

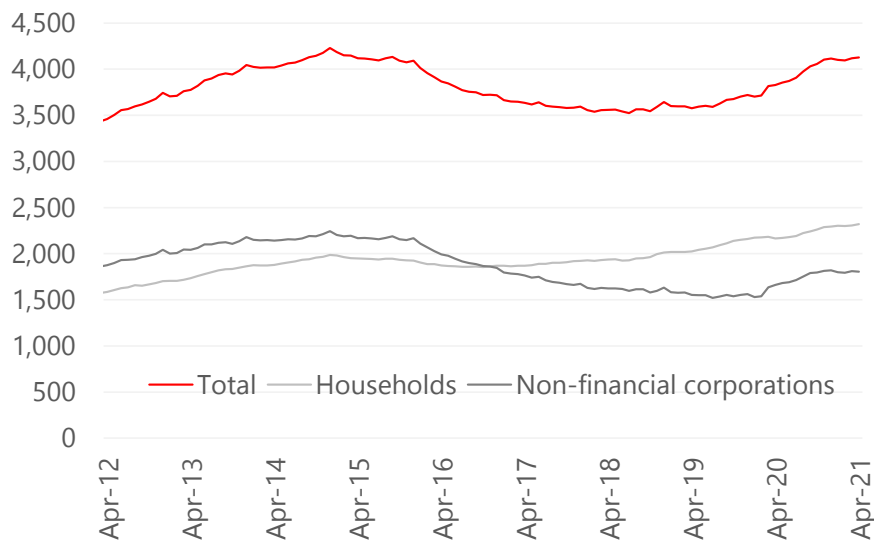
Reopening Figures for April

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- The Brazilian Central Bank (BCB) today released data for April showing a rebound in non-earmarked credit to households, which reflects the reopening process that took place in April in several key regions of Brazil, driving consumption up.
- In the corporate segment, a decline in credit was observed after March's strong figures. We expect a new round of BRL5 billion in *Pronampe* credit support in the coming weeks.
- Importantly, both the debt-to-income and debt service ratios for households have been rising fast, which we see as a risk for delinquencies and credit supply as the economy recovers.

Total outstanding loans in the National Financial System (SFN) posted inflation-adjusted growth of 7.8% YoY in April (BRL4.1 trillion), up 7.1% YoY for households and 8.7% YoY for non-financial corporations.

Figure 1. Total Outstanding Balance of Credit Operations (inflation adjusted, BRL billion)



Sources: Brazilian Central Bank, Santander.

In the non-earmarked segment, household portfolios grew 7.5% YoY during April (inflation adjusted). For corporations, growth in the balance of non-earmarked loans remained strong (+6.2% YoY), with an emphasis on working capital (+23.4% YoY, inflation adjusted). In the earmarked segment, growth for households reflected real estate financing (+12.7% YoY, inflation adjusted).

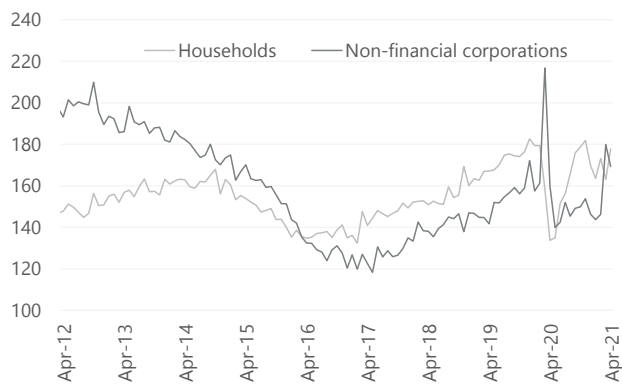
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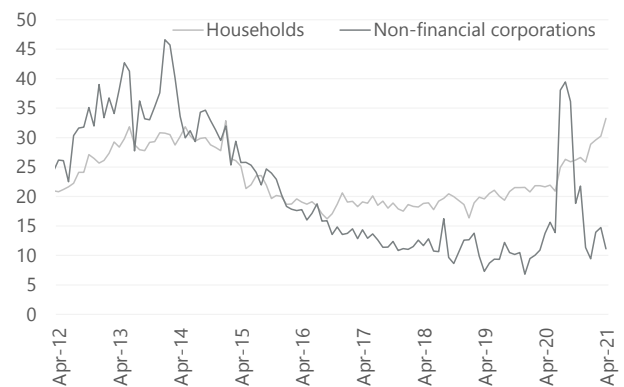


