

# Brazil and Latin America: growth, synergies and a huge opportunity

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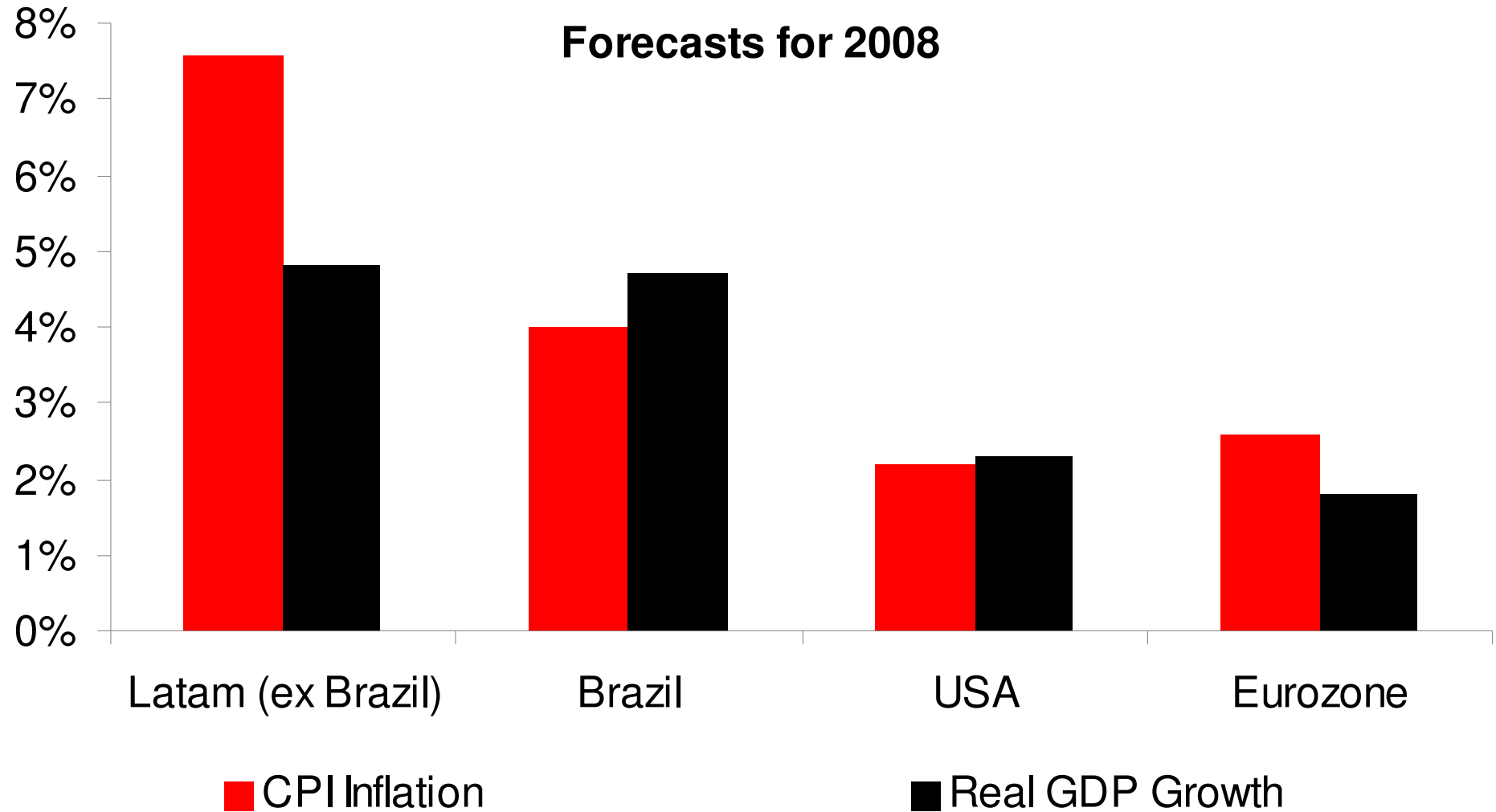
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## Few Countries (or regions) have such a Positive Outlook...



