

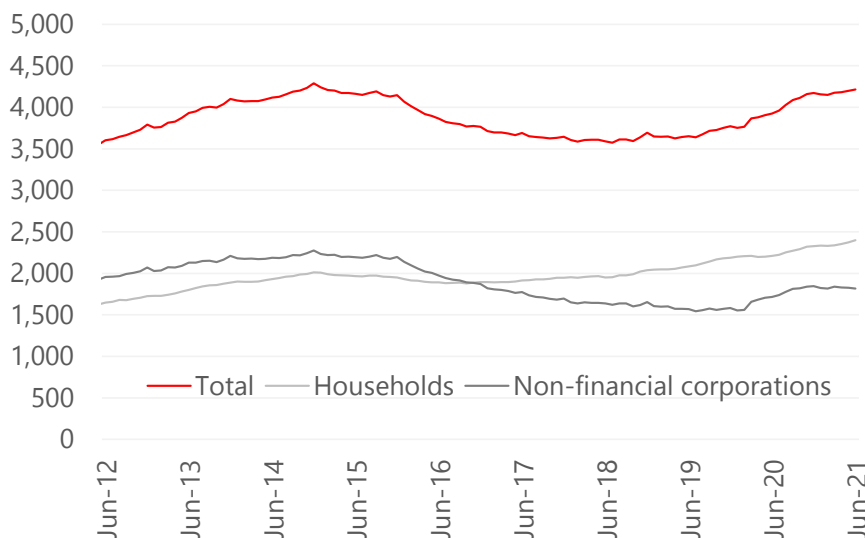
A Strong Overall Credit Figure

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- The Brazil Central Bank (BCB) today released data for June showing a positive overall figure for credit to households and companies, in tandem with the reopening process as the pandemic is slowly brought under control.
- For households, the non-earmarked segment posted an increase of 3.4% MoM-sa, driven by credit card and vehicle purchases.
- For companies, out of the BRL25 billion in credit from *Pronampe* expected for 2021, BRL17 billion have already been provided.
- However, debt-to-income continues to rise, which we see as a risk for delinquencies as the economy recovers.

Total outstanding loans in the National Financial System (SFN) posted inflation-adjusted growth of 7.3% YoY in June (to BRL4.2 trillion), up 8.4% YoY for households and 5.9% YoY for non-financial corporations.

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



Sources: Brazilian Central Bank, Santander.

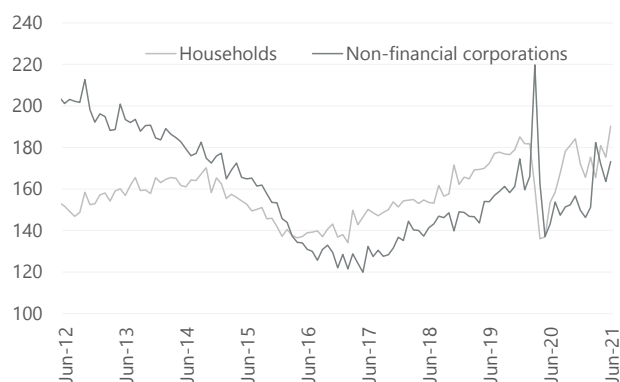
In the non-earmarked segment, household portfolios grew 10.1% YoY during June (inflation adjusted). For corporations, growth in the balance of non-earmarked loans is now closer to previous years average levels (+5.1% YoY), but working capital remains high (+15.7% YoY, inflation adjusted). In the earmarked segment, growth for households reflected real estate financing (+13.1% YoY, inflation adjusted).

IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE “IMPORTANT DISCLOSURES” SECTION OF THIS REPORT.

