
Sérgio Rial

Country Head Brazil

**GROUP
STRATEGY
UPDATE**

LONDON, 30 SEPTEMBER

Simple | Personal | Fair



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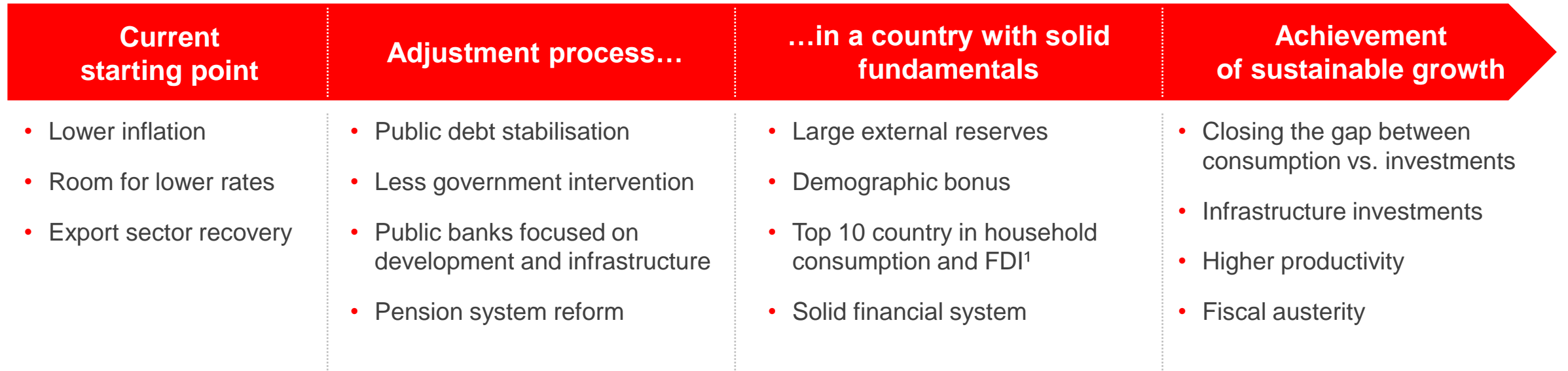
3 Update on our 2015-18 strategy

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Market and financial system

Brazil's improving macroeconomic outlook



	GDP (YoY %)	Inflation (IPCA %)	Int. Rate (Selic %)	Exch. Rate (R\$ / US\$)
2016 F	-3.2%	7.3%	13.8%	3.30
2017 F	1.4%	5.1%	11.0%	3.45
2018 F	2.2%	4.5%	10.5%	3.58

(1) Foreign Direct Investment
Source: Central Bank of Brazil, September 2016

Santander is in a strong position in a consolidated sector

Main highlights (5 largest banks)



