

Fabiana Moreira*

fabiana.de.oliveira@santander.com.br
5511 3553-6120

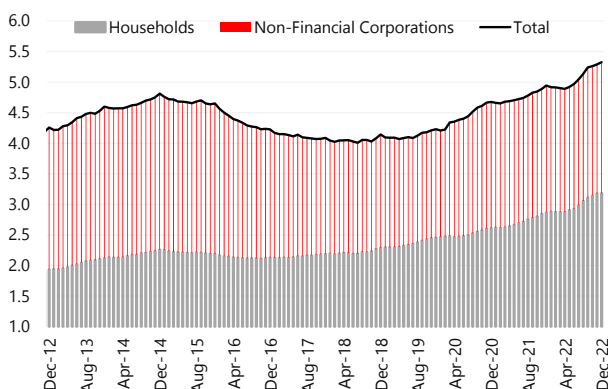
2022 Ends with Strong Credit Growth

- Total outstanding loans in the National Financial System (SFN) in December posted inflation-adjusted growth of 7.4% YoY to R\$5.3 trillion in credit to households and companies (+2 p.p. from the growth registered in 2021), indicating, in our view, that credit could be near a peak.
- In the non-earmarked segment, household credit portfolios posted the smallest growth rate of the year in December, at 10.6% YoY, a 1.2 p.p. drop from December 2021. Total personal real credit ended the year with growth of 10.3% YoY, while credit cards slowed at the margin but still increased rapidly, +19.35% YoY, inflation adjusted, which was the smallest growth of the year.
- For corporations, real growth in the balance of non-earmarked loans was 3.9% YoY, a 2.7 p.p. drop from December 2021, with total working capital presenting a tepid negative variation of -0.4% YoY (inflation adjusted), and Others rising 13.5% YoY (inflation adjusted).
- Finally, household debt-to-income reached 49.5% in November 2022, still a high level. In addition, the debt service ratio reached a peak for the series at 28.2% in November. We see these figures as a risk for delinquencies as the economy recovers.

Outstanding Loans

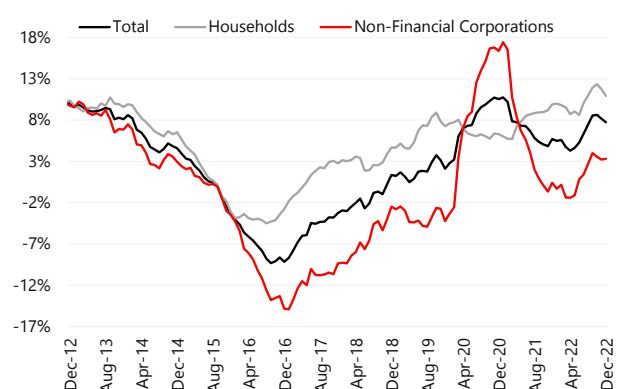
Total outstanding loans in the National Financial System (SFN) in December posted inflation-adjusted growth of 7.4% YoY (+2 p.p. from the growth registered in 2021), to R\$5.3 trillion. Loans to households continued to accelerate and led loans overall, rising 10.9% YoY, +1 p.p. from the growth registered in 2021; for non-financial corporations, loans rose 3.3% YoY, + 2.9 p.p. from the growth registered in 2021. Also, **credit-to-GDP reached 54.2%, the highest figure in the year.**

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



Sources: Brazilian Central Bank, Santander.

Figure 2. Total Outstanding Balance of Credit Operations – Growth Rate (inflation adjusted) (%)



Sources: Brazilian Central Bank, Santander.

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

U.S. investors' inquiries should be directed to Santander Investment Securities Inc. at (212) 583-4629 / (212) 350-3918.

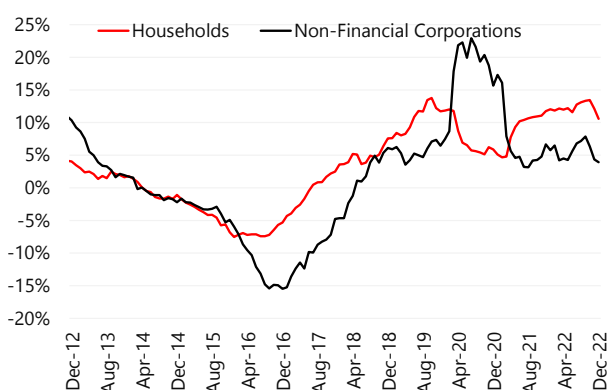
* Employed by a non-US affiliate of Santander Investment Securities, Inc. and is not registered/qualified as a research analyst under FINRA rules.