Figure 2. New Operations – Non-Earmarked (inflation and seasonally adjusted, BRL billions)



Sources: Brazilian Central Bank, Santander.

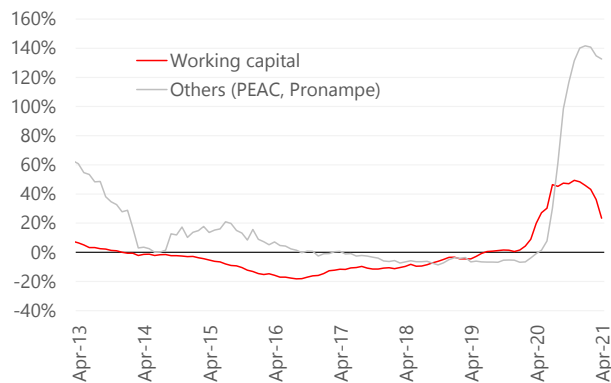
Figure 3. New Operations – Earmarked (inflation and seasonally adjusted, BRL billions)



Sources: Brazilian Central Bank, Santander.

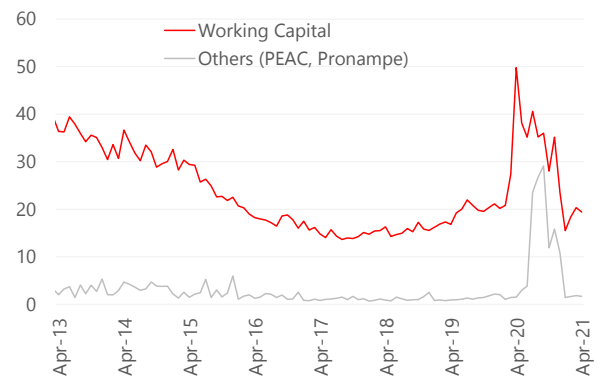
New loans adjusted for inflation and seasonality (Central Bank of Brazil methodology) rose 4.5% in April, an increase from March (+0.6% MoM-sa). For households, the **non-earmarked segment saw a significant increase of 9.9% MoM-sa as key regions of Brazil gradually started lifting restrictions**. In the earmarked segment, real estate financing remains high (+84.4% YoY), reflecting favorable financial conditions. For companies, there was a decline of 5.8% MoM-sa in April in the non-earmarked segment from a strong figure in March, when companies relied heavily on short-term credit for support to see them through activity restrictions imposed by local governments. In the earmarked segment, there was a decline of 24.6% MoM-sa, as we expect a **new round of BRL5 billion in Pronampe credit support in the coming weeks**.

Figure 4. Outstanding Balance – Non-Financial Corporations (inflation adjusted, %YoY)



Sources: Brazilian Central Bank, Santander.

Figure 5. New Operations – Earmarked (inflation and seasonally adjusted, BRL billion)

