Y 2018 Earnings Call

Company Participants

- Andre Parisi, Head of Investor Relations
- Angel Santodomingo, Chief Financial Officer
- Sergio Rial, Chief Executive Officer

Other Participants

- Carlos Macedo, Analyst
- Eduardo Rosman, Analyst
- Jorg Friedemann, Analyst

Presentation

Operator

Good morning, and thank you for waiting. Welcome to the conference call to discuss Banco Santander Brasil S.A.'s results. Present here are Mr. Sergio Rial, Chief Executive Officer; Mr. Angel Santodomingo, Executive Vice President, Chief Financial Officer; and Mr. Andre Parisi, Head of Investor Relations. All the participants will be on listen-only mode during the presentation. After which we will be begin the question-and-answer session, when certain instructions will be provided. (Operator Instructions) The live webcast of this call is available at Banco Santander's Investor Relations website at www.santander.com.br/ir where the presentation is also available for download. We would like to inform that questions received via webcast will have answering priority. (Operator Instructions).

Before proceeding, we wish to clarify that forward-looking statements may be made during the conference call relating to the business outlook of Banco Santander Brasil, operating and financial projections and targets based on the beliefs and assumptions of the Executive Board, as well on information currently available. Such forward-looking statements are not a guarantee of performance. They involve risks, uncertainties and assumptions as they refer to future events and, hence, depend on circumstances that may or may not occur. Investors must be aware that general economic conditions, industry conditions and other operational factors may affect the future performance of Banco Santander Brasil and may cause actual results to substantially different from those in the forward-looking statements.

I will now pass the word to Mr. Andre Parisi. Please, Mr. Andre Parisi, you may proceed.

Andre Parisi {BIO 21511610 <GO>}

Good morning, everyone. It's my pleasure to welcome you to Santander Brasil's 2018 Earnings Conference Call. In the past year, we carried out meaningful achievements, which will be now presented by our CEO, Mr. Sergio Rial. Then our CFO, Mr. Angel Santodomingo, will provide detailed figures of our fourth quarter and full year results.

Now let me turn it over to Mr. Sergio Rial.

Sergio Rial {BIO 1925337 <GO>}

Very good morning. It's Sergio Rial here. So, it's a pleasure being with all of you this morning. So we'll go and start with our presentation, so I'd kindly ask you to turn to the first slide. I have it on page four if that reflects also your page. So what it shows here is a third year of a story that has characterized itself for being a growth-led company, but paying attention to capital deployment, but also focusing on the gradual, at the same time, structural increase of our ROE. So we are really pleased to see that we have been able to reach in the fourth quarter 21.1, which, more important than the number itself, it's trajectory of the company that have systematically over the last couple of quarters showed increased structural changes in its performance.

We're also proud of reaching 40.5% on the efficiency ratio. It sounds -- sometimes, we look at the number but the effort behind that number has been incredible and has also been a signal of a company that has become a lot better in managing its processes and reflecting those processes in better customer experiences as we're going to see later on our NPL. This is also a reflection of a company that is managing itself better horizontally. Big companies do struggle in being able to be smartly connected, and I think Santander Brasil has been trying to be a good example of scale not being an obstacle, much to the contrary, being actually a leverage that we have been able to use. All in all, a solid growth in terms of profit relative to 2017, and I certainly believe more to come.

The next slide, I think it's the foundational piece of the change in the company, which is our human capital. You see a picture of what we call the Santander star individuals who have been elected and selected as great examples of the company's transformation in different dimensions. And I think that is reflected in a company that has posted an engagement level of 92% last year. So when we say we act as owners, and we certainly think around execution in customer-centric model, that can only happen if you truly have a highly, highly engaged organization. So this is just an attempt to show you that what we say is actually happening, but more can also still be done.

Next slide is a reflection of our customer-based growth, which is one of the key thrusts of 2018. We have been able to get to over 24 million active customers in a highly competitive market. It's not like the year 2018 was easy. From a macro standpoint of view, sluggish. From a competitive landscape point of view, a lot more active than the last two years. And we continue to be very transparent and open around where we are from a customer experience point of view, so by the customers themselves, nothing to do with ourselves in terms of intervention. We're also proud that the year of 2018 brought us to the leadership position of all segments, the top end of the pyramid, but also the base of the pyramid from a segmentation point of view. It's the first time we were able to reach number one position in all fronts.