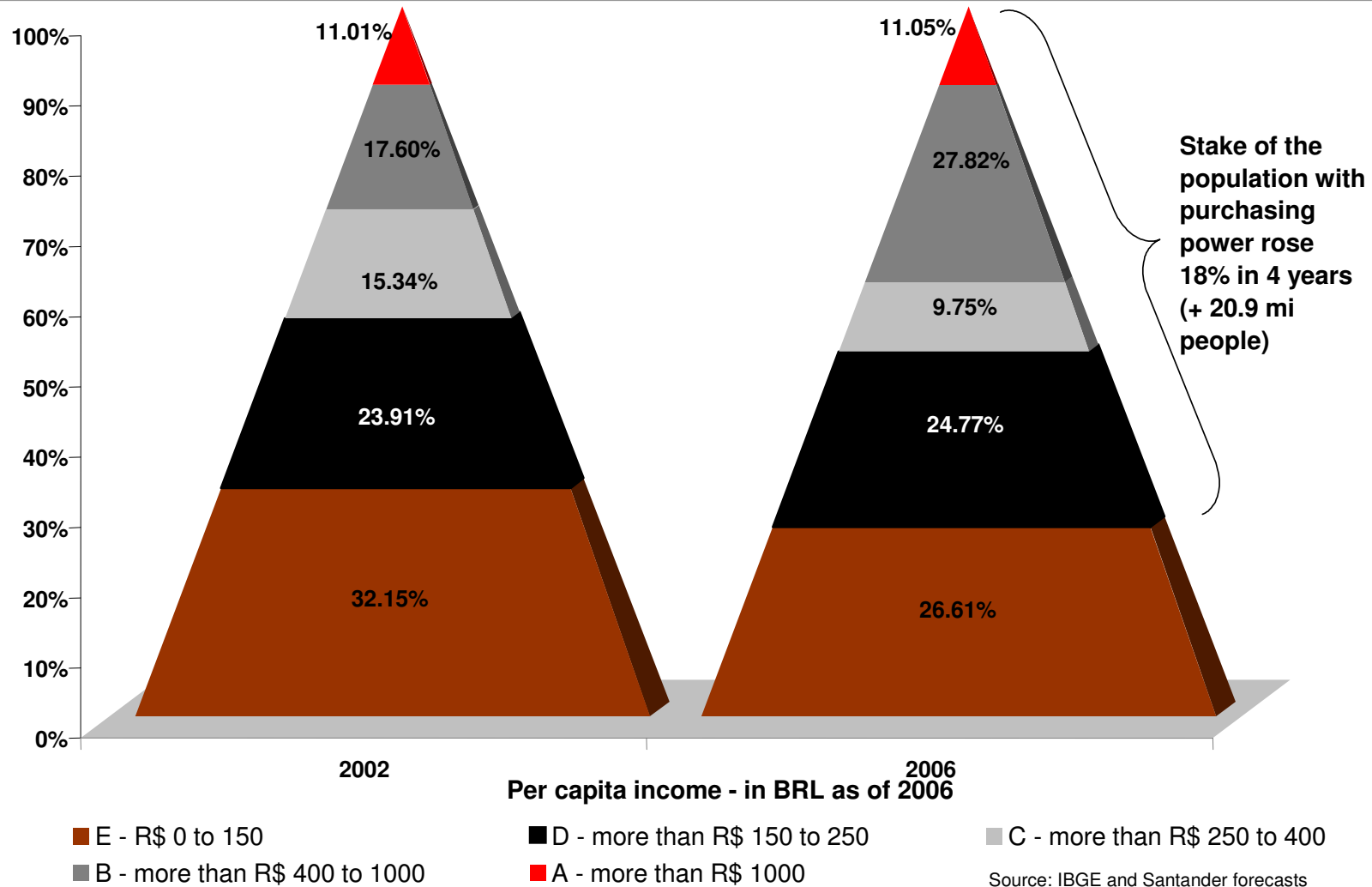
Source: Santander forecasts

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## ...in an Environment with a Narrowing Inequality in Income – Brazil (1)