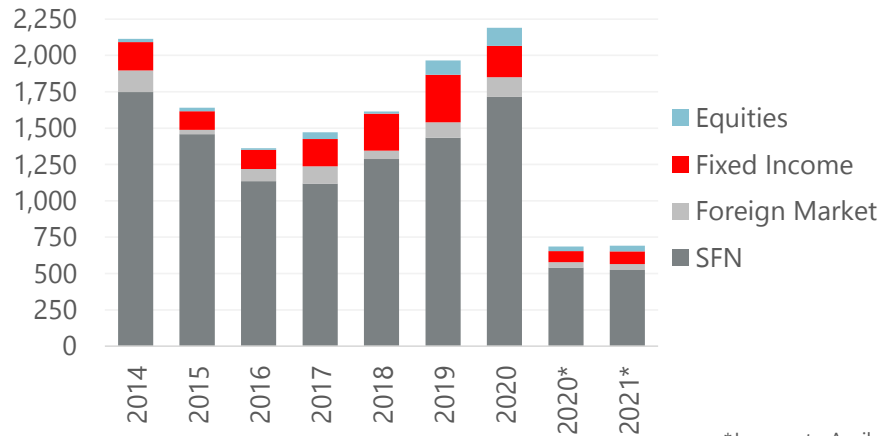


Sources: Brazilian Central Bank, Santander.

Considering total corporate financing YTD through April 2021 (new loans in the SFN, debt and equity issues in the capital markets) vs. the year-ago period, issuance in the capital markets is 15% higher, while SFN concessions are down 3%. As a result, total corporate financing is up 1% compared to the year-ago period.



Figure 6. Total Corporate Financing (inflation adjusted, BRL billions)



*January to April.

SFN - exclude *conta garantida*, *cheque especial* (overdraft) and credit card.

Foreign Market - bonus, MTNs and securities.

Fixed Income - Debentures, commercial papers, LFs, CRAs, CRIs e FIDCs.

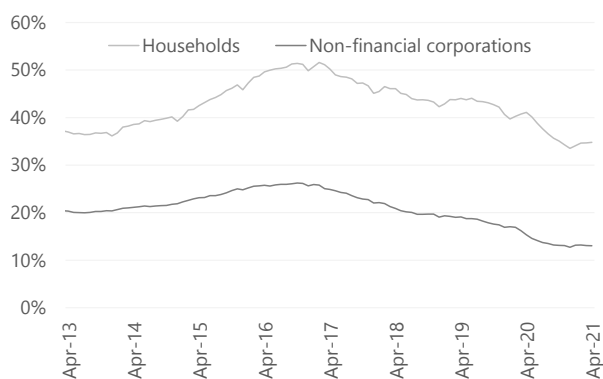
Equity - IPO and follow-on.

Sources: Brazilian Central Bank, Anbima, Santander.

Lastly, the Credit Cost Indicator (ICC) of non-earmarked loans to households increased 0.1 p.p. in April compared to March, reaching 34.8% p.a., and was stable at 13.1% p.a. for corporations. The average interest rate for non-earmarked new loans was 41.0% p.a. for households (compared to 40.9% p.a. in March) and was 14.7% for corporations (compared to 13.9% p.a. in March). The spread on non-earmarked new loans was 34.0% for households (-0.4 p.p. from March) and 8.6% (+0.3 p.p. from March) for corporations.

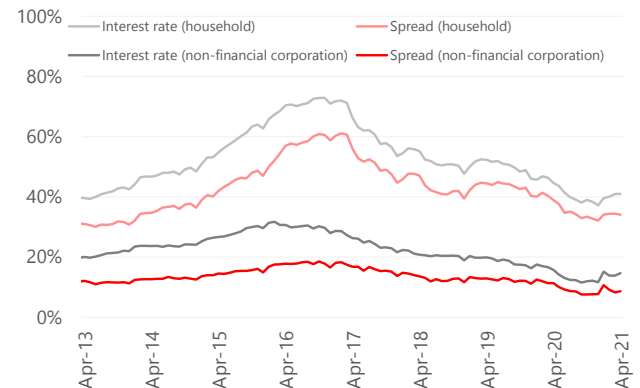
Still regarding non-earmarked loans, the seasonally adjusted default rate (% of 90-day past-due loans) came in at 4.1% and 1.7%, respectively, for households and corporations, stable from March. **Importantly, both the debt-to-income and debt service ratios for households have been rising fast, which we see as a risk for delinquencies and credit supply as the economy recovers.**

Figure 7. Credit Cost Indicator (ICC) – Non-Earmarked (% p.a.)



Sources: Brazilian Central Bank, Santander.