In the following slide, it's a reflection of this growth culture that I think many have doubted over the last three years. We were able to keep momentum. And I think what people have missed, to a large degree, is the level of engagement of our human capital. And what I would say more is the level of ambition that I think we collectively as an organization have, we're not only producing, I would say, solid results. We're also having fun. And we're also making sure that the competitive landscape actually ignites our desire to do better as opposed to slow us down.

Now, that should not be construed as guarantee of future growth, but it should be construed as absolutely undivided commitment to remain a story of profitable growth. So I think you can see here at the bottom, the different market share gains we have had in different spaces. In many of the spaces, we were not even present in a material way four or five years ago like the payroll loans called in Brasil Consignado or even Getnet that it's right in the middle of what I would call recent price war, we have been able to remain steady. It doesn't mean that it's easier. Not at all, but we have been able to remain steady and focused on the customers, because that's what matters at the end. And that's what provides long-term sustainability.

My last slide of intervention, then I'll be open for questions at the end, it's basically what I would call on behalf for 48,000 people, a real happy day to be able to deliver in less than four years a very important turnaround story in a highly competitive industry. And that have started with very much a customer-focused strategy. Many companies talk about it. Very few are transparent around it, but we are trying and still have a long way to go to actually become the best bank from a customer perspective in the country. We have remained a growth story. We have remained, despite the growth story, a bank that's been very efficient in the way it has tacked its profits independent of size. It's hopefully showing to you the best efficiency ratio in the industry. So that cultural trait should not change in the year 2019.

I'll pass the word now to our CFO, Angel.

Angel Santodomingo {BIO 15757370 <GO>}

Good morning. It's a pleasure being here again with you presenting our 2018 results. I will start with -- as always, with the image of the group's -- Santander Group's results, which had been already presented today. So I won't elaborate too much. But as you have already probably seen, net profit by the group was EUR8 billion, almost EUR8 billion. And Santander Brasil represented 26% of those earnings, so in the relevance of the Brazilian subsidiary, results for the group.

Moving to the macro side part of the game, I will not elaborate too much here. But let me share with you a couple of ideas. The current market view of economic performance is, I would say, positive. On the back of an improving economy along with a sound balance of payments and favorable inflation dynamics, Selic rate may remain probably at current historical low levels. We have all sorts of confidence indices on the rise lately [ph] reaching not only precrisis levels, but even those of early 2009 when the prior positive cycle began. This should strengthen growth through consumption and investment, leading to a faster trade expansion in the future.

Finally, the deleverage process Brazil has gone through, both in household and companies opens another opportunity looking to the next cycle. All in all, we have an optimistic view on how the economy will perform, potentially boosted by structural reforms as indicated by the new government.

Now moving moving to what are our strategic results on the next slide. We bring to you some details of our net income for the year. In 2018, it reached BRL12.4 billion, increasing 25%, as Sergio mentioned, in the year and almost doubling if we compare to 2015 when we achieved EUR6.6 billion. So it's been -- net profit has doubled in almost three years. This performance is explained by a host of factors, obviously, by maintaining our strategy of being an universal bank focused on profitability, improving client perception of our services and continuously increasing number of clients have been some of the key issues. We are growing the number of clients for 43, 4-3, consecutive months, leading to a solid and sustainable revenue growth, allowing us to gain profitable market share. Accurate risk models and data efficiency, also as mentioned by our CEO, are also essential to understand our performance.

On slide 14, we present the main lines of our results, about which I will go into more detail later on. But mainly highlight you on the following issues. On the revenues front, NII increased by 1% relative to third Q with a consistent performance in all of its components. In the full year, it increased 13%, led by a robust contribution from credit NII. Fees advanced by 14% in the quarter and 11% in the full year, maintaining a double-digit growth pace as already mentioned during the last quarter. Even without our traditional seasonality in the fourth Q, growth is solid and is firm.

And on the expenses side, although provisions increased 14% in the quarter, the full year figure grew 12%, in line with our NII performance and obviously with our portfolio total growth -- loan portfolio total growth. General expenses were once again maintained under control. Even slightly surpassed inflation for the year, they remained substantially below revenue growth, improving efficiency through our operating leverage. Seasonality, as always, explains part of the quarterly performance. I will elaborate on the main concepts in the following slides.

On Slide 16, we show our NII evolution, which totaled BRL42 billion in 2018, increasing 13 (inaudible) as mentioned. Highlights are, credit NII expanded 1% in the quarter, in line with the average portfolio evolution; and 17% in the year, reflecting strong growth on retail loan book.

