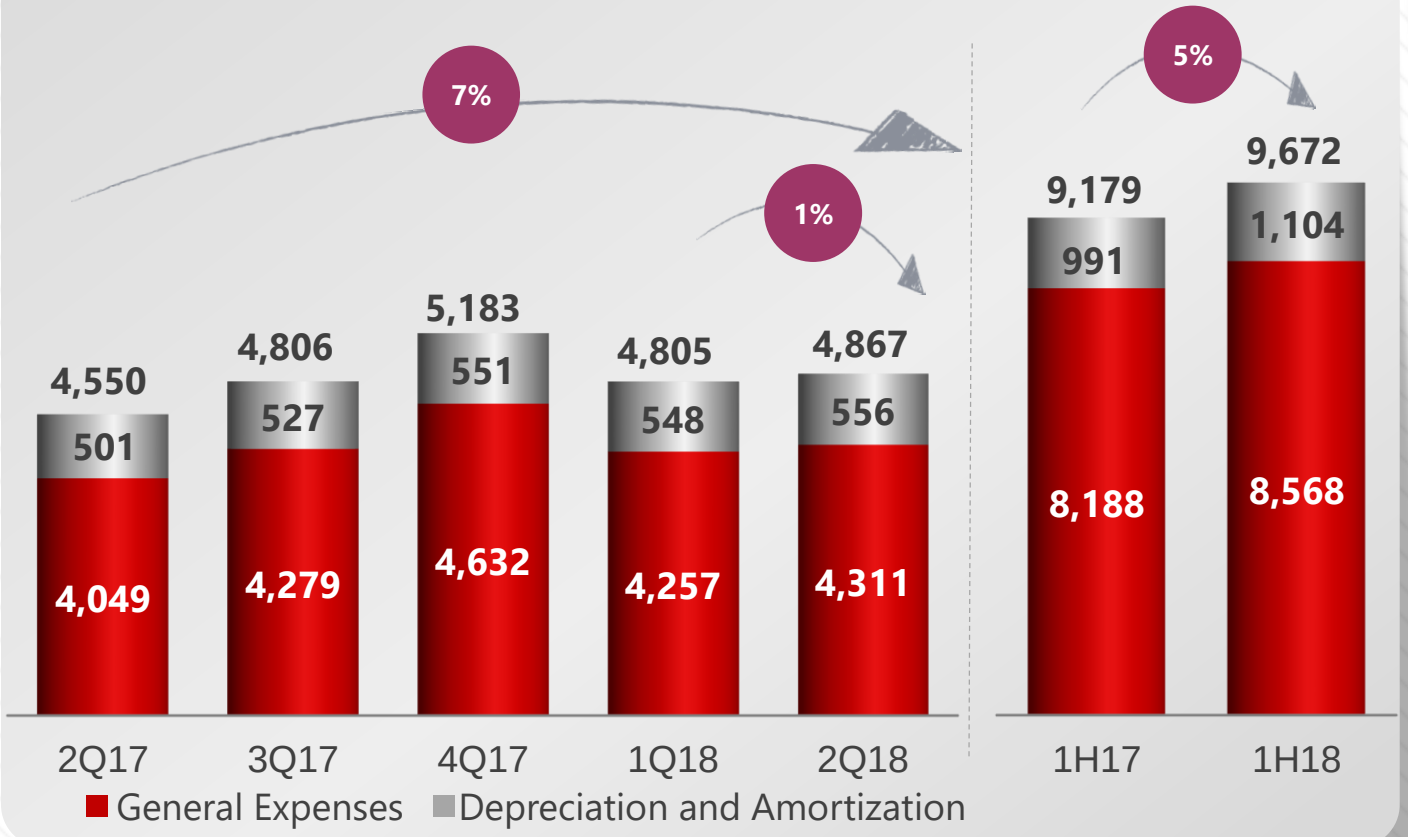
# Solid risk management reflected in **improved cost of credit**