In the non-earmarked segment, household credit portfolios posted the smallest growth rate of the year in December, at 10.6% YoY, a 1.2 p.p. drop from December 2021. **Total personal real credit ended the year with growth of 10.3% YoY, while credit cards slowed at the margin but still increased rapidly, +19.35% YoY, inflation adjusted, the smallest growth of the year.** For corporations, real growth in the balance of non-earmarked loans was 3.9% YoY, a 2.7 p.p. drop from December 2021, with **total working capital presenting a tepid negative variation of -0.4% YoY (inflation adjusted), and Others rising 13.5% YoY (inflation adjusted).**

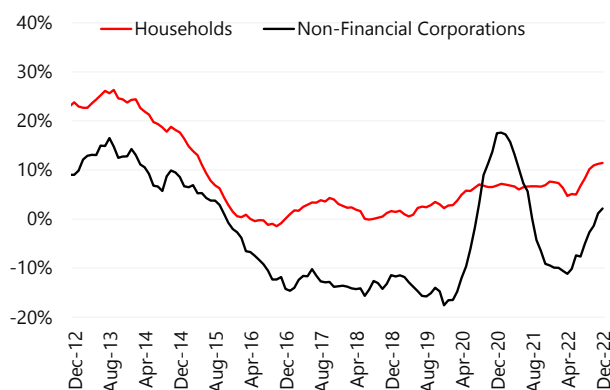
In the earmarked segment, loans to households grew 11.4% YoY, with **real estate financing also showing strong growth of 7.8% YoY, inflation adjusted, the largest increase of the year. Rural credit grew 22.3% YoY, inflation adjusted, thanks to the 2022-23 Crop Plan.** Loans to corporations ended the negative results in a row, posting growth of 2.2% YoY (inflation adjusted).

Figure 3. Outstanding Balance – Non-Earmarked (inflation adjusted) (% YoY)



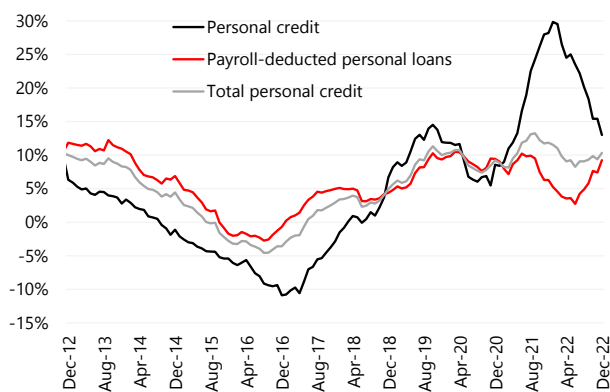
Sources: Brazilian Central Bank, Santander.

Figure 4. Outstanding Balance – Earmarked (inflation adjusted) (% YoY)



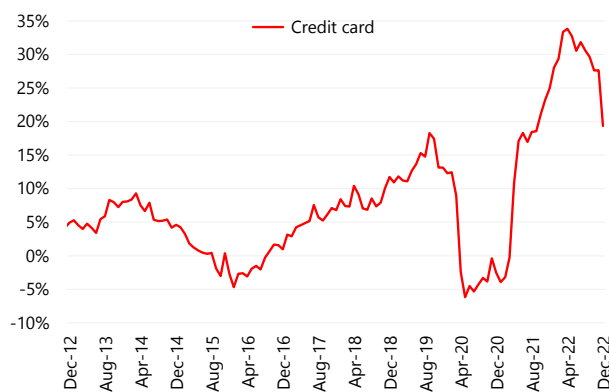
Sources: Brazilian Central Bank, Santander.

Figure 5. Outstanding Balance Households – Personal Credit – Non-Earmarked (inflation adjusted) (% YoY)



Sources: Brazilian Central Bank, Santander.