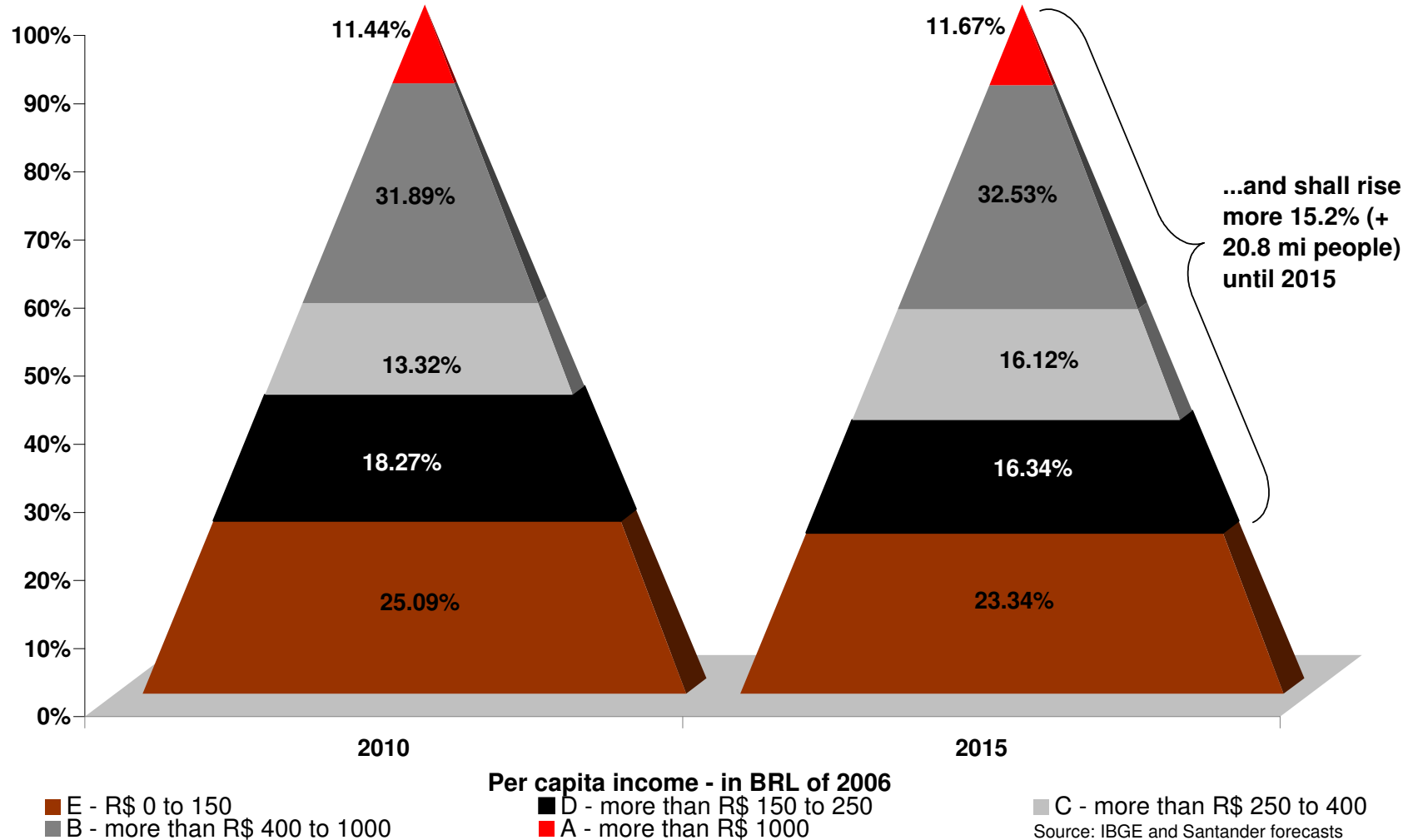


**A huge jump between 2002 and 2006: growth, falling inflation and government transfers**

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## ...on an environment of reduction of income inequality – Brazil (2)



**A sizeable additional growth, even if not considered: (1) the tight labor market; (2) the increase in the number of families being paid the “Bolsa Família”**

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## The result is a rising middle class

