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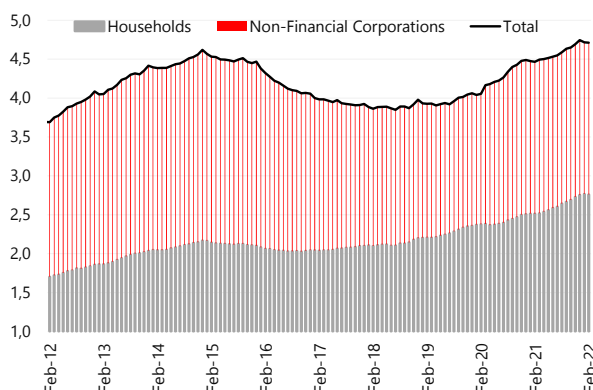
Delinquencies Still Not Slowing Credit

- The Brazil Central Bank (BCB) today released data for February showing that overall real growth in credit to households and companies was 5.46% YoY.
- For new loans to households, the non-earmarked segment posted an increase of 4.6% MoM-sa. Despite the increase overall, we highlight the declines in total personal credit (-9.7% MoM), which was the sixth decline in a row, and credit cards (-2.6% MoM), which posted the second decline in 2022.
- For companies, the earmarked segment kept accelerating, showing a significant increase of 55.6% MoM-sa, after January's increase of 29.9% MoM-sa, with new operations in BNDES Funds presenting a significant increase of 130.6% MoM.
- Finally, debt-to-income and debt-service ratios continued to rise (52.6% and 27.9%, respectively), reaching the highest point in the series since March 2011, which we see as a risk for delinquencies as the economy recovers.

Outstanding Loans

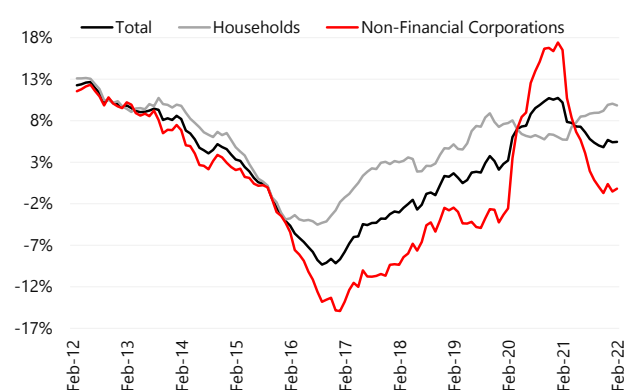
Total outstanding loans in the National Financial System (SFN) in February posted inflation-adjusted growth of 5.46% YoY to BRL4.7 trillion. For households, loans were up 9.85% YoY; for non-financial corporations, they were down 0.18% YoY.

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.

In the non-earmarked segment, household credit portfolios presented real growth of 11.9% YoY, with **personal credit posting growth of 11% YoY, inflation-adjusted, and credit cards continuing to accelerate, reaching the peak of the series at +29.2% YoY, inflation-adjusted.** For corporations, real growth in the balance of non-earmarked loans was 6.3% YoY, with **total working capital presenting a negative variation**

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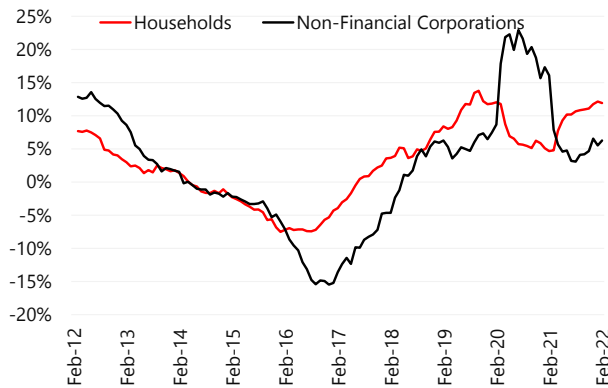
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for the eighth time in a row, -5.2% YoY, inflation adjusted, and advances on exchange contracts rising 18.4% YoY, inflation adjusted.