Revenues from funding kept its expansion process and grew a nice 4% Q-on-Q, even considering the maintenance of the Selic rate at its lowest level. On the other hand, this dynamic took a toll in the yearly figure and it decreased 9% compared to 2017. In the others concept, had a quarter in line with what we have seen as an average over the last quarters or the average of the year.

In the next slide, we can see that our loan portfolio increased 2% in the quarter and 11% in the year, reaching BRL387 billion. When compared to the financial system, we can say that our performance was firm. The highlights was, once again, the individuals segment. It increased 6% in the quarter and 23% in 12 months. Credit card, personal and payroll loans were the main growth drivers. Also in a good momentum the consumer finance presented a solid 20% growth during the year. This is a clear example of how we succeeded and we succeed today on the back of the development of an innovative and customer-oriented solution integrated earlierly in our auto ecosystem.

The SME portfolio continued at a good pace, expanding by 3.5% Q-on-Q, reflecting our client-based solid expansion, which achieved more than 1 million clients recently. And finally, the corporate portfolio, which is still lagging due to the capital markets activity and profitability-oriented strategy. We knew the sector are numbers yesterday. And as you may see, the loan growth of our portfolio is clearly keeping space above the financial system.

On slide 18, you can see how our funding has evolved. Also the funding from clients reduced 1% in the quarter impacted by a one-off in the debentures. It increased 8% in the year, reflecting our clients' growth and NPS evolution. All concepts presented a positive yearly performance except in the most expensive interim financial bills, letras financeiras, which were barely flat.

I would highlight saving deposits, real estate and agricultural notes, LCAs, LFAS [ph], growing strongly when compared to the sector. Total loan balance, funding grew 8.6% year-on-year, which were together adequate -- which we consider, sorry, adequate to support our loan book growth.

On the next slide, service fee revenue performance is highly linked obviously as I always mentioned with the NPS, the Net Promoter Score levels. It comes as a result of adequate pricing and improvements in the quality of our products and services, fast increasing transactionality.

Total fee revenue kept a double-digit growth pace in 2018. This performance came on the back of good figures arising from (inaudible) orders, cards, current accounts and insurance. Eleminating the seasonal effect in insurance, remember that we always kept our 4Q insurances strong, which has been traditional for the last years. We would have still grown in this lines, almost 3% Q-on-Q and 14% year-on-year, which shows the sustainability of our model.

Now let's turn our attention to asset quality in the next slide. The short-term NPL accelerated 20 bps in the quarter, reflecting a few specific cases in the SME and corporate segments, but in line with previous quarters. NPL over 90 also increased another 20 basis points, impacted by the change of mix towards individuals. The coverage ratio stood at 201% which in our view is still -- is a comfortable level.

In the following slide you will notice that loan loss provisions, net of recoveries increased 14% in the quarter, leading the cost of credit to reach 3.5%, the same level as 12 months ago. And this is the same level as 4Q '17 as I said. Provisions for full 2018 grew 12%, below the 17% increase in credit NII or in line with the portfolio.

On slide 22, we see how expenses have evolved. As in previous 4Qs, we have seasonality also as we mentioned in the PPT that explains the quarterly variation. Variable costs dependent on activities and investments in new and introduced are the main concepts. All in all, in full 2018, costs grew 4.8%, slightly above inflation and substantially below revenue growth, I remembered [ph] you, 12%. Fast improving efficiency through our operating leverage.

Improving efficiency will continue to be one of our specialities and focuses looking forward as was also mentioned by our CEO, Sergio. Looking forward, we continue to expect costs to be somewhere around inflation, although the level of commercial intensity of the bank will obviously put pressure through variable costs.

Next slide brings our performance ratios into the spotlight. The efficiency ratio improved substantially from 2017, reaching 40%. The recurrence ratio jumped back to 85%, almost 86% in the year, granting a great predictability into our results. As I mentioned before, thanks to all these advances return on equity reached 21.1% in the quarter, the highest level since Santander Brasil became public through an IPO.

Moving to capital and liquidity, we will continue to present solid numbers. Our funding stood at a comfortable level, with a loan-to-deposit ratio close to 91%, 92%. The current BIS ratio is at 15.1%, beating our fully -- core equity Tier 1 loaded ratio at 12.5%. As mentioned in previous quarters, the fully loaded calculation considers the full impact, I repeat, the full impact of the Central Bank resolution considering tax assets and ForEx valuations.