- 54% of latin Americans believe their children will have better lives than themselves (Latinobarómetro)
  - in Brazil, this figure is 67%, in Mexico 59%
- Income distribution improves

### Latin America's middle class

#### Adiós to poverty, hola to consumption

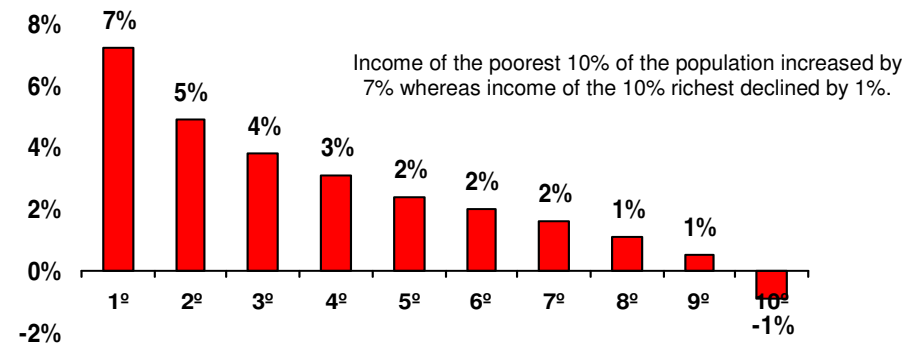
Aug 16th 2007 | SÃO BERNARDO DO CAMPO  
From The Economist

**Faster growth, low inflation, expanding credit and liberal trade are helping to create a new middle class**

Source: The Economist, 16 August 2007, mentioning data compiled and calculated by Santander División America

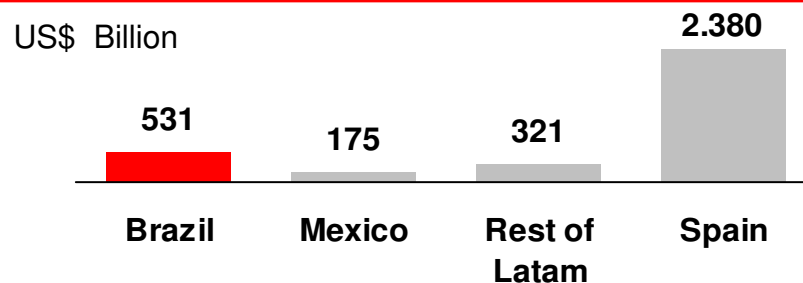
### Brazil 02-07:

#### Improvement in Income Distribution

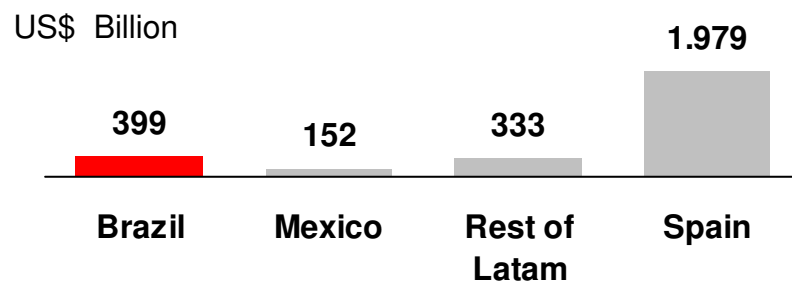


## Regional Financial System is Already Sizeable...

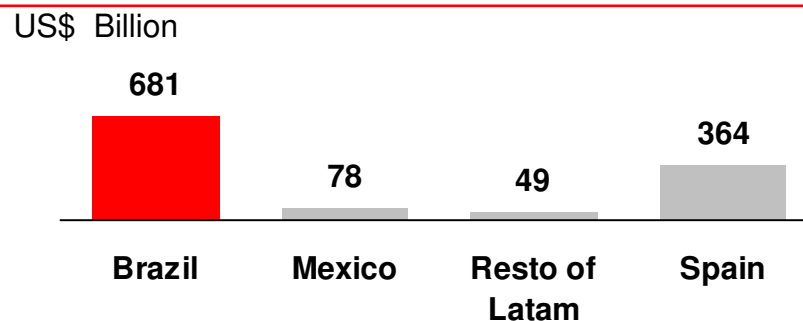
The loan volume is about half that of Spain...