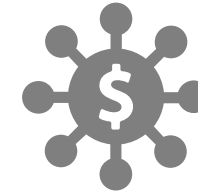
1. Market share

- Deposits: c.76%
- Loans: c.70%



2. Well capitalised

- BIS ratio: 16.5%

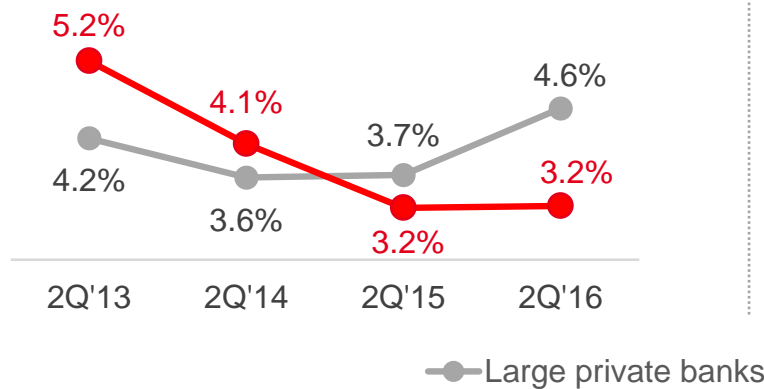


3. Well funded

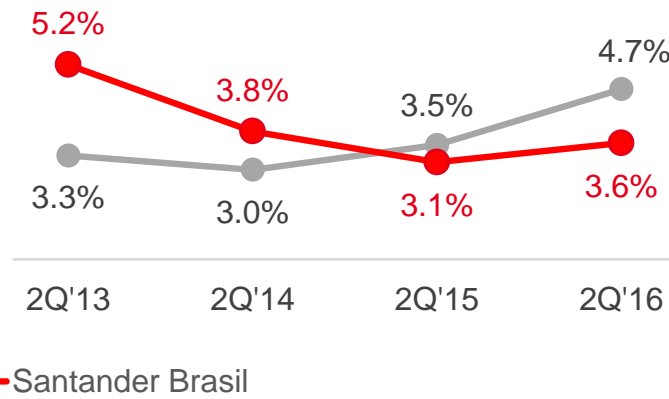
- Loans / deposits: 102%

Resilient figures in a challenging scenario

NPL ratio – Over 90

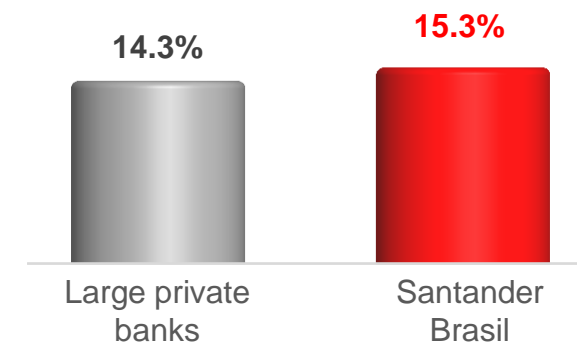


Cost of risk



Capital Ratio

CET 1



Source: Central Bank of Brazil. Data as of 2Q'16, in BR GAAP criteria

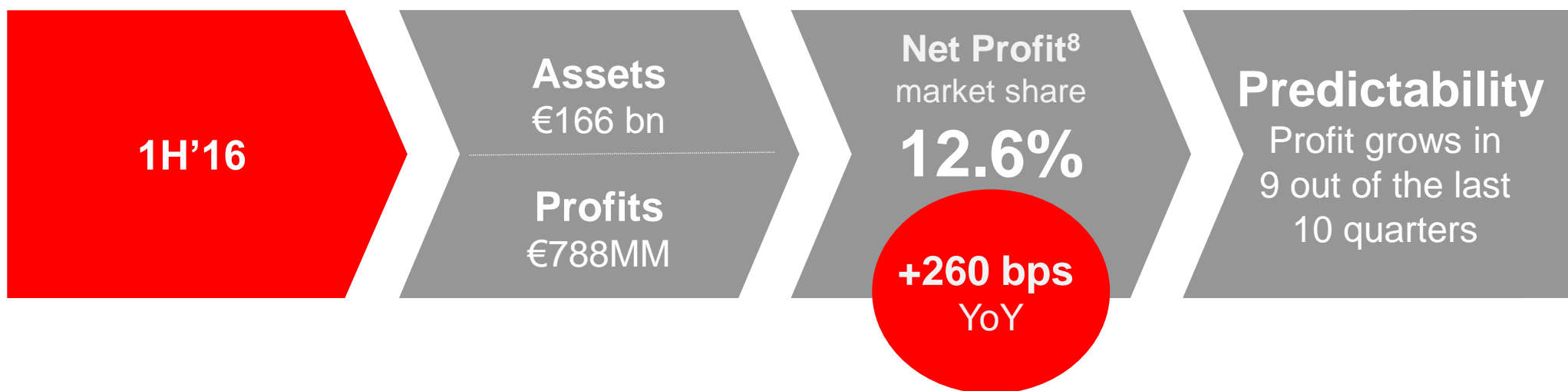
2

Strengths and opportunities

Santander is the 3rd largest private bank in Brazil¹...