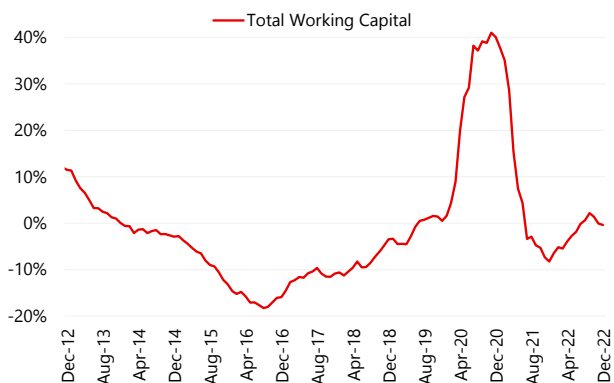
Figure 6. Outstanding Balance Households – Credit Card – Non-Earmarked (inflation adjusted) (% YoY)



Sources: Brazilian Central Bank, Santander.

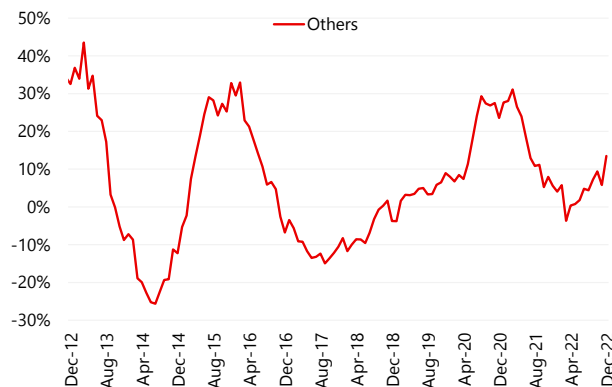


Figure 7. Outstanding Balance Corporates – Working Capital – Non-Earmarked (inflation adj.) (% YoY)



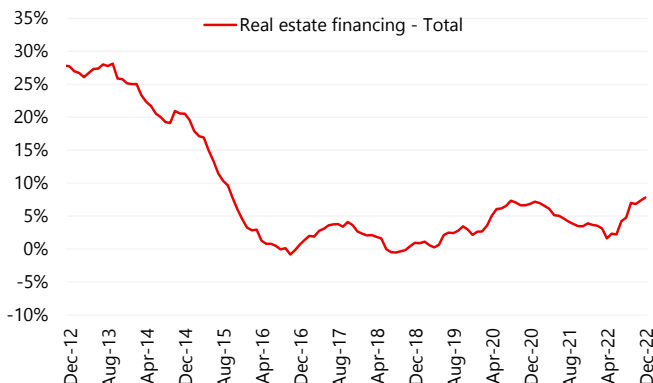
Sources: Brazilian Central Bank, Santander.

Figure 8. Outstanding Balance Corporates – Others – Non-Earmarked (inflation adj.) (% YoY)



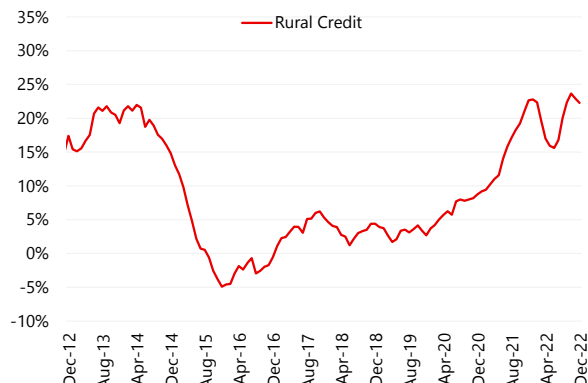
Sources: Brazilian Central Bank, Santander.

Figure 9. Outstanding Balance Households – Real Estate Financing – Earmarked (inflation adj.) (% YoY)



Sources: Brazilian Central Bank, Santander.