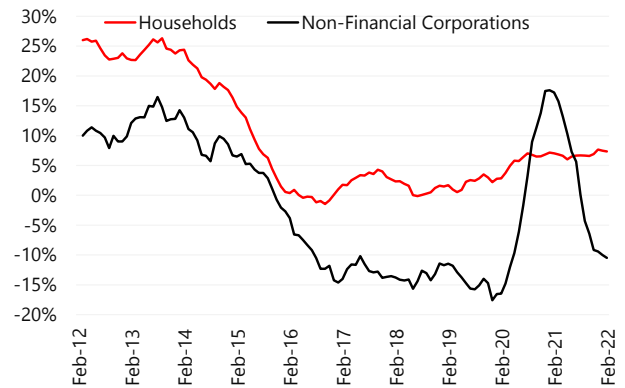
In the earmarked segment, households posted growth of 7.4% YoY, while **real estate financing showed growth of 3.5% YoY, inflation adjusted**, lower than the year-ago figure (7.0% YoY, inflation adjusted). Corporations posted the sixth decrease in a row, -10.5% YoY, inflation adjusted, with **total rural credit presenting growth of 8.9% YoY, inflation adjusted**.

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



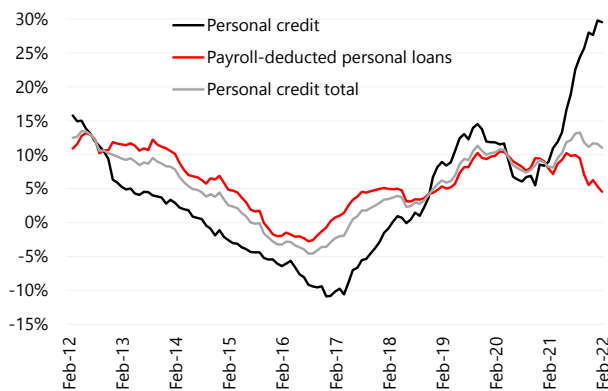
Sources: Brazilian Central Bank, Santander.

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



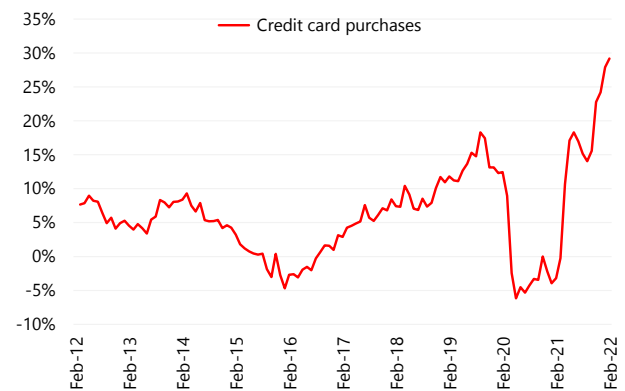
Sources: Brazilian Central Bank, Santander.

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



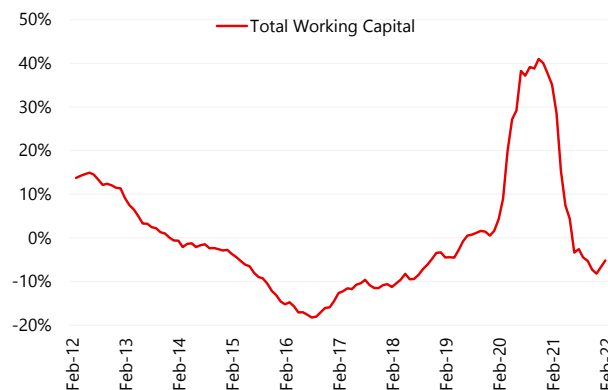
Sources: Brazilian Central Bank, Santander.

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



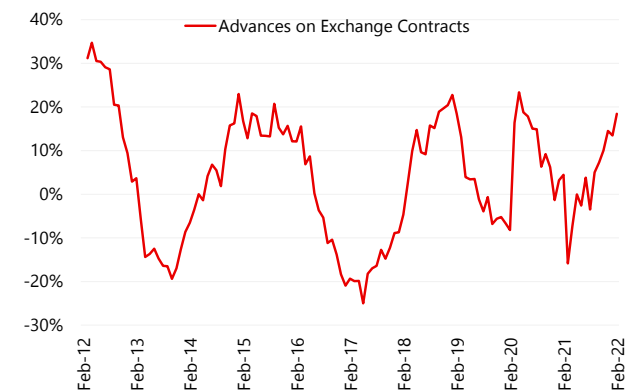
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