...a little less than that when it comes to deposits...



...and the mutual funds are amazingly large in Brazil

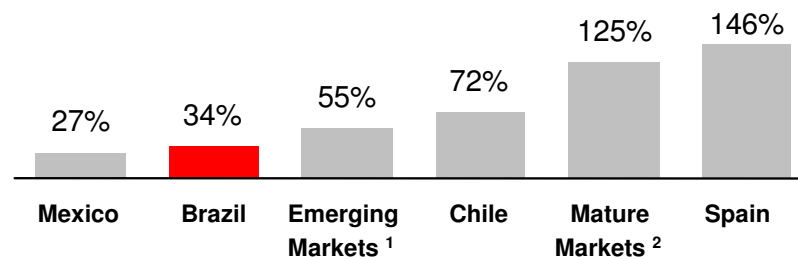


Rest of Latam includes: Argentina, Chile, Colombia, Puerto Rico and Venezuela.

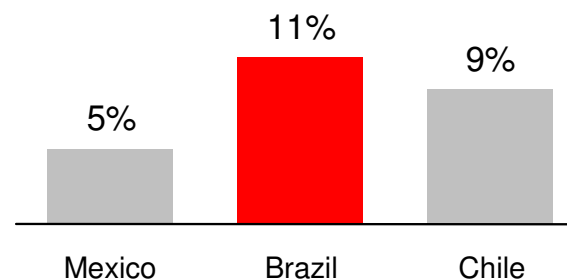
Source: Central Bank of Brazil, Banco de Mexico, Asociación Española de Banca y Banco Santander, as of Dec. 2007

## ...but still Presents Attractive Opportunities (1)

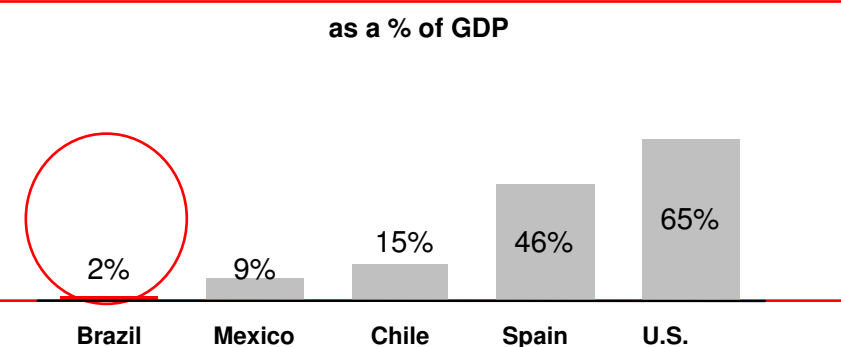
**The Credit/GDP ratio is rising,  
But is still relatively low...**



**...the same when it comes  
to Consumer Credit/GDP...**



**...and mortgages represent  
a huge opportunity, specially in  
Brazil**



Source: Central Banks, data for 2007

1) Emerging Markets: China, Thailand, Chile, Bolivia, Uruguay, Filipinas, India, Argentina, Mexico y Russia.