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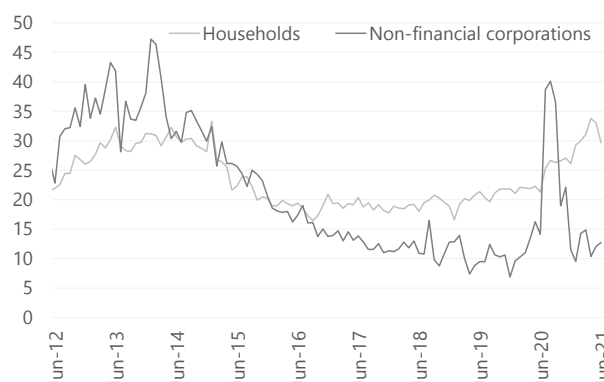


Figure 2. New Operations – Non-Earmarked (inflation and seasonally adjusted, BRL billions)



Sources: Brazilian Central Bank, Santander.

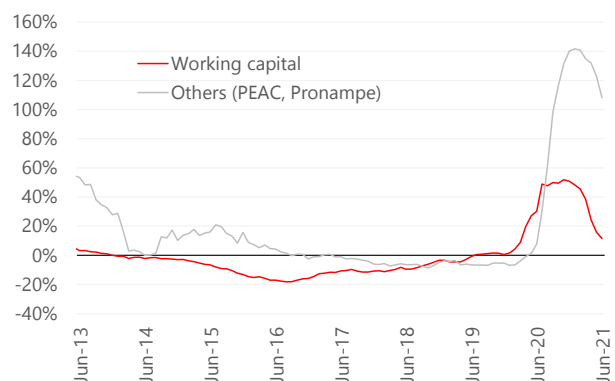
Figure 3. New Operations – Earmarked (inflation and seasonally adjusted, BRL billions)



Sources: Brazilian Central Bank, Santander.

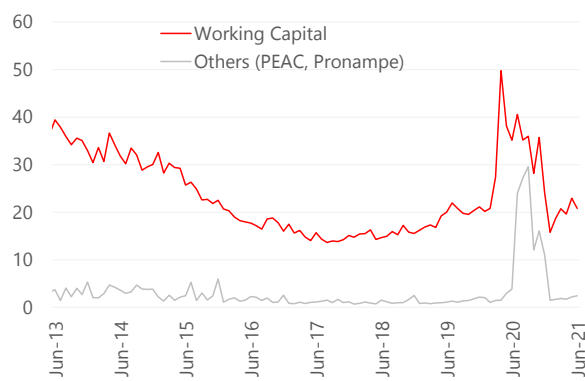
New loans adjusted for inflation and seasonality (Central Bank of Brazil methodology) increased 1.1% in June, from a drop in May (-0.1% MoM-sa). For households, the **non-earmarked segment posted an increase of 3.4% MoM-sa, driven by credit card and vehicle purchases**. In the earmarked segment, real estate financing remains high (+60% YoY), reflecting favorable financial conditions. For companies, there was an increase of 3.8% MoM-sa in June in the non-earmarked segment, with discount of trade bills standing out (+35%). In the earmarked segment, there was a decrease of 2.5% MoM-sa. **Importantly, out of the BRL25 billion in credit from Pronampe expected for 2021, BRL17 billion have already been provided to companies.**

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)

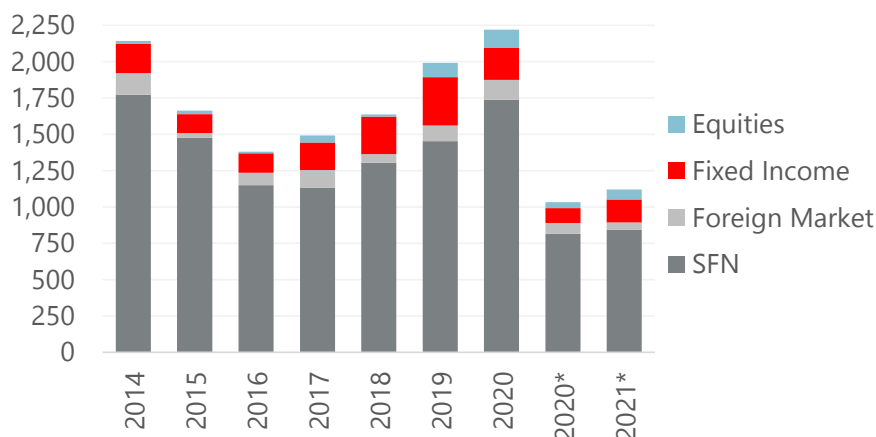


Sources: Brazilian Central Bank, Santander.