The only international bank with significant scale in Brazil

- Leadership in the Auto market²
- Best bank for SMEs³
- Best bank to invest awarded⁴
- 1st in Advisor for Project Finance⁵
- 1st in FX Ranking⁶
- 1st in ECM⁷



(1) In terms of total assets (2) Internal criteria calculation from Central Bank of Brazil data & CETIP (*Central de Custódia e de Liquidação Financeira de Títulos*) (3) Euromoney (4) Finance Studies Center from Fundação Getúlio Vargas (FGV) (5) Anbima (6) Central Bank of Brazil (7) Dealogic (8) In BR GAAP criteria, among five largest Brazilian banks

...with a model and a strategy that deliver for customers and shareholders



Part of
Santander Group

- The only **sizeable international commercial bank**
- **Leverage** on Group's best practices



Solid Balance Sheet

- **Efficient** risk and capital management
- Balance sheet **optimisation**



Cost discipline

- **Efficiency** driven **culture**, while maintaining **cost growth below inflation**



New commercial
model

- **Customer centric** model and **integrated wholesale-retail** businesses to capture growth opportunities



Innovative platform

- **Digital & multichannel** thrust



People

- Talented and **engaged team**



An engaged team that supports our efficiency focus...

People

- Santander Academy
- Awarded as one of Brazil's **best companies to work for**



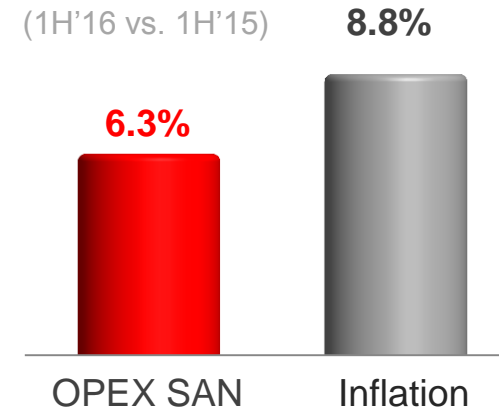
- **90%** are proud to work for Santander¹

Ambition

Finance, back office and technology

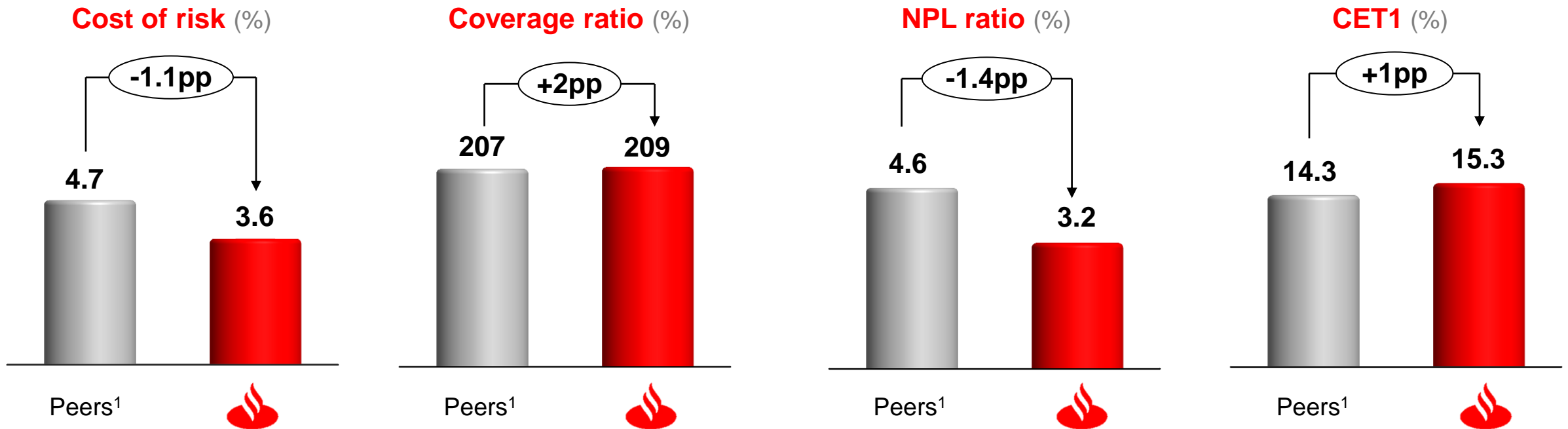
- **Simplification** of internal processes
- Discipline in **cost management** and **efficiency** improvements