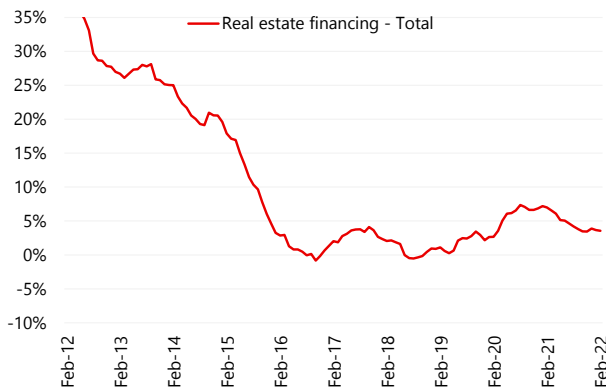
Figure 8. Outstanding Balance – Advances on Exchange Contracts – Non-Earmarked (inflation adj.) (% YoY)



Sources: Brazilian Central Bank, Santander.

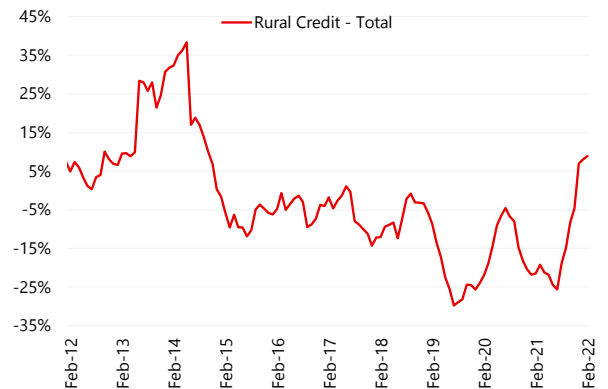


Figure 9. Outstanding Balance – Real Estate Financing for Households – Earmarked (inflation adj.) (% YoY)



Sources: Brazilian Central Bank, Santander.

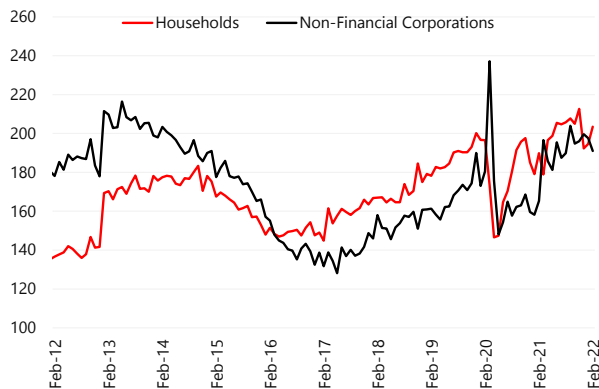
Figure 10. Outstanding Balance – Total Rural Credit – Earmarked (inflation adj.) (% YoY)



New Loans

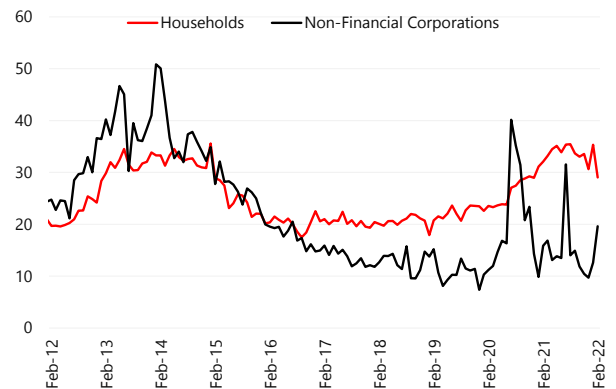
New loans adjusted for inflation and seasonality (BCB methodology) recorded a decrease of 1.1% in February from January's figure (+12% MoM-sa in January 2022). For households, the **non-earmarked segment posted an increase of 4.6% MoM-sa**. Despite the increase overall, we highlight the declines in total personal credit (-9.7% MoM), which was the sixth decline in a row, and credit cards (-2.6% MoM), which posted the second decline in 2022. In the **earmarked segment, households posted a substantial decrease, -17.8% MoM-sa, compared to January's figure (+15.4% MoM-sa)**. Real estate financing and rural credit also fell (-1% MoM and -37.3% MoM, respectively), but others showed a positive variation (11.2% MoM).