Considering total corporate financing YTD through June 2021 (new loans in the SFN, debt and equity issues in the capital markets) vs. the year-ago period, issuances in the capital markets are 57% higher, while SFN concessions are up 3%. As a result, total corporate financing is up 8% compared to the year-ago period.



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



*January to June.

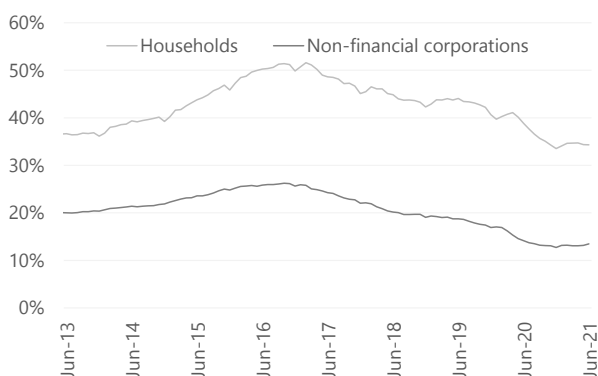
SFN - exclude *conta garantida*, *cheque especial* (overdraft) and credit card.
 Foreign Market - bonus, MTNs and securities.
 Fixed Income - Debentures, commercial papers, LFs, CRAs, CRIs e FIDCs.
 Equity - IPO and follow-on.

Sources: Brazilian Central Bank, Anbima, Santander.

Lastly, the Credit Cost Indicator (ICC) of non-earmarked loans to households decreased 0.1 p.p. in June compared to May, to 34.3% p.a., and increased 0.3 p.p. to 13.5% p.a. for corporations. The average interest rate for non-earmarked new loans was 39.9% p.a. for households (stable from May) and was 14.5% for corporations (compared to 14.6% p.a. in May). The spread on non-earmarked new loans was 32.6% for households (-0.1 p.p. from May) and 8.1% for corporations (-0.4 p.p. from May).

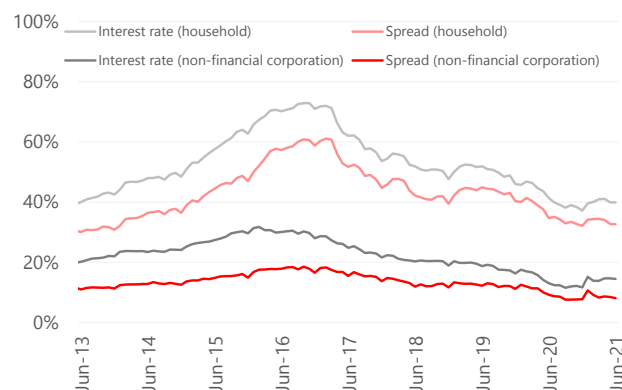
Still regarding non-earmarked loans, the seasonally adjusted default rate (% of 90-day past-due loans) came in at 4.1% and 1.6%, respectively, for households and corporations. **Importantly, debt-to-income continues to rise, which we see as a risk for delinquencies as the economy recovers.**

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



Sources: Brazilian Central Bank, Santander.