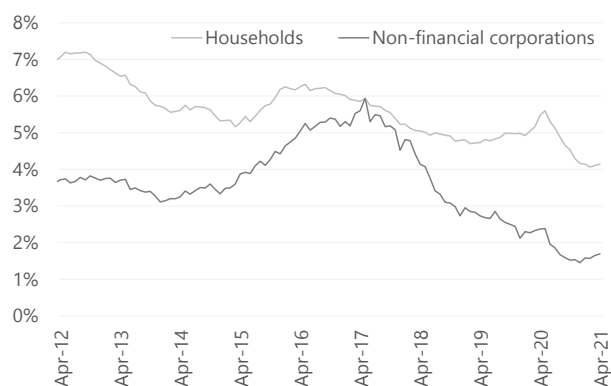
Figure 8. Average Interest Rate and Spread – Non-Earmarked (% p.a.)



Sources: Brazilian Central Bank, Santander.

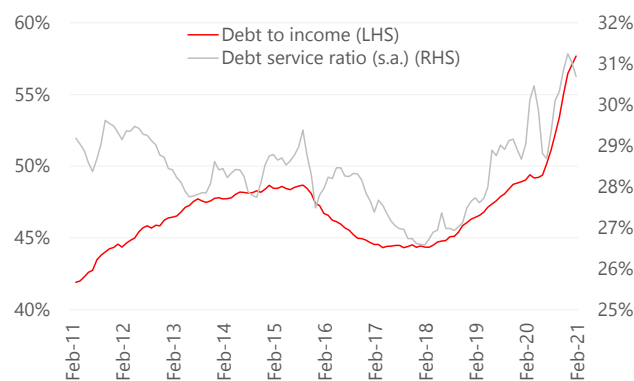


Figure 9. Loans Due in 90 Days – Non-Earmarked (% , s.a.)



Sources: Brazilian Central Bank, Santander.

Figure 10 – Household Debt to Income and Debt Service Ratio (%)



Sources: Brazilian Central Bank, Santander.

Figure 11. Indicators

Outstanding inf. adj. (YoY)	Nonearmarked			Earmarked			Total		
	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21
Households	5.2%	4.8%	4.7%	7.2%	7.0%	6.7%	6.1%	5.8%	5.6%
Non-financial corporations	17.8%	16.5%	8.2%	17.6%	17.4%	15.9%	17.7%	16.8%	11.0%
Total	10.7%	10.0%	6.3%	11.1%	10.9%	10.2%	10.9%	10.4%	7.9%

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21
Households	-3.4%	6.1%	-5.5%	12.9%	1.4%	0.0%	-1.5%	5.2%	-4.6%
Non-financial corporations	-1.6%	1.9%	23.1%	-19.3%	52.5%	12.1%	3.2%	4.0%	11.4%
Total	1.6%	4.3%	0.7%	1.8%	6.0%	3.7%	1.6%	5.3%	0.2%

Interest rate	Nonearmarked			Earmarked			Total		
	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21
Households	39.5%	40.1%	41.0%	7.0%	6.9%	6.8%	24.4%	24.6%	25.1%
Non-financial corporations	15.2%	13.8%	13.8%	9.5%	8.4%	8.1%	13.4%	12.2%	12.1%
Total	28.5%	28.1%	28.6%	7.7%	7.3%	7.2%	20.1%	19.8%	20.0%

Spreads	Nonearmarked			Earmarked			Total		
	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21
Households	34.1%	34.4%	34.5%	4.9%	4.8%	4.5%	20.5%	20.6%	20.6%
Non-financial corporations	10.7%	9.2%	8.2%	3.3%	3.9%	3.0%	8.4%	7.6%	6.7%
Total	23.5%	22.9%	22.5%	4.4%	4.5%	4.1%	15.8%	15.5%	15.1%

	Feb-21	Mar-21	Apr-21
Total Outstanding / GDP	53.9%	54.0%	54.4%
Total Outstanding under public control	45.0%	44.9%	44.6%

Sources: Brazilian Central Bank, Santander.



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