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



Sources: Brazilian Central Bank, Santander.

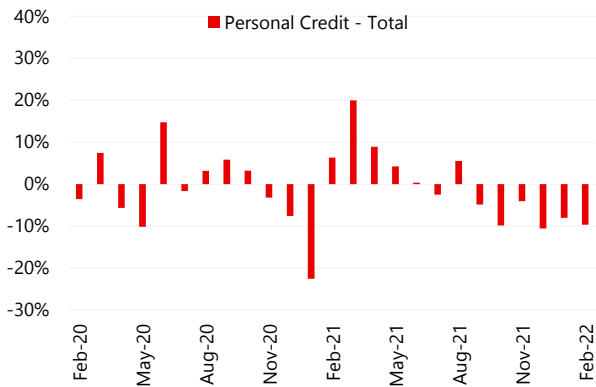
Figure 12. New Operations – Earmarked (inflation and seasonally adjusted, BRL thousands)



Sources: Brazilian Central Bank, Santander.

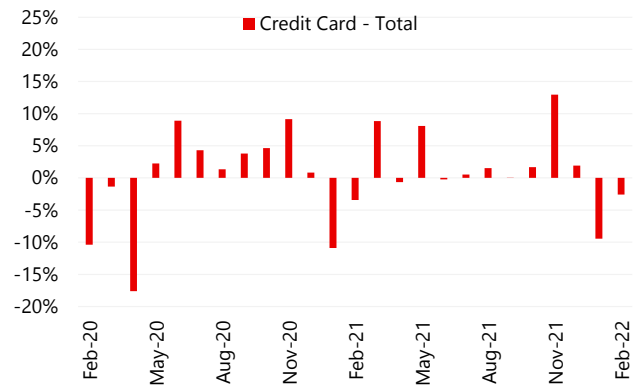


Figure 13. New Operations – Non-Earmarked – Personal Credit Total (% MoM)



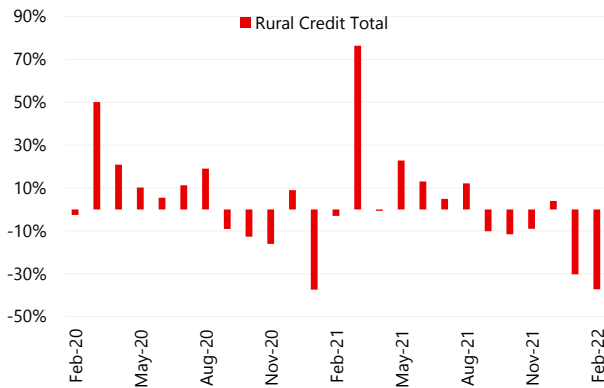
Sources: Brazilian Central Bank, Santander.

Figure 14. New Operations – Non-Earmarked – Credit Card Total (% MoM)



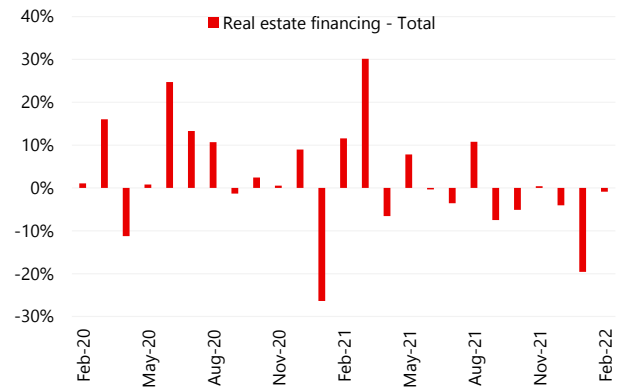
Sources: Brazilian Central Bank, Santander.

Figure 15. New Operations – Earmarked – Rural Credit to Households (% MoM)



Sources: Brazilian Central Bank, Santander.