So finalizing and trying to wrap up things, I would like to review the main highlights for the year. Total revenues growing 12%, reflecting our customer-oriented strategy. Asset quality under control, evidencing our excellence in risk modeling. Enhanced productivity leading to a better efficiency ratio. And lastly, a 25% net profit growth in the year, resulting in the return on equity mentioned of 21.1%. In our view, these figures are undisputable evidences that we are well positioned to keep on delivering solid and sustainable results.

I would like to thank you, everyone, for your attention. And I think we may now open the Q&A session.

Questions And Answers

Operator

Thank you. We will now start the Q&A session for investors and analysts --

A - Andre Parisi {BIO 21511610 <GO>}

Before we proceed with our Q&A session, I would like to call your attention regarding the Investor Day that will take place this year in October 8 when all of you have opportunity to meet our top management and discuss our growth strategy regarding the current businesses, opportunities, optimization of our cross-sell, launching new businesses coupled with efficiency plan, reducing costs per unit. So once again, I count that all of you come and visit us in October 8. And now we're going to open the Q&A session.

First question is from Mario Pierry, Bank of America Merrill Lynch. In light, On an improving macroeconomic scenario, what's the outlook for loan growth in 2019? When will the corporate segment demand lower again?

A - Angel Santodomingo {BIO 15757370 <GO>}

Okay. Thank you, Mario. As I mentioned in the presentation, I mean, both the consensus and our view and I think the general view on the country is a positive one in terms of growth, confidence and consumption are also being boosted by investment. So what I will say is that, the current average of the country, as you know, is close to 4%, leading to a situation in which private banks are growing more than public banks in general, which is kind of the reverse of what happened in the previous, I don't know, 10 years or something like that. So the trend I would say would be that, that continues at an average of the county that could increase to somewhere in the single digit, high single digit. If we have nominal GDP growing around 7%, and inflation of 4% plus 2.5%, 3% of real GDP growth, that 7% given the low leverage economy has today or the deleverage that the country has gone through in the last three years, growing at nominal or even higher than nominal rates, I wouldn't say it's an unreal prediction.

To that extent, in our case we will try to keep on growing at the average or above the average, but always with the same principle, which is profitability. We will keep on gaining market share if it is -- it has a profitable kind of a standpoint of view and it improves our situation of profitability, which has been the case as you have seen during the last year. So we do not target size, as mentioned in previous calls. We target profitability being an universal bank. We want to be an universal bank, we don't want to --.

And the second part was with regards to the corporate segment. I think this goes with the cycle, no? I mean, remember we have available -- capacity available in the economy both through unemployment and through industrial capacity. Unemployment is being reduced, and that is also kind of generating consumption. On the investment side, on the capacity -- industrial capacity side, we will start to see as economy picks up, these new investment plans and we will start probably to see kind of more loan demand from the corporate side, offset to some extent by market -- by capital markets, which is always the game in the positive part of the cycle.

A - Andre Parisi {BIO 21511610 <GO>}

The next question is from Thiago Batista of Itau BBA. Santander Brasil achieved an earnings growth of 25% 2018 versus an expansion of 36% in 2017. Is it possible to maintain the EPS growing at high teens or low 20s level in 2019?

A - Sergio Rial {BIO 1925337 <GO>}

Hi, Thiago, it's Sergio Rial. First of all, thanks for the question. I -- of course, we don't provide guidance. So somehow, I mean, there's an embedded this year, what we expect. But I'll tell you what I expect. Part of the challenge I think has always been when you look at our story, Santander Brasil keeps growing in the last three years without necessarily impacting cost of credit. I think we have proven without any sense of arrogance, because we're learning each and every day, that we are able to do it. Then the other question in this scenario, can Santander Brasil continue to grow as I think we have shown we've done in a market that is a lot more competitive than I think it has been? So I mean, I wish I could give you an undivided answer, but what I can tell you is that, I still believe I'm talking now revenue, not necessarily -- earnings can be interpreted in different points of the profit and loss account. But from a revenue point of view, I still believe we're going to be a story of a double digit. I really do.