## Allowance for Loan Losses[1] *(R$ million)* and Cost of Credit *(%)*



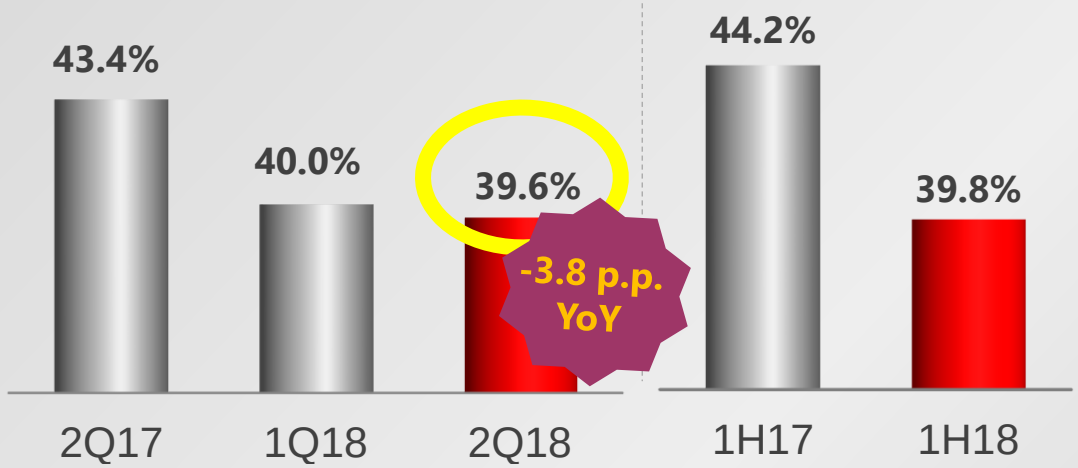
# Continuous focus on **increasing productivity and cost control**

## **Expenses** *(R$ million)*

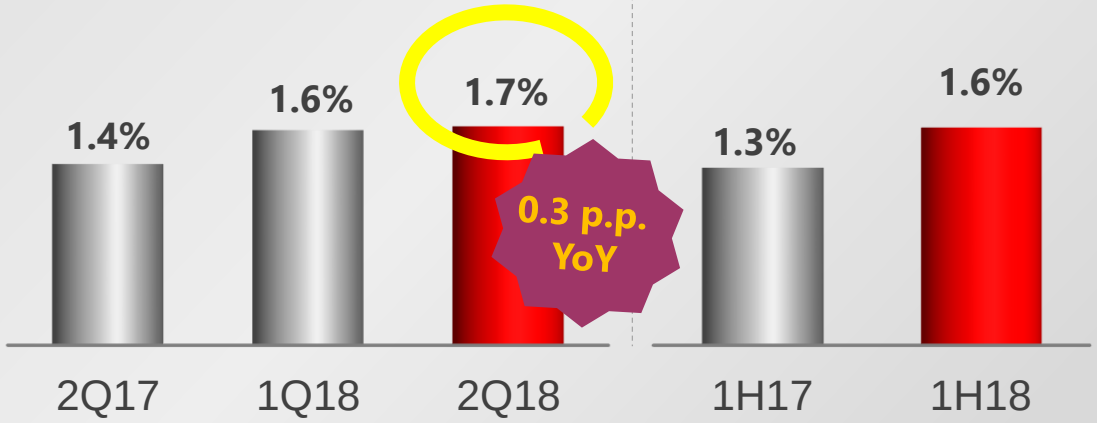



| R$ million | 1H18 | 1H17 | 12M | 3M |
|---|---|---|---|---|
| General Expenses | 8,568 | 8,188 | 4.6% | 1.3% |
| Administrative Expenses | 3,973 | 3,782 | 5.1% | 3.9% |
| Personnel Expenses | 4,595 | 4,406 | 4.3% | -1.0% |
| Depreciation and Amortization | 1,104 | 991 | 11.4% | 1.4% |
| **Total** | **9,672** | **9,179** | **5.4%** | **1.3%** |