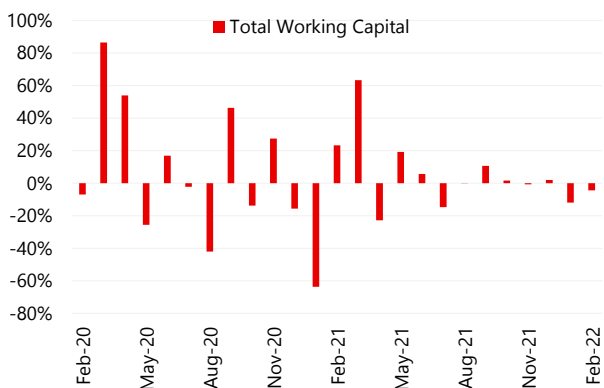
Figure 16. New Operations – Earmarked – Real Estate Financing Total to Households (% MoM)



Sources: Brazilian Central Bank, Santander.

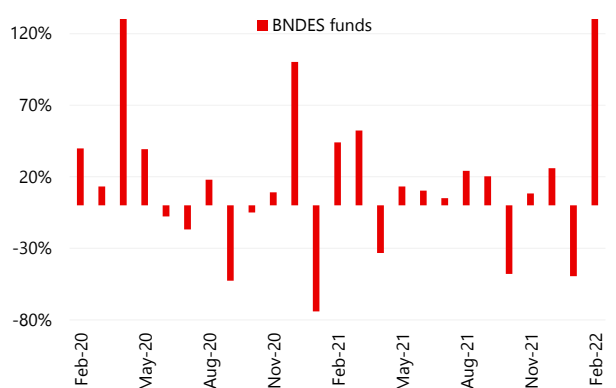
For companies, there was a decrease of -3.3% MoM-sa in February in the non-earmarked segment, with total working capital showing a negative variation (-4.4% MoM). The earmarked segment kept accelerating, showing a significant increase of 55.6% MoM-sa after January’s increase of 29.9% MoM-sa, with new operations in BNDES Funds presenting a significant increase of 130.6% MoM.

Figure 17. New Operations – Non-Earmarked – Working Capital (% MoM)



Sources: Brazilian Central Bank, Santander.

Figure 18. New Operations – Earmarked – BNDES Funds (% MoM)

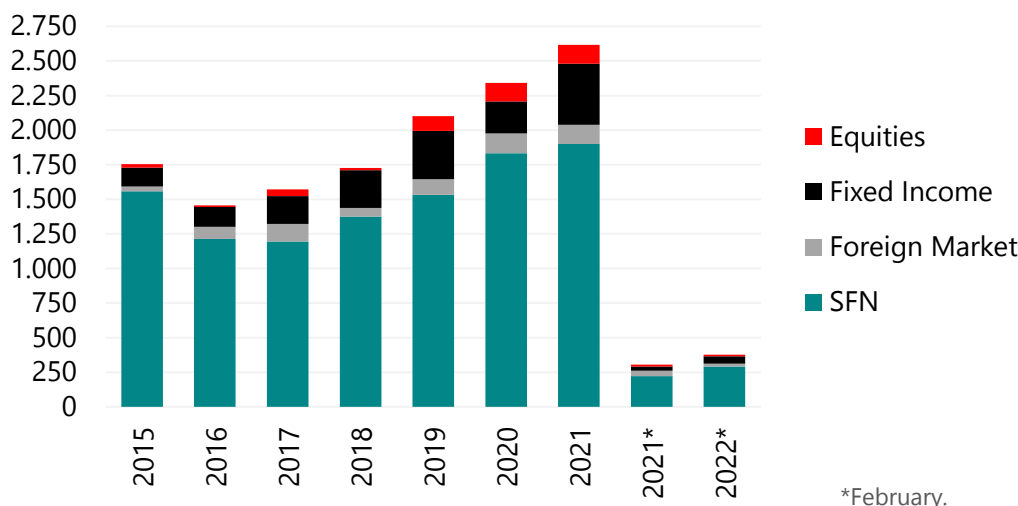




Total Credit

Considering total corporate financing YTD through February 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 42% higher, with SFN concessions up 31.3%. **As a result, total corporate financing was up 23.1% compared to the year-ago period.**

Figure 19. Total Corporate Financing (inflation adjusted, BRL billions)