Now -- and then you say, on the back of what? Well, on the back of a number of things that I think we've been able to build. On the back of, for example, what I would call corporate demand has been pretty much subdued in Brazil. I mean, if you look at our wholesale portfolio and growth has been neutral to diminishing. Part of it demand, part of it almost intended strategy to make sure that we'll have proper capital deployment. Large corporates take sometimes more capital than you actually see in terms of return. Where the bank in the meantime, has built and continues to build a much bigger transactional platform, supporting services across the wholesale side a lot more than I think we've done historically. Meaning, the wholesale side of the bank was definitely lean more towards capital deployment per se, credit as opposed to services.

So I think we're going to probably have a better mix, and I think there's quite a bit of potential there. I see potential in cards despite competition. I see potential in us continue to enhance our digital channels. The year 2018 has been the first year that we have really proven some track record in making sure digital channels are sales channels. Just to give you a sense, during the year of 2018, we could have sold credit card in excess of 100,000 per month if we wanted. We decided to really focus on quality, on customers and not just cards per se. Having a focus on the profile of the customers. So I think here, there's quite a bit. And as Brazil liberalizes it's system, it is a threat, but it's also an opportunity. And I think if we are well positioned to galvanize the Brazil that is a lot more open, more competitive, I think we should be able to grab market share. So, all in all, double-digit growth on the revenue side. And I'll leave Angel for the three other questions that you made. Thank you.

A - Andre Parisi {BIO 21511610 <GO>}

The next question from Thiago, Itau BBA. The banking credit results line, NII, others continue very strong. Is it strong -- is this strong result likely to continue during 2019? Getnet has been able to maintain an outstanding expansion, roughly 30% in the turnover in the last year, even considering the strong competition in the segment. Is this strong expansion expected to continue going forward? And the next question is the bank posted very low level of tax rate in the quarter. The material drop was only caused by the interest on capital or there is any other relevant factors that explained the material decline in the taxes? What's the level of taxes the bank expect for 2019?

A - Angel Santodomingo {BIO 15757370 <GO>}

Okay. Thank you, Thiago. This is Angel. Let me try to answer the three questions. The first one, in terms -- on the NII, others. (inaudible) elaborated these in the past. I remember four concepts inside that line, which are capital remuneration, receivables anticipation, ALM and our treasury activities on the -- coming from the wholesale banking unit. So it does have, as always -- as I always said, it does have some volatility. Depending on one of the four concepts you mentioned too, you have less or more volatility or less or more quantity. Now obviously, with Selic, the level which it is, the remuneration of capital is lower. That's an obvious one. But treasury, for example, tends to be a little volatile. What we have achieved this year, as I mentioned in my speech, is an average of around where we are today. To these -- the accounts coming from the ALM will tend to be lower, obviously. But I mean, in terms of high volatility, unless we have quarters volatile on the treasury side, on the prop activity coming from our wholesale banking, the rest would be a little bit more trendy.

But that's about what I had been saying in the last quarters. So there is no big news here. I remember you that trying to differentiate clearly please the top treasury activity from the ALM. ALM activity is not a trading book at all. It is just there to hedge the balance sheet, okay? So let's try to differentiate things. On the Getnet question, you are right. I mean, Getnet is expanding. Its current overview like 32% and transactions like 35%. If you break down that, you can see how the debit activity has been much more stronger than the credit activity, being the credit 25% in transactions and debit 43%. So that gives again an image or an idea of how both transactionality linking clients or activity from the clients are on the rise because -- on that debit activity.

The discussion about the growth of Getnet, we will keep on growing, again, if it makes sense, penetrating more our clients both inside and outside our ecosystem. The discussion there, as always is both technological discussion and repositioning Getnet not only in the pure acquiring three sources of revenues that they are provisional, but also positioning the company as a partner or as a provider of all those services. And I have elaborated this in the past, like marketplaces, sub acquirers, e-commerce, et cetera. That is clearly an ongoing project. We just -- I mean, I think I mentioned this in the last call or during the quarter, we arrived with a big retailer in Brazil, an agreement to be their marketplace. This is a type of business in which we want to go.

In the first question, on the tax rate, we -- as you know, we have a concentration of, as you mentioned in your question, of interest on capital payment. We paid -- out of the 6.6 billion of dividends, we paid 4.8 billion in 4Q. And out of those 0.48 billion (sic) [4.8 billion], an important chunk of interest of capital which has this impact on the tax rate. We're going to work with an estimate of something above 30% in terms of tax rate. 32%, 33%, somewhere around those levels would be the tax rate we would all be kind of looking to. It has some volatility also, but that volatility limits itself to in between quarters. And in the year, it tends to be around there once. As you all know, goodwill deduction has always been -- has almost been eliminated. There is a little bit still, but very low amounts.