Lean mindset



(1) Época Magazine Award - Great Place to Work

...and a strong risk culture that brought us ahead of peers through the recent crisis...

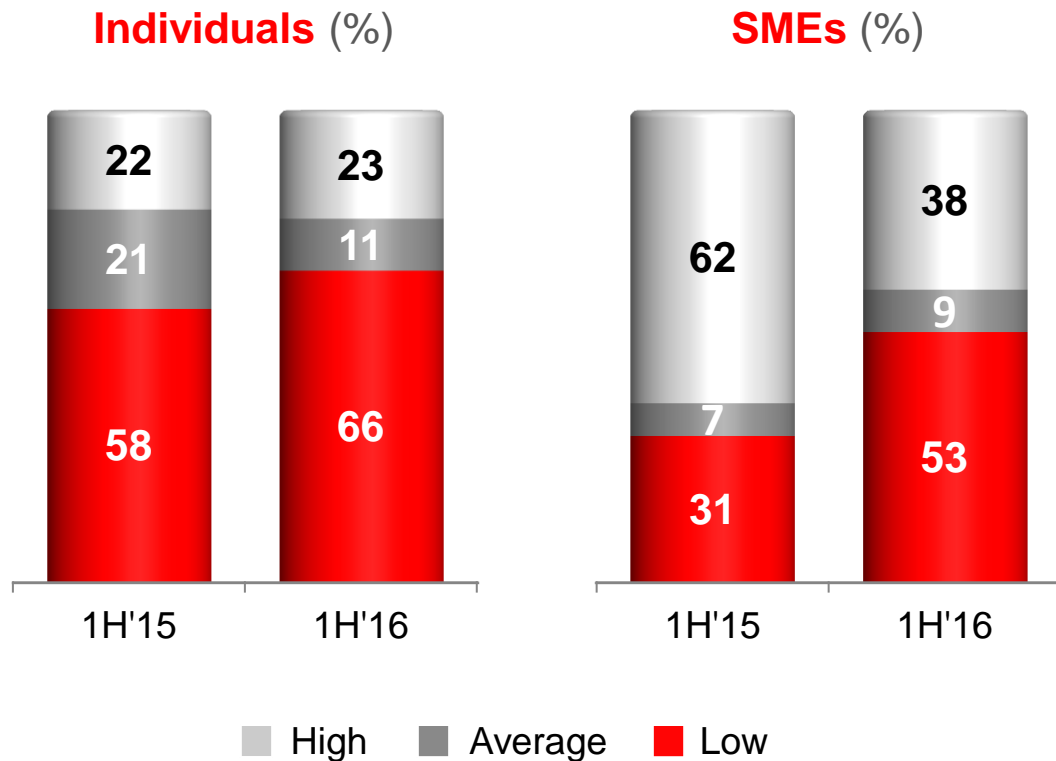


Note: Brazilian GAAP. Data as of 2Q'16

(1) Large privately owned banks

...based on risk management evolution

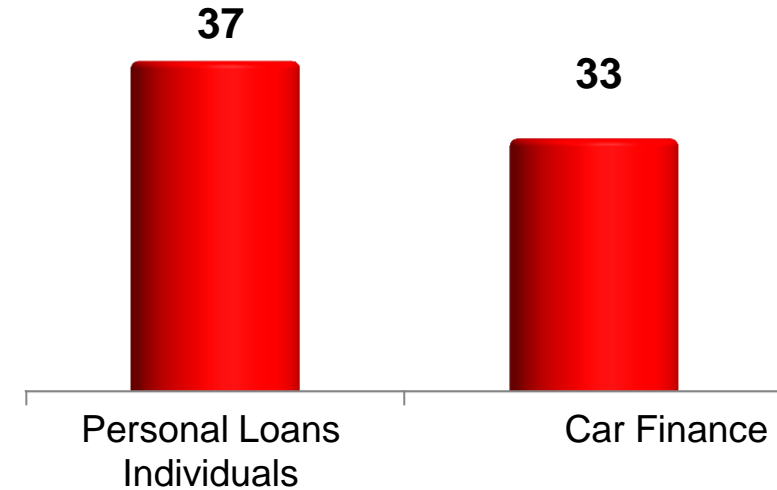
Loan portfolio breakdown by rating



Preventive Risk Management

(Dec'14 vs. Jun'16)

NPLs Reduction (%)



Our innovative and integrated portfolio promotes growth opportunities



100% digital bank alternative

- **100%** digital account and prepaid card offer
- **Low cost** to serve
- **Growth opportunity** in multiple segments: agribusiness, universities, payroll acquisition



Payroll loans

- **Pioneering** in payroll cards
- Broadens **geographic presence**
- **BRL 1 bn** monthly production