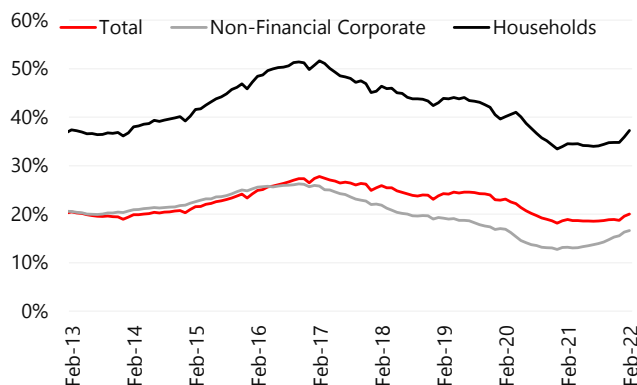
SFN - exclude *conta garantida, cheque especial* (overdraft) and credit card.
 Foreign Market - bonus, MTNs and securities.
 Fixed Income - Debentures, commercial papers, LFs, CRAs, CRIs e FIDCs.
 Equity - IPO and follow-on.

Sources: Brazilian Central Bank, Anbima, Santander.

Credit Conditions

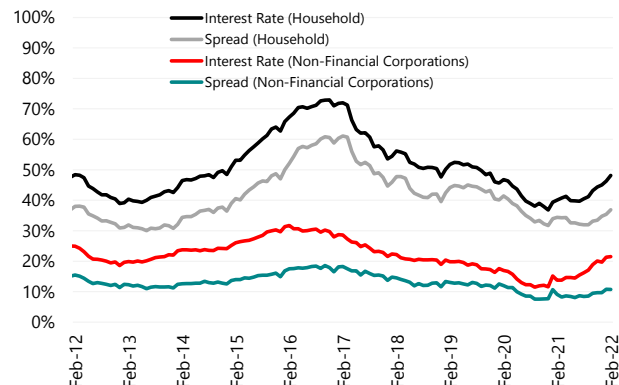
Lastly, the Credit Cost Indicator (ICC) of non-earmarked loans to households continued to rise, reaching 37.3% p.a. in February, with corporations rising as well, to 16.7% p.a. The average interest rate for non-earmarked new loans was 48.1% p.a. for households (up 1.9 p.p. from January 2022) and 21.5% p.a. for corporations (up 0.2 p.p. from January 2022). The spread on non-earmarked new loans was 36.9% for households (+1.5 p.p. from January 2022) and 10.7% for corporations (-0.1 p.p. from January 2022).

Figure 20. Credit Cost Indicator (ICC) – Non-Earmarked (% p.a.)



Sources: Brazilian Central Bank, Santander.

Figure 21. Average Interest Rate and Spread – Non-Earmarked (% p.a.)



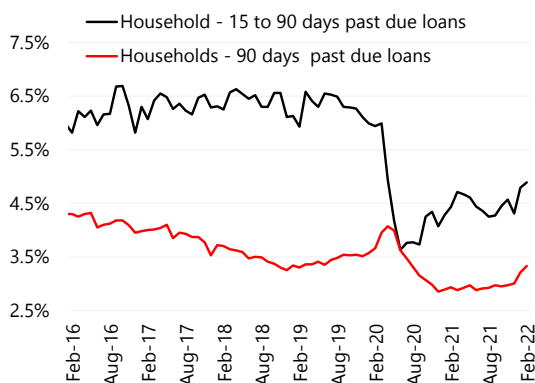
Sources: Brazilian Central Bank, Santander.



Household Debt

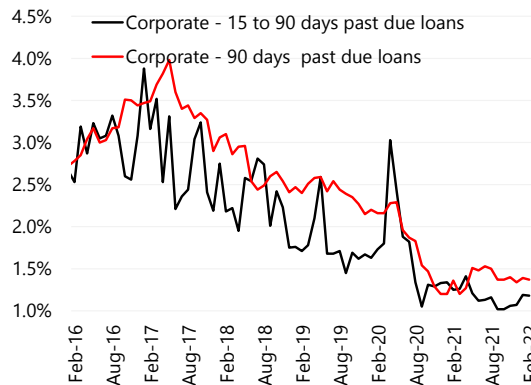
Still regarding non-earmarked loans, the seasonally adjusted default rate (% of 90-day past-due loans) continued to rise, to 4.7% for households, while for corporates it was 1.5% (-0.1 p.p from January 2022). **Importantly, with the new methodology, household debt-to-income ended the year by reaching the highest point in the series, 52.6%, in December (+0.6 p.p. from November 2021); excluding real estate financing, household debt-to-income was at 33%. In addition, the debt service ratio remained at 27.9% in December (for the third month in a row); excluding real estate financing, the debt service ratio was 25.6%. We see these figures as a risk for delinquencies as the economy recovers.**

Figure 22. Loans Due – Households (% , s.a.)