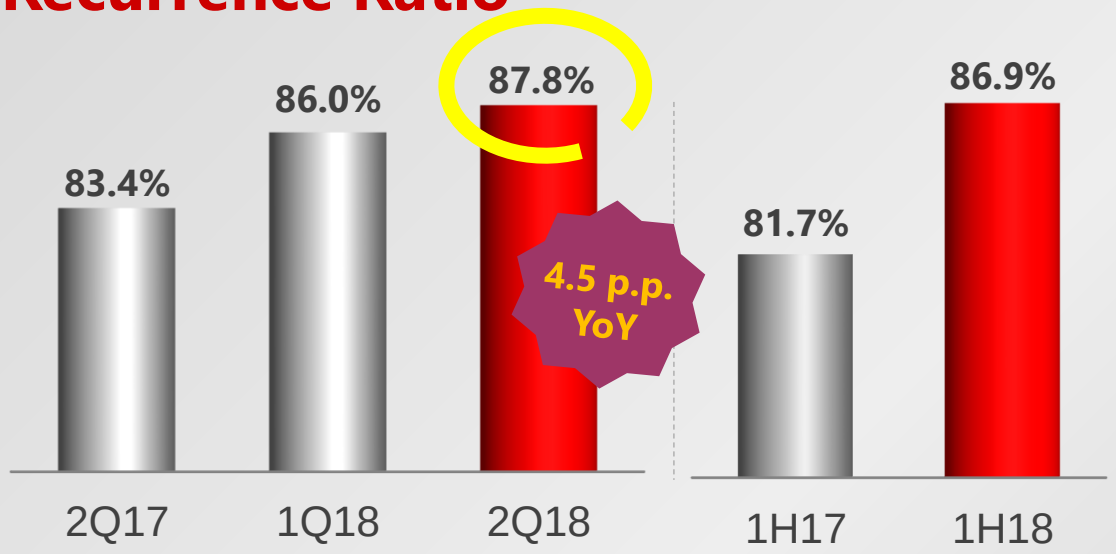
## Efficiency Ratio



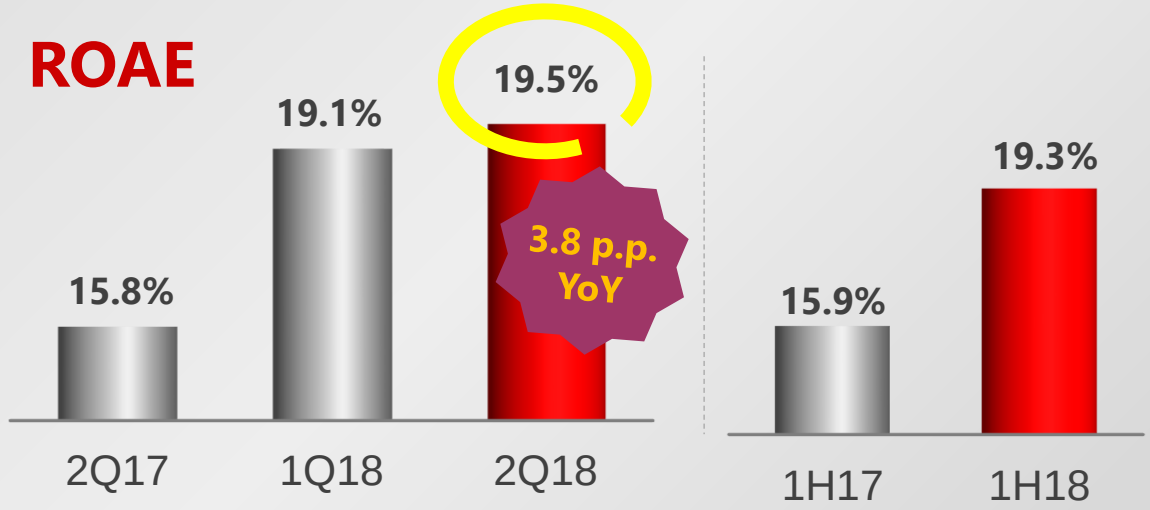

## ROAA




## Recurrence Ratio

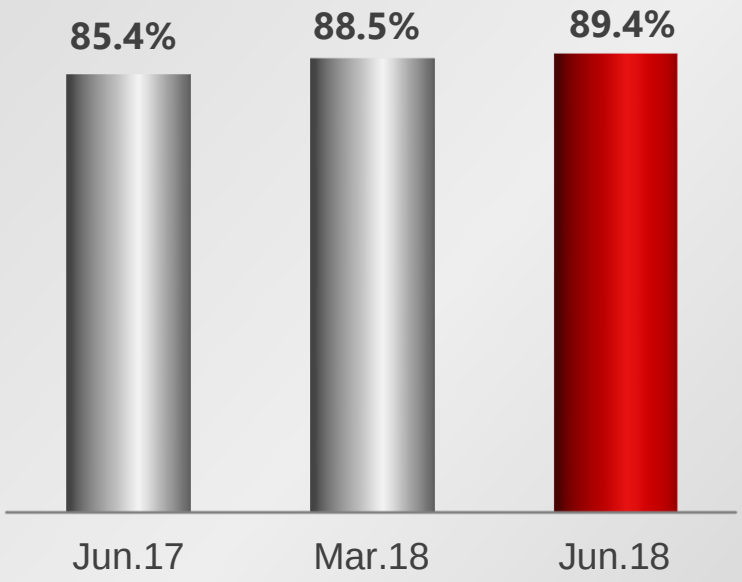



## ROAE

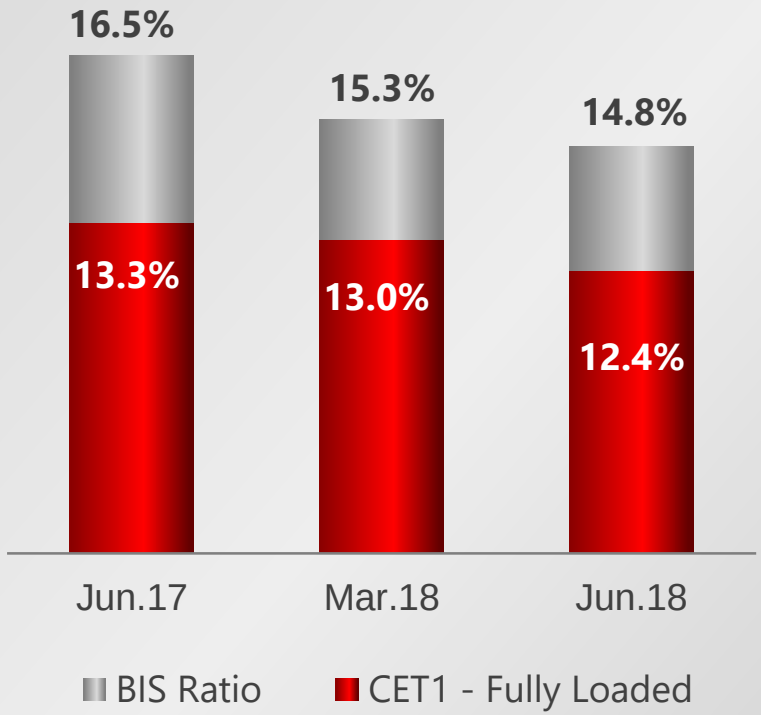


# Comfortable capital and liquidity levels

## Loans/ Funding from Customers




## BIS Ratio




We declared dividends and IoC

**2Q18 | R$ 600 MM[1]**

and **1H18 | R$ 1.2 Bi[2]**

[1] In 2Q18, we declared R$ 600 million in dividends, payable on July 27th, 2018. [2] In 1H18 the amount of R$ 1,200 million comprised dividends declared in 2Q18 and IoC payable on April 26th, 2018.

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05 **Final Remarks**

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**Recurrence and sustainable** business model,

with **improved experience and satisfaction** for our customers

and greater **shareholder value**

**Net Profit in 1H18** grew 27% YoY

**Total Revenues in 1H18** increased 14% YoY

**Active and preemptive risk management reflected** in the quality of our loan indicators

**Continuous focus on increasing productivity** and controlling costs

**ROE: 19.5%,**

+378bps (2Q18, YoY)