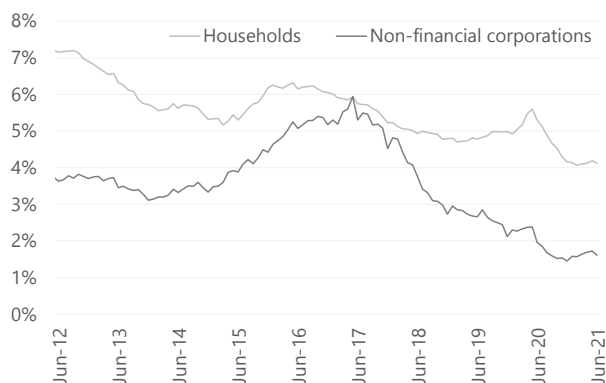
Figure 8. Average Interest Rate and Spread – Non-Earmarked (% p.a.)



Sources: Brazilian Central Bank, Santander.

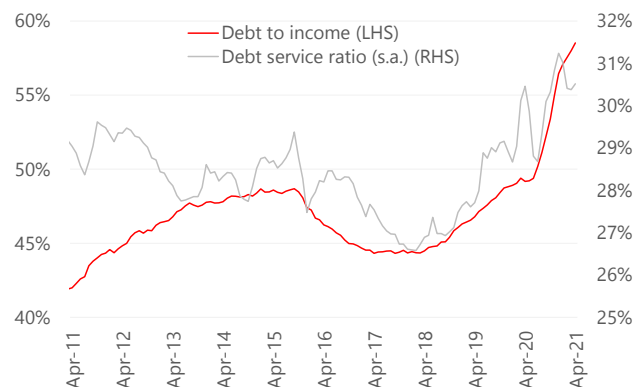


Figure 9. Loans Due in 90 Days – Non-Earmarked (% s.a.)



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		
	Apr-21	May-21	Jun-21	Apr-21	May-21	Jun-21	Apr-21	May-21	Jun-21
Households	7.7%	9.3%	10.1%	6.6%	6.0%	6.4%	7.2%	7.8%	8.4%
Non-financial corporations	6.1%	5.1%	5.1%	13.2%	10.3%	7.3%	8.7%	7.0%	5.9%
Total	6.9%	7.3%	7.7%	9.1%	7.7%	6.8%	7.8%	7.4%	7.3%

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Apr-21	May-21	Jun-21	Apr-21	May-21	Jun-21	Apr-21	May-21	Jun-21
Households	9.9%	0.9%	3.4%	10.1%	-7.5%	-5.0%	10.0%	0.1%	2.2%
Non-financial corporations	-5.0%	-3.6%	3.8%	-30.8%	25.2%	-2.5%	1.2%	1.3%	0.3%
Total	4.8%	0.8%	1.7%	1.8%	-4.1%	-3.5%	4.3%	-0.1%	1.1%

Interest rate	Nonearmarked			Earmarked			Total		
	Apr-21	May-21	Jun-21	Apr-21	May-21	Jun-21	Apr-21	May-21	Jun-21
Households	41.0%	39.9%	39.9%	6.7%	6.7%	6.8%	25.1%	24.6%	24.6%
Non-financial corporations	14.7%	14.6%	14.5%	8.4%	7.6%	7.2%	12.8%	12.6%	12.4%
Total	29.0%	28.5%	28.3%	7.2%	7.0%	6.9%	20.3%	19.9%	19.9%

Spreads	Nonearmarked			Earmarked			Total		
	Apr-21	May-21	Jun-21	Apr-21	May-21	Jun-21	Apr-21	May-21	Jun-21
Households	34.0%	32.7%	32.6%	4.3%	4.1%	4.0%	20.2%	19.5%	19.4%
Non-financial corporations	8.6%	8.5%	8.1%	2.6%	2.8%	1.5%	6.9%	6.8%	6.2%
Total	22.4%	21.7%	21.5%	3.8%	3.7%	3.3%	15.0%	14.5%	14.3%

	Apr-21	May-21	Jun-21
Total Outstanding / GDP	53.7%	52.7%	52.6%
Total Outstanding under public control	44.4%	44.1%	43.9%

Sources: Brazilian Central Bank, Santander.





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