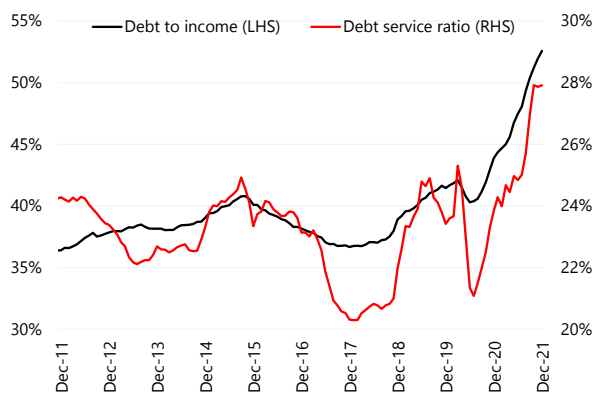
Sources: Brazilian Central Bank, Santander.

Figure 23. Loans Due – Corporate (% , s.a.)



Sources: Brazilian Central Bank, Santander.

Figure 24. Household Debt-to-Income and Debt Service Ratio (%)



Sources: Brazilian Central Bank, Santander.



Figure 25. Indicators

Outstanding inf. adj. (YoY)	Nonearmarked			Earmarked			Total		
	Dec-21	Jan-22	Feb-22	Dec-21	Jan-22	Feb-22	Dec-21	Jan-22	Feb-22
Households	11.8%	12.2%	11.9%	7.7%	7.5%	7.4%	9.9%	10.1%	9.8%
Non-financial corporations	6.5%	5.7%	6.3%	-9.4%	-10.1%	-10.5%	0.4%	-0.5%	-0.2%
Total	9.3%	9.1%	9.3%	0.7%	0.4%	0.2%	5.7%	5.4%	5.5%

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Dec-21	Jan-22	Feb-22	Dec-21	Jan-22	Feb-22	Dec-21	Jan-22	Feb-22
Households	-9.9%	1.9%	4.1%	-7.4%	9.1%	-12.5%	-7.5%	2.9%	2.4%
Non-financial corporations	2.3%	-1.1%	-3.0%	-4.6%	48.3%	30.7%	-7.9%	12.3%	-2.3%
Total	-8.3%	10.0%	-0.5%	-7.2%	19.0%	-0.8%	-11.4%	11.9%	-0.9%

Interest rate (% p.a.)	Nonearmarked			Earmarked			Total		
	Dec-21	Jan-22	Feb-22	Dec-21	Jan-22	Feb-22	Dec-21	Jan-22	Feb-22
Households	45.0%	46%	48.1%	8.8%	9.3%	8.5%	28.6%	29.5%	30.1%
Non-financial corporations	19.7%	21.4%	21.5%	10.8%	10.5%	10.7%	17.2%	18.3%	18.4%
Total	33.8%	35.3%	36.5%	9.3%	9.6%	9.1%	24.3%	25.3%	25.7%

Spreads (p.p)	Nonearmarked			Earmarked			Total		
	Dec-21	Jan-22	Feb-22	Dec-21	Jan-22	Feb-22	Dec-21	Jan-22	Feb-22
Households	34.7	35.4	36.9	3.3	3.4	3.6	20.5	20.9	21.8
Non-financial corporations	9.7	10.9	10.7	3.1	2.6	3.2	7.8	8.5	8.6
Total	23.7	24.6	25.4	3.3	3.2	3.5	15.7	16.3	16.9

	Dec-21	Jan-22	Feb-22
Total Outstanding / GDP	53.8%	53.3%	53.3%
Total Outstanding under public control	42.6%	42.7%	42.6%
Total Outstanding under private control	57.4%	57.3%	57.4%

Sources: Brazilian Central Bank, Santander.



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