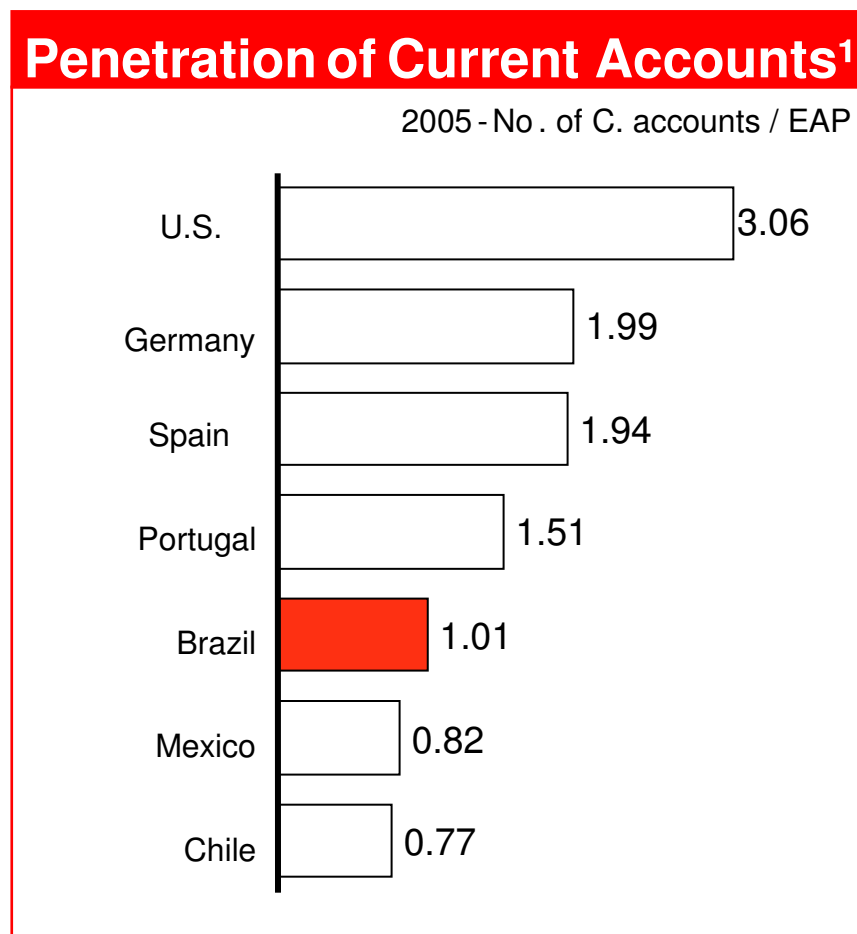
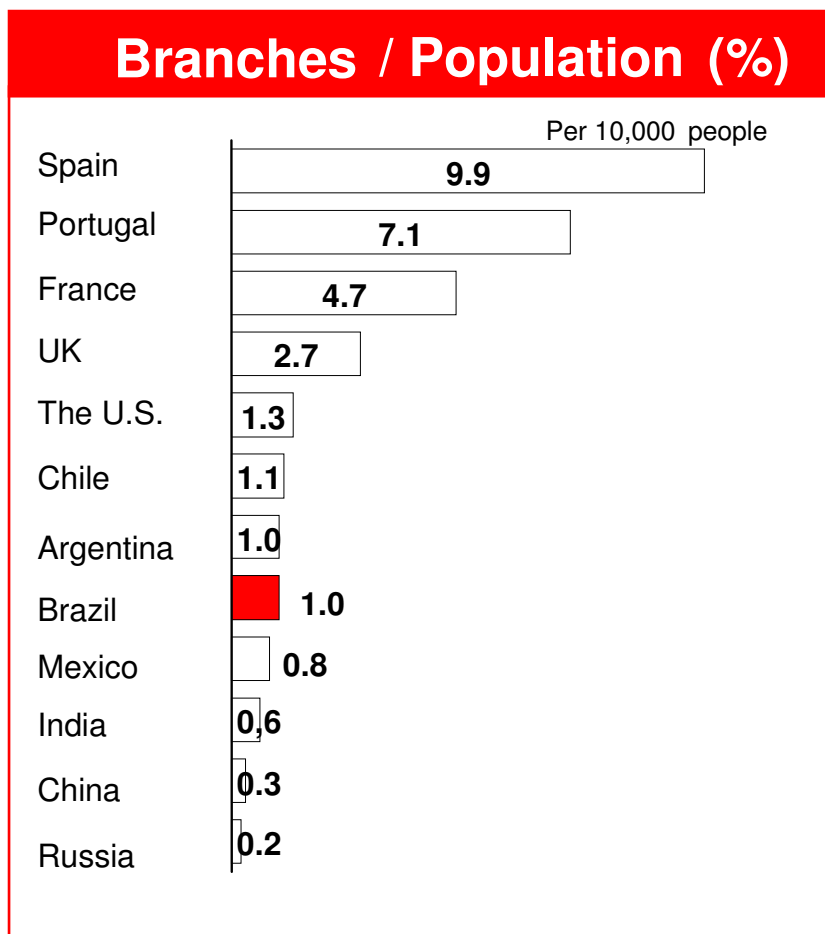
2) Mature Markets: Switzerland, US, UK, Japan y Canada.