Figure 10. Outstanding Balance Corporations – Total Rural Credit – Earmarked (inflation adj.) (% YoY)



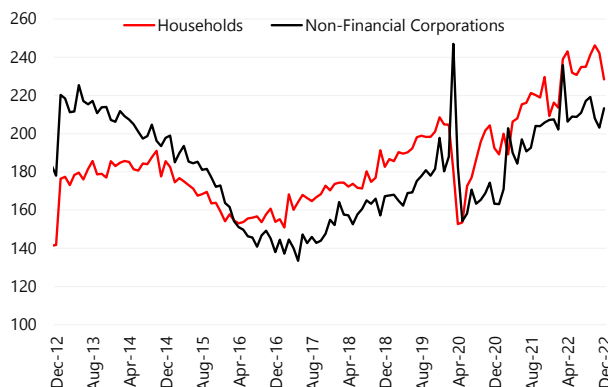
Sources: Brazilian Central Bank, Santander.

New Loans

New loans adjusted for inflation and seasonality (Brazil Central Bank methodology) declined 3.7% in December. For households, the **non-earmarked segment decreased 5.7% MoM-sa**. In the **earmarked segment, loans to households decreased 2.3% MoM-sa**.

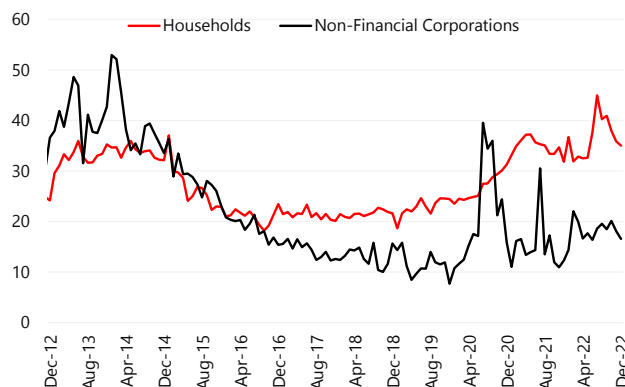
For companies, there **was an increase of 5.0% MoM-sa in December in the non-earmarked segment**, with total working capital showing a negative variation (-10.2% MoM-sa). **The earmarked segment posted a decrease of 8.5% MoM-sa**.

Figure 11. New Operations – Non-Earmarked (inflation and seasonally adjusted, BRL billions)



Sources: Brazilian Central Bank, Santander.

Figure 12. New Operations – Earmarked (inflation and seasonally adjusted, BRL thousands)



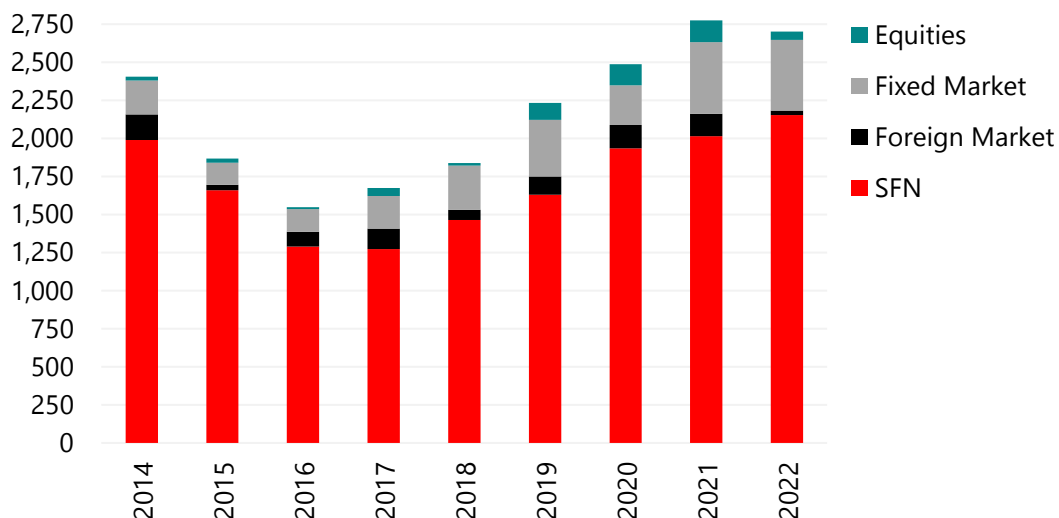
Sources: Brazilian Central Bank, Santander.