A - Andre Parisi {BIO 21511610 <GO>}

Next question is from Philip Finch, UBS. Can I talk about the outlook for asset quality, please? We have started to see a pickup in NPLs in 4Q '18. Are you expecting this to continue in 2019? What cost of risk can we assume for the coming year?

A - Angel Santodomingo {BIO 15757370 <GO>}

Thank you, Philip. Angel again. Well, I also elaborated a little bit about quality and provisions. The first main idea is that, we do not see a kind of deterioration or worrisome leading indicators, et cetera. This has to do with basically two things in the valuation you saw in 4Q. 4Q tends to have a little bit of seasonality. In this sense, it is a normal seasonality. I remember, for example to you, 4Q of 2017, I think, if I remember well, I'm not -- I'm speaking out of memory here, but (inaudible) grew in the quarter like 9% or 10%. So we are also growing in the quarter more or less or a little more, but more or less compared to 4Q '17 in the same levels, if I may say so. Cost of risk is around 3.5%, which is again the same level as 4Q last year. We remain fairly positive. That means flattish improving in the next quarters given the outlook for the economy, given what the bank is moving -- where the bank is moving towards. In our positioning, I don't see any negative comment here to be underlined.

And the last element here is clearly change of mix, okay. So I remember two you, two years ago we had 60%, 40% on the balance sheet in terms of loans -- on the loan portfolio, being 60% retail, 40% wholesale. That 60-40 today is 73-27. So there is a clear change of mix that from time to time will be reflected on the provisions side, but no underlying worries from our side here.

A - Andre Parisi {BIO 21511610 <GO>}

Next question is from Jorg Friedemann, Citi. Some traditional investors asked us about the potential impacts on the local subsidiary from rising concerns about Santander Spain's capital position. You pull a bit more than 50% on props (inaudible) and interest on capital during '18. Could you raise the odd in '19 in light of the corporate bond CET1 of 12.5%?

A - Sergio Rial {BIO 1925337 <GO>}

Sergio, here. Thank you, Jorg. I'll go straight. So I think the rising concern about Santander Group's capital position was a relative discussion over the last four years. I think we have posted 11.2%, well above, I think, what the group had indicated in 2015. And I think what has proven is that the group, on average, has been able to generate capital organically over the last three years. We can always question the speed. We certainly cannot question now the direction. And I think the group has been very, very clear and straightforward relative to its desire to continue to strengthen its core Tier 1.

Having said that, looking from a subsidiary point of view, we certainly look at the capital of the group, as anybody does, but our management and obligation is to look at our own capital, one, to be able to sustain and back our growth ambition. I think we have been a formidable growth ambition, and hopefully, that's not going to change. So are we well positioned from a capital point of view to continue to grow? Yes. So the answer is yes. And the 12.5% or somewhere between 12% and 13% as core Tier 1 should be guiding us for the future. That doesn't mean that we have that as a target. I mean, our target is capital to sustain growth, one; relative position with peers, two; and third, have a capital structure locally in the subsidiary as efficiently as possible. So those would be the three elements that would guide our decision.

A - Andre Parisi {BIO 21511610 <GO>}

The next question is from Eduardo Nishio, Brasil Plural. Mr. Sergio, if you were to select the most important reason, only one item to justify the ROE turnaround, what will be it? And why for many years, in your view, Santander was running at very low levels of profitability, around 10%?

A - Sergio Rial {BIO 1925337 <GO>}

Well, I mean, I'll try to summarize. First is I think definitely, it's the turnaround in retail, which tends to be very complex. I mean, turning retail businesses around, whether in banking, in clothing, in anything, just the fact of being retail, it's always a challenge. So I would say retail turnaround, which has happened on the back of a number of things. But I could just mention a couple of things. One is definitely leadership. I think at the end results are a function of leadership. So leadership that is certainly not mine only, far from it. Second, I would say, aligning incentives with profitable growth. So I think we, today, have a policy at retail that people can actually generate variable if they are able to generate profitable growth, having that alignment, but that can only happen once people at the very forefront of what we're doing in terms of retail have the data and information to manage what they do. So we have atomized the P&L of retail to the lowest possible denominator, so a branch manager or channels would know what their P&L is.