# I Santander Brasil Investor Day

São Paulo, 2019

1st Quarter 2019

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# Appendix



| Managerial P&L | 1H18 | 1H17 | Abs. | 12M |
|---|---|---|---|---|
| *R$ million* | | | | |
| **Net Interest Income** | **20,623** | **17,966** | **2,657** | **14.8%** |
| Allowance for Loan Losses | (5,256) | (4,624) | (631) | 13.7% |
| **Net Interest Income After Loan Losses** | **15,367** | **13,342** | **2,025** | **15.2%** |
| Fees | 8,409 | 7,501 | 908 | 12.1% |
| General Expenses | (9,672) | (9,179) | (493) | 5.4% |
| Personnel Espenses + Profit Sharing | (4,595) | (4,406) | (189) | 4.3% |
| Administrative Expenses | (5,077) | (4,773) | (304) | 6.4% |
| Tax Expenses | (1,988) | (1,798) | (191) | 10.6% |
| Other income (expenses) | (2,766) | (2,900) | 134 | -4.6% |
| Investments in Affiliates and Subidiaries | 9 | 16 | (7) | -43.8% |
| Non-Operating Income | 27 | (278) | 305 | n.a. |
| **Profit Before Taxes** | **9,386** | **6,705** | **2,681** | **40.0%** |
| Income Tax and Social Contribution Tax | (3,329) | (1,899) | (1,430) | 75.3% |
| Minority Interest | (173) | (190) | 17 | -9.0% |
| **Net Profit** | **5,884** | **4,615** | **1,268** | **27.5%** |