Total Credit

Considering total corporate financing YTD through December 2022 (new loans in the SFN, debt, and equity issues in the capital markets) vs. the year-ago period, issuances in the capital markets were 27.7% smaller, while SFN concessions were up 6.8%. **As a result, total corporate financing for the full year 2022 was 2.6% lower than in 2021.**

Figure 13. Total Corporate Financing (inflation adjusted, BRL billions)



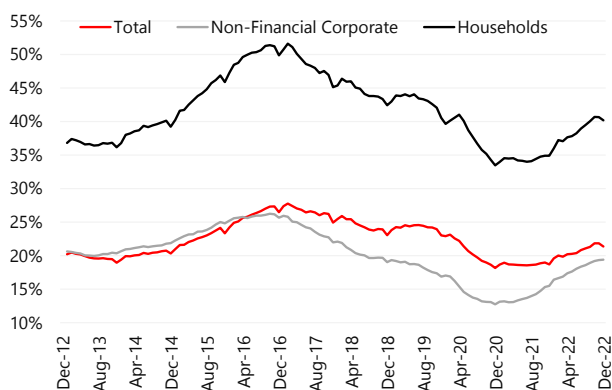
SFN - exclude *conta garantida*, *cheque especial* (overdraft) and credit card.
 Foreign Market - bonus, MTNs and securities.
 Fixed Income - Debentures, commercial papers, LFs, CRAs, CRIs and FIDCs.
 Equity - IPO and follow-on.

Sources: Brazilian Central Bank, Anbima, Santander.

Credit Conditions

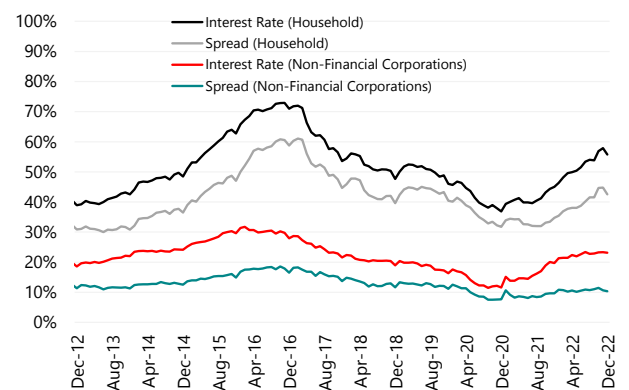
Lastly, the Credit Cost Indicator (ICC) for non-earmarked loans to households continued to rise, reaching 40.2% p.a. in December, + 5.3 p.p. from December 2021, with the indicator for corporations rising as well, to 19.4% p.a., +3.9 p.p. from December 2021. The average interest rate for non-earmarked new loans was 55.8% p.a. for households, +10.8 p.p. from December 2021, and 23.1% p.a. for corporations, +3.4 p.p. from December 2021. The spread on non-earmarked new loans was 42.6% for households (+7.8 p.p. from December 2021) and 10.3% for corporations (+0.7 p.p. from December 2021).

Figure 14. Credit Cost Indicator (ICC) – Non-Earmarked (% p.a.)



Sources: Brazilian Central Bank, Santander.

Figure 15. Average Interest Rate and Spread – Non-Earmarked (% p.a.)



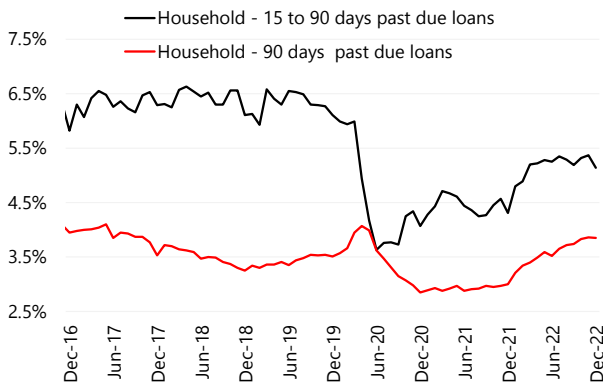
Sources: Brazilian Central Bank, Santander.