Acquiring platform

- **9%** market share
- Relevant **opportunity**, given the low penetration in the Brazilian market
- Unique **competitive advantage**: innovation, service level and technology

webmotors Online auto marketplace

- **# 1** auto portal in Brazil: consumer marketplace, market intelligence solutions and dealer management systems
- Views: **22MM / month**
- **Synergy** with consumer finance and insurance
- **Unique position** to capture auto sector growth



3

Update on our 2015-18 strategy

A retrospective: the strategy we announced in September 2015



Commercial transformation



Quality execution




Customer experience

Increase loyal and digital customers across franchise segments

Simplify processes to deliver better and more efficient service

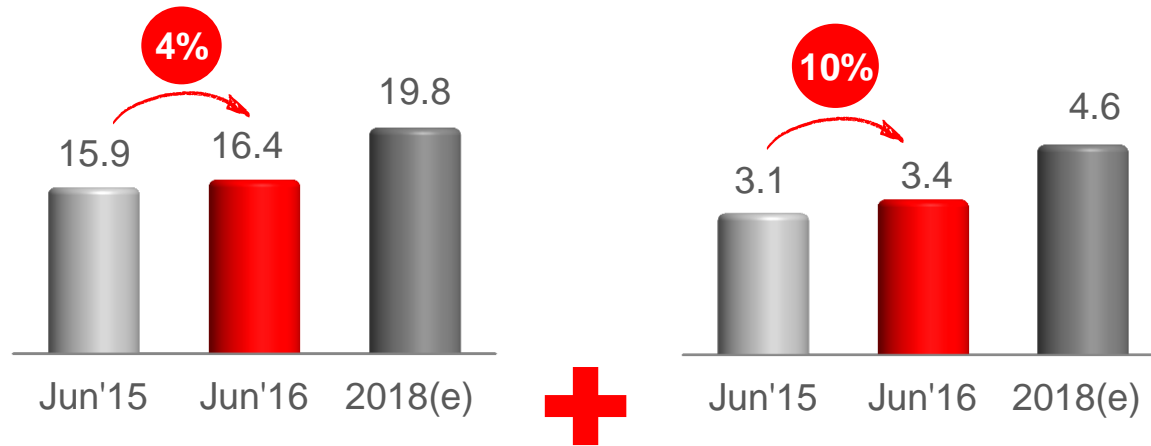
Increased experience and sustainable...