| Managerial P&L | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|---|---|---|---|---|---|---|
| *R$ million* | | | | | | |
| **Net Interest Income** | **8,868** | **9,098** | **9,863** | **9,498** | **10,163** | **10,460** |
| Allowance for Loan Losses | (2,264) | (2,360) | (2,429) | (2,656) | (2,652) | (2,604) |
| **Net Interest Income After Loan Losses** | **6,604** | **6,738** | **7,434** | **6,843** | **7,511** | **7,856** |
| Fees | 3,709 | 3,792 | 3,871 | 4,239 | 4,134 | 4,275 |
| General Expenses | (4,629) | (4,550) | (4,806) | (5,183) | (4,805) | (4,867) |
| Personnel Expenses + Profit Sharing | (2,200) | (2,205) | (2,319) | (2,367) | (2,309) | (2,286) |
| Administrative Expenses | (2,429) | (2,344) | (2,487) | (2,816) | (2,496) | (2,581) |
| Tax Expenses | (906) | (892) | (914) | (955) | (964) | (1,024) |
| Other Income (Expenses) | (1,372) | (1,528) | (1,835) | (1,084) | (1,334) | (1,432) |
| Investments in Affiliates and Subsidiaries | 5 | 11 | 10 | (1) | 3 | 6 |
| Non-Operating Income | (68) | (210) | (35) | 53 | 13 | 15 |
| **Profit Before Taxes** | **3,343** | **3,362** | **3,725** | **3,912** | **4,557** | **4,829** |
| Income Tax and Social Contribution Tax | (973) | (926) | (1,030) | (1,067) | (1,615) | (1,714) |
| Minority Interest | (90) | (101) | (110) | (93) | (83) | (90) |
| **Net Profit** | **2,280** | **2,335** | **2,586** | **2,752** | **2,859** | **3,025** |

| R$ million | Mar.17 | Jun.17 | Sep.17 | Dec.17 | Mar.18 | Jun.18 |
|---|---|---|---|---|---|---|
| **Current and Long-Term Assets** | **701,088** | **640,995** | **664,984** | **672,561** | **713,329** | **728,300** |
| Cash and Cash Equivalents | 5,405 | 8,261 | 7,080 | 11,234 | 10,658 | 11,884 |
| Interbank Investments | 52,642 | 51,599 | 49,963 | 46,761 | 44,335 | 53,295 |
| Securities and Derivative Financial Instruments | 166,131 | 168,391 | 182,557 | 171,730 | 193,149 | 187,417 |
| Interbank Accounts | 64,369 | 68,135 | 68,277 | 82,504 | 81,953 | 90,695 |
| Lending Operations | 240,629 | 240,014 | 246,068 | 255,486 | 262,811 | 272,496 |
| Allowance for Loan Losses | (17,084) | (17,229) | (17,327) | (17,462) | (17,747) | (18,096) |
| Other Receivables | 169,123 | 102,050 | 108,572 | 102,540 | 117,606 | 109,859 |
| Other Assets | 2,788 | 2,546 | 2,467 | 2,306 | 2,816 | 2,654 |
| **Permanent Assets** | **12,430** | **12,056** | **11,784** | **11,172** | **11,019** | **10,771** |
| Investments | 379 | 372 | 391 | 371 | 434 | 440 |
| Fixed Assets | 7,238 | 7,174 | 7,060 | 6,396 | 6,305 | 6,346 |
| Intangibles | 4,812 | 4,510 | 4,334 | 4,405 | 4,281 | 3,985 |
| Goodwill net of amortization | 1,703 | 1,249 | 795 | 930 | 863 | 796 |
| Others | 3,109 | 3,260 | 3,539 | 3,475 | 3,418 | 3,189 |
| **Total Assets** | **713,517** | **653,050** | **676,768** | **683,732** | **724,348** | **739,071** |
| **Total Assets (Excluding Goodwill)** | **711,814** | **651,801** | **675,973** | **682,802** | **723,485** | **738,275** |