Household Debt

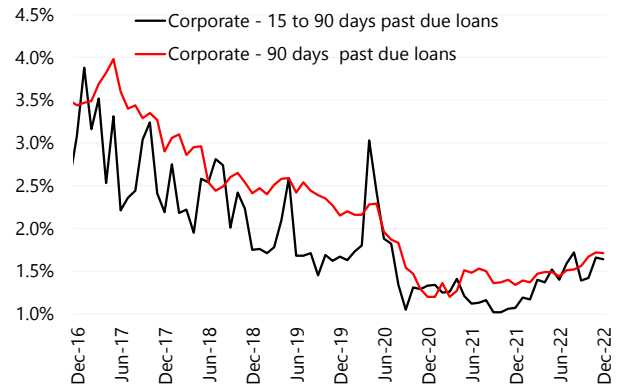
Still regarding non-earmarked loans, in December, the seasonally adjusted default rate (% of 90-day past-due loans) showed growth at the margin, reaching 5.9% for households and 2.1% for corporates, both at the same level as in November 2022. **Importantly, household debt-to-income reached 49.5% in November 2022, still a high level; excluding real estate financing, household debt-to-income was 31.4%. In addition, the debt service ratio reached a peak for the series of 28.2% in November; excluding real estate financing, the debt service ratio was 26.1%. We see these figures as a risk for delinquencies as the economy recovers.**

Figure 16. Loans Due – Households (% , s.a.)



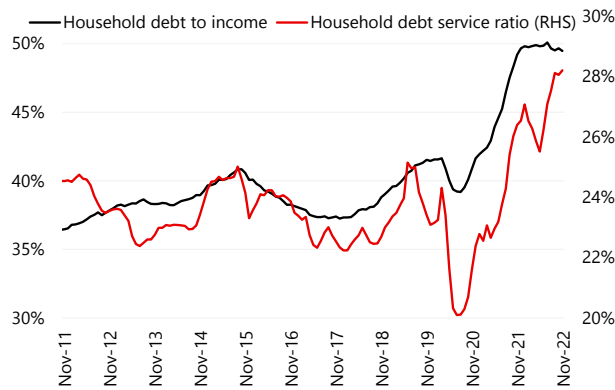
Sources: Brazilian Central Bank, Santander.

Figure 17. Loans Due – Corporate (% , s.a.)



Sources: Brazilian Central Bank, Santander.

Figure 18. Household Debt-to-Income and Debt Service Ratio (%)



Sources: Brazilian Central Bank, Santander.



Figure 19. Indicators

Outstanding inf. adj. (YoY)	Nonearmarked			Earmarked			Total		
	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22
Households	13.4%	12.1%	10.6%	11.0%	11.3%	11.4%	12.3%	11.7%	10.9%
Non-financial corporations	6.3%	4.4%	3.9%	-1.4%	1.1%	2.2%	3.5%	3.2%	3.3%
Total	10.2%	8.6%	7.5%	6.3%	7.5%	8.0%	8.6%	8.2%	7.7%

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22
Households	2.0%	-1.6%	-5.7%	-7.2%	-5.6%	-2.3%	-0.2%	-3.4%	-4.0%
Non-financial corporations	-5.1%	-2.3%	5.0%	8.8%	-9.9%	-8.5%	-0.3%	-2.4%	-1.7%
Total	0.3%	-2.4%	-0.7%	1.2%	-7.9%	-2.4%	2.0%	-4.7%	-3.7%

Interest rate (% p.a.)	Nonearmarked			Earmarked			Total		
	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22
Households	56.9%	58%	55.8%	10.8%	11.1%	11.3%	36.0%	37.1%	35.6%
Non-financial corporations	23.3%	23.3%	23.1%	9.8%	11.9%	11.9%	19.4%	20.0%	19.8%
Total	42.5%	43.5%	42.0%	10.6%	11.3%	11.5%	30.0%	31.0%	29.9%

Spreads (p.p)	Nonearmarked			Earmarked			Total		
	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22
Households	44.6	44.8	42.6	4.2	4.2	4.1	26.3	26.7	25.1
Non-financial corporations	11.5	10.6	10.3	4.0	3.5	3.7	9.3	8.6	8.4
Total	30.4	30.5	28.9	4.2	4.0	3.9	20.1	20.2	19.1

Past Due Loans (%)	Nonearmarked			Earmarked			Total		
	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22
Households	5.80	5.82	5.86	1.33	1.37	1.33	3.83	3.86	3.85
Non-financial corporations	2.04	2.10	2.07	0.98	1.01	1.02	1.67	1.72	1.71
Total	4.15	4.20	4.19	1.21	1.25	1.22	2.96	3.01	2.99

	Oct-22	Nov-22	Dec-22
Total Outstanding / GDP	53.6%	53.8%	54.2%
Total Outstanding under public control	42.6%	42.6%	42.5%
Total Outstanding under private control	57.4%	57.4%	57.5%

Sources: Brazilian Central Bank, Santander.