...growth in profitability!



Increasing loyal and satisfied customers to deliver higher revenues

1 Active customers (MM) 2 Loyal customers (MM)



4 Higher profitability:

↑ 2x Retail and SMEs loyal customers²

Double Digit Fees grow **14.5% YoY**

3 Customer experience¹
 🔥 **1st** in Medium / High income
 🔥 **3rd** in Low income

(1) Ibope (2) Net revenue per customer

Reaping the benefits of our digitalisation: efficiency gains in retail...

Increase of
digital
transactions
+58% Mobile

transactions YTD chg

 Open your account **x3**

 Web cards **x5**

 Product sales via digital channels **x2**

The average cost of **Digital Channels** is **one tenth** of other channels



Potential cost saving (2016-17)
~BRL 320MM
with improved customer experience

Note: Aug'16 vs. Dec'15

...with market leading strategies...

GCB and Corporate

- **GCB best** historical **PBT** in 1H'16
- Integrated **wholesale-retail** businesses
- New specialised team focused on **Agribusiness**
- Capturing **China-Brazil** business **flows**



Consumer Finance

- **Leadership in the Auto** market¹
- Increased **digitalisation**
- New **business models**



(1) Internal criteria calculation from Brazilian Central Bank data and CETIP (*Central de Custódia e de Liquidação Financeira de Títulos*)

...and growth through compelling propositions to each segment...

Individuals



SMEs



Cards

+15% YoY growth in total transactions

Payroll

+26% YoY growth in loans

Customer experience

The world's best bank for SMEs

“Avançar” program

+130k YoY number of logins

+92 bps YoY in market share



Onboarding¹

1 day to open an account:

ContaSuper
É digital. É fácil.