| | Mar.17 | Jun.17 | Sep.17 | Dec.17 | Mar.18 | Jun.18 |
|---|---|---|---|---|---|---|
| *R$ million* | | | | | | |
| **Current and Long-Term Liabilities** | **649,710** | **589,129** | **611,637** | **621,824** | **659,629** | **673,248** |
| Deposits | 148,012 | 178,615 | 204,118 | 203,532 | 221,268 | 241,754 |
| Demand Deposits | 14,824 | 16,175 | 15,980 | 17,177 | 16,799 | 17,369 |
| Savings Deposits | 36,114 | 37,064 | 38,570 | 40,572 | 41,409 | 42,571 |
| Interbank Deposits | 2,262 | 2,894 | 2,701 | 3,292 | 3,678 | 4,199 |
| Time Deposits | 94,813 | 122,482 | 146,867 | 142,481 | 159,378 | 177,611 |
| Money Market Funding | 160,419 | 150,083 | 141,526 | 129,962 | 134,834 | 133,155 |
| Funds from Acceptance and Issuance of Securities | 95,009 | 85,139 | 78,143 | 76,656 | 81,441 | 77,045 |
| Interbank Accounts | 1,390 | 1,790 | 1,571 | 264 | 1,752 | 1,732 |
| Interbranch Accounts | 2,210 | 2,719 | 3,051 | 4,275 | 2,879 | 2,854 |
| Borrowings | 28,040 | 28,007 | 26,235 | 33,471 | 32,231 | 46,559 |
| Domestic On-Lending - Official Institutions | 16,772 | 16,842 | 16,934 | 16,636 | 15,592 | 14,329 |
| Derivative Financial Instruments | 21,794 | 16,919 | 18,952 | 20,681 | 21,072 | 17,793 |
| Other Payables | 176,064 | 109,015 | 121,107 | 136,347 | 148,560 | 138,027 |
| Deferred Income | 543 | 519 | 506 | 511 | 470 | 423 |
| Minority Interest | 2,566 | 2,545 | 2,268 | 1,897 | 2,002 | 2,076 |
| Equity | 60,698 | 60,858 | 62,359 | 59,500 | 62,247 | 63,325 |
| **Total Liabilities** | **713,517** | **653,050** | **676,768** | **683,732** | **724,348** | **739,071** |
| **Equity (Excluding Goodwill)** | **58,994** | **59,608** | **61,564** | **58,570** | **61,384** | **62,529** |

| | Jun.18 | Jun.17 | 12M | Mar.18 | 3M |
|---|---|---|---|---|---|
| *R$ million* | | | | | |
| **Individuals** | **119,837** | **97,414** | **23.0%** | **113,700** | **5.4%** |
| Leasing / Auto Loans (*) | 1,988 | 1,782 | 11.5% | 1,893 | 5.0% |
| Credit Card | 25,727 | 20,921 | 23.0% | 24,422 | 5.3% |
| Payroll Loans | 30,803 | 21,959 | 40.3% | 28,449 | 8.3% |
| Mortgage | 30,331 | 27,046 | 12.1% | 29,117 | 4.2% |
| Agricultural Loans | 5,005 | 4,186 | 19.5% | 5,329 | -6.1% |
| Personal Loans / Others | 25,984 | 21,519 | 20.7% | 24,490 | 6.1% |
| **Consumer Finance** | **45,369** | **36,988** | **22.7%** | **43,611** | **4.0%** |
| **Corporate** | **125,273** | **122,363** | **2.4%** | **123,086** | **1.8%** |
| Leasing / Auto Loans | 2,923 | 2,727 | 7.2% | 2,852 | 2.5% |
| Real Estate | 5,120 | 8,207 | -37.6% | 5,802 | -11.8% |
| Trade Finance | 26,608 | 23,201 | 14.7% | 24,256 | 9.7% |
| On-Lending | 10,654 | 11,193 | -4.8% | 11,119 | -4.2% |
| Agricultural Loans | 6,228 | 7,017 | -11.3% | 6,271 | -0.7% |
| Working Capital / Others | 73,741 | 70,018 | 5.3% | 72,787 | 1.3% |
| **Total** | **290,479** | **256,765** | **13.1%** | **280,398** | **3.6%** |

(*) Including consumer lending, the consumer auto loan portfolio for individuals totaled R$ 39,772 MM in Jun/18, R$ 38,185 MM in Mar/18 and R$ 32,650 MM in Jun/17.

# WE INCREASED BY 32% OUR TURNOVER
IN THE LAST 12 MONTHS

| | | 1H18 | 1H17 | 12M |
|---|---|---|---|---|
| **Credit** | Turnover (R$ million) | 51,823 | 41,783 | 24% |
| | Transactions (thousand) | 405,975 | 346,423 | 17% |
| **Debit** | Turnover (R$ million) | 33,200 | 22,728 | 46% |
| | Transactions (thousand) | 567,081 | 369,963 | 53% |
| **Total** | Turnover (R$ million) | 85,023 | 64,512 | 32% |
| | Transactions (thousand) | 973,056 | 716,386 | 36% |




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Índice de Sustentabilidade Empresarial ISE