CONTACTS / IMPORTANT DISCLOSURES

Brazil Macro Research

Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Mauricio Oreng*	Head of Macro Research	mauricio.oreng@santander.com.br	5511-3553-5404
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520
Lucas Maynard*	Economist – Economic Activity	lucas.maynard.da.silva@santander.com.br	5511-3553-7495
Felipe Kotinda*	Economist – Commodities	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Fabiana Moreira*	Economist – Credit	fabiana.de.oliveira@santander.com.br	5511-3553-6120
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327

Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Rodrigo Park *	Economist – Argentina	rpark@santander.com.ar	54-11-4341-1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888
Mike Moran	Head of Macro Research, US	mike.moran@santander.us	212-350-3500

Fixed Income Research

Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santanderrio.com.ar	5411-4341-1065
Mauricio Oreng*	Senior Economist/Strategist – Brazil	mauricio.oreng@santander.com.br	5511-3553-5404
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778

Equity Research

Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Mariana Cahen Margulies*	Head, Brazil	mmargulies@santander.com.br	5511-3553-1684

Electronic

Bloomberg
Reuters

SIEQ <GO>
Pages SISEMA through SISEMZ

This report has been prepared by Santander Investment Securities Inc. ("SIS"; SIS is a subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A. "Santander"), on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities). Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is issued in Spain by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa"), and in the United Kingdom by Banco Santander, S.A., London Branch. Santander London is authorized by the Bank of Spain. This report is not being issued to private customers. SIS, Santander London and Santander Investment Bolsa are members of Grupo Santander. ANALYST CERTIFICATION: The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Fabiana Moreira*.

*Employed by a non-US affiliate of Santander Investment Securities Inc. and not registered/qualified as a research analyst under FINRA rules, and is not an associated person of the member firm, and, therefore, may not be subject to the FINRA Rule 2242 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account. The information contained herein has been compiled from sources believed to be reliable, but, although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as at the date of this report and are subject to change without notice. Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with SIS, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States. Hong Kong (HK): This report is distributed in Hong Kong by Banco Santander, S.A. (a public limited liability company incorporated in Spain) which has a branch in Hong Kong. Banco Santander, S.A., Hong Kong Branch is regulated as a Registered Institution by the Hong Kong Monetary Authority for the conduct of Advising and Dealing in Securities (Regulated Activity Type 4 and 1 respectively) under the Securities and Futures Ordinance. This report is not intended for distribution to any persons other than professional investors. Banco Santander, S.A. or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is greater than 1%, the specific holding is disclosed in the Important Disclosures section above. The recipient of this report must not distribute it to any person without the prior written consent of Banco Santander, S.A. Singapore (SG): This report is distributed in Singapore by Banco Santander, S.A. which has a branch in Singapore.



It is not intended for distribution to any persons other than institutional investors, accredited investors and expert investors (each as defined in the Securities and Futures Act 2001 of Singapore). Recipients of this report should contact Banco Santander, S.A., Singapore Branch at researchsingapore@gruposantander.com for matters arising from, or in connection with, this report. Mainland China (CN): This report is being distributed in Mainland China by Banco Santander, S.A. which has two branches in Mainland China, being Shanghai Branch and Beijing Branch ("Santander China"). Santander China is regulated by China Banking and Insurance Regulatory Commission. Banco Santander, S.A., Shanghai Branch is licensed for foreign currency business, RMB business and derivative business. Banco Santander, S.A., Beijing Branch is licensed with foreign currency business. The recipient of this report must not distribute it to any person without the prior written consent of Banco Santander, S.A.. © 2023 by Santander Investment Securities Inc. All Rights Reserved.