Acquiring business

+50% active accounts
+26% active cards

+450k new customers²

+40% YoY total transactions

+26% YoY turnover

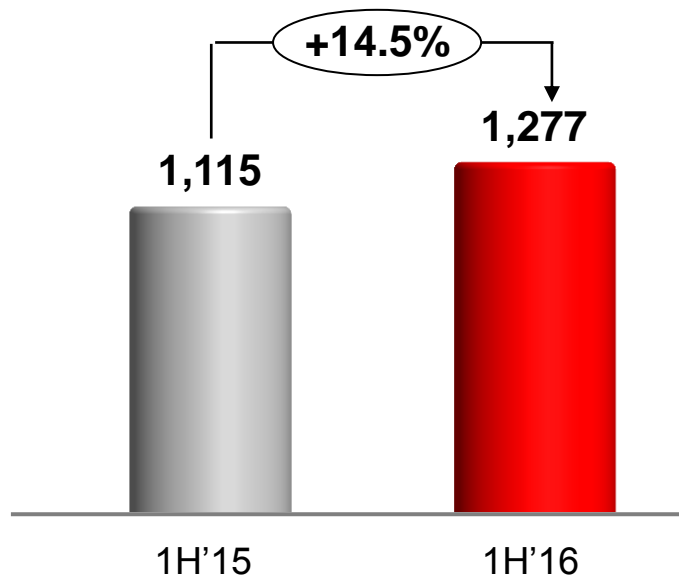
+300bps market share in last 2 years

Data as of Jun'16

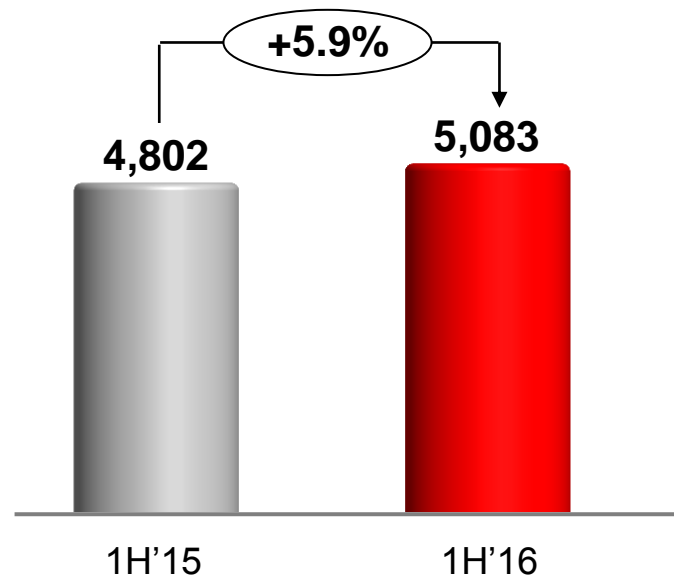
(1) Change observed in the period between April and May '16 among customers with and without a welcome package (2) Figure expected for 2016 year end

...starting to show differentiated growth

Net Fees (€MM¹)

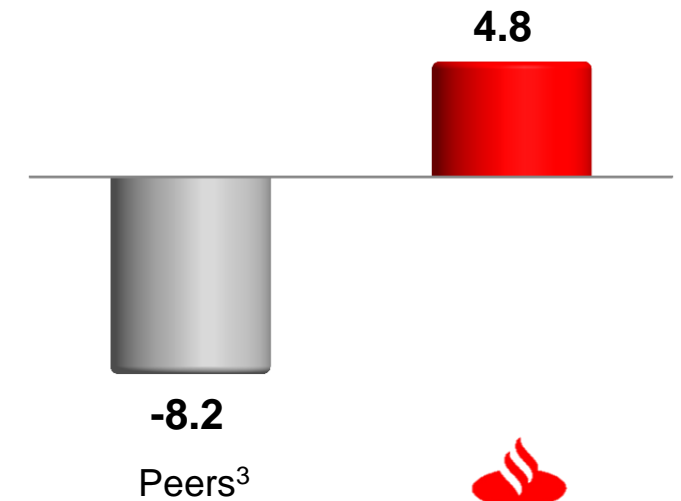


Total revenues (€MM¹)



Net profit YoY chg² (%)

1H'16 vs. 1H'15



(1) Currency neutral (2) Local currency and Brazilian GAAP criteria (3) Large privately owned banks

4

Looking forward and key takeaways

We are on plan to deliver our 2016 commitments

	1H'15	1H'16	2016 commitments	
Total Loyal customers (MM)	3.1	3.4	3.6	✓
Digital customers (MM)	4.0	5.5	6.7	✓
NPL ratio¹	3.2%	3.2% < peers	~ peers	✓
Micro credit²	#1	#1	#1	✓

Note: Group criteria

(1) BR GAAP

(2) Among privates

2018 Santander Brasil targets

		1H'16	2018
People	Great Place to Work bank ranking	✓	Top 3
Customers	Retail loyal customers (MM)	3.01	4.03
	Loyal SMEs and corporates (MM)	0.37	0.52
	Digital customers (MM)	5.5	9.2
	Customer service quality (rank)	3 rd	3 rd
	Fee income CAGR	14.5% ¹	>10% ²
Shareholders	NPL ratio	6.1%	c.6%
	RoTE	14%	c.17%
	Cost to income ratio	39%	37%
Communities	Number of scholarships 2016-2018 (k)	✓	10.7
	Number of micro credit 2016-2018 (k)	✓	478

Note: Group criteria
 (1) YoY (2) 2018/2015



In 2016, **we will overachieve all goals communicated** in the last Investor Day despite a dire macro environment



We are building a reliable growth platform based on an increasing loyal customer base and an undivided focus on asset quality, both underpinned by an engaged work-force



We are committed to delivering consistently higher ROE, powered by organic growth, disciplined capital deployment and increased digital throughput for our expanding customer base



We are set in to deliver a strong 2016 and better equipped to continue on a fast track in 2017





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