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## ... but still Presents Attractive Opportunities (2)



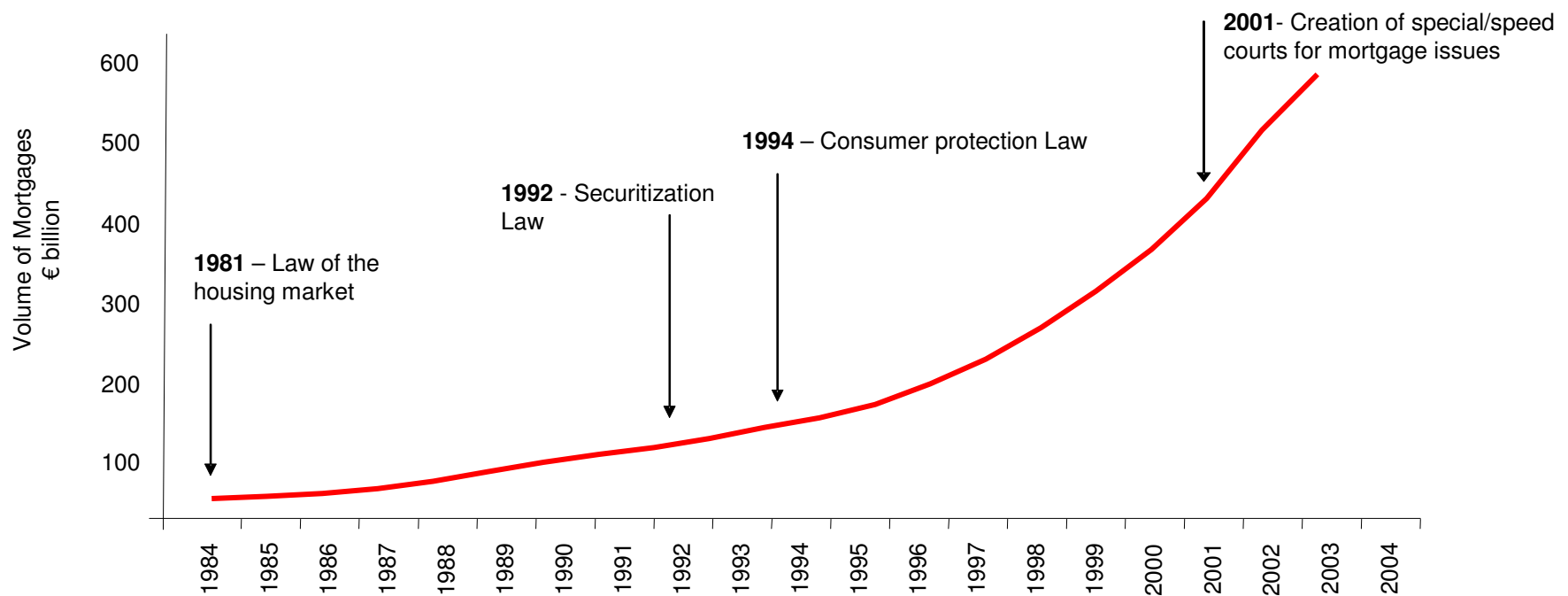
Sources: International Financial Statistics, IMF



## What is the “to do” list?

- Keep the good job on the macro fundamentals
- Reinforce guaranties and creditor’s rights
- Reduce red tape
- Develop a business model adapted to the demand of low income classes
- Use fiscal measures to stimulate the rise of long term personal savings

### Turn things simple helps growing the business – Mortgages in Spain



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# How to Benefit from Increased Regional Integration

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## ADVANTAGES

- Improved banking integration propels merchandise trade, increasing specialization and welfare
- Promotes the access of local firms to an enlarged pool of savings
- Improves both economic policy coordination and banking supervision (best practices)
- Increases the services at the disposal of citizens, given their growing mobility within an economic integrated area.

## OBSTACLES

- Non convertibility of the Balance of payments may make difficult the integration
- Lack of fiscal coordination may produce imbalances