So giving people the possibility to impact what they do to the group's, meaning Santander Brasil's results. So I think it's just very deep knowledge of ownership. And I could go on and on. I mean, this is a long answer. But I think the last one that I would make is probably the brand. I would say Santander Brasil's brand, Santander brand today relative to its history or even to its peers has strengthened to a way of being more contemporary, a little bit of a lateral thinker, a customer advocacy. So I think we are perceived more and more as a bank that do think and act on behalf of customers. And again, a lot to do, so no arrogance here. I mean, we're still in the early days of becoming a real activist from a consumer point of view. So that will be the ambition, become an activist from a consumer point of view.

A - Andre Parisi {BIO 21511610 <GO>}

Okay. Now we are going to take our questions via phone calls.

Operator

Thank you. We'll now start the Q&A session for investors and analysts. (Operator Instructions) Mr. Eduardo from BTG Pactual would like to make a question.

Q - Eduardo Rosman {BIO 16314825 <GO>}

(technical difficulty) 14 points above the same period in 2017. But as far as I understand, the number came out a bit short of your internal goals, right? So I wanted to understand if you can share with us what were your internal goals and what are your internal goals for 2019. And also if you can give us a little bit more details, how relevant is this metric on the management compensation? How relevant is this metric for the bank today? And where do you rank against your competitors? Right. Of course, we don't want you to give the numbers for each competitor individually, but just to -- if you can give us more details on how well ranked you are against the main peers. Thank you very much.

A - Andre Parisi {BIO 21511610 <GO>}

Hi, Rosman. Could you repeat the first part of the question please?

Q - Eduardo Rosman {BIO 16314825 <GO>}

Yeah. Actually, the first part of the question was pretty much talking about the NPS. So it reached 56, 57, which is very good and improved 14 points against 2017, but I was trying to understand what were your internal goals for the year. As far as I understand, the ratio improved a lot but fell a little bit short of what you expected. So I want to know what are your goals for 2019, right. And how relevant is this metric today for the top management and where you rank in this metric against your competitors.

A - Sergio Rial {BIO 1925337 <GO>}

Eduardo, it's Sergio. So thanks for being on the call. So you're absolutely right. So we had an ambition from an NPS point of view of 60. Now -- and we were at 57. And I think one of the things you're going to see from our culture is we always have an ambition that it's not only difficult, but it's also aspirational. And I think what I feel proud is that we certainly moved from 43 to 57. Now I can tell you that we have a number of challenges, a number of challenges on NPS. Let me start giving you some. One, with smaller companies our NPS is still around the 30 as opposed to the 57. So we've got to do quite a bit of work around corporates in general, and that's a function of just different profiles, I always say to people who are not very familiar with NPS. For example, Starbucks NPS is in the north of 70. One of the differences between Starbucks and us, there are many. But one big one is that when you go to Starbucks, you made a decision to buy coffee. And necessarily, when you think about a bank, you not necessarily thought about going to a bank either through an application or physically, you have to go to a bank.

So it is a need as opposed to a desire, which gives certainties around numbers. So numbers around 60 in the financial banking industry when you compare to many peers is pretty strong, pretty strong. I mean, European banks are in the low double digits, so they're between 15 and 25. You have a few Australian examples above 60. You have US bank in the US above 65, 70. But there are very few examples that are around 60. So I hope also, and I do always say that the industry as a whole do go onboard with NPS, and then we start having relative comparisons because it'll be really useful if our competitors would also take that onboard and would build and create the right sense of competitive landscape on behalf of the consumer.

In terms of growth, we also had internally an ambition that is not a guidance of -- we have spoken of having an aspirational number of 12. So we were able to get to 12. And I just like to remind many people, 12.4 is pretty much two times the number we had back in '15. So in three years we doubled the result. The big question is, what can we do in the next three years? And hopefully, we're going to be constructing that story in our Investor Day, as mentioned by Andre. I mean, we do plan to give some of the signal around where are we going to be taking the bank in the next three years. But I can tell you that, ambition here is big.

Compensation, I'd like to remind everyone that the compensation of local management is absolutely 100% aligned with some 11. So our deferred comp is totally invested in the local stock. And the other thing that I would like to at least disclose to you, we will embark this year on a broader share program for employees. We will try to see how far can we bring share payments or part of people's comp to different levels and lower levels in the organization. We want to make sure that each and every employee of Santander, to the fullest extent, do own a Santander share, Santander Brasil share. So that's at least the intention, and we plan to announce that throughout the year of implication. That implication is to deepen alignment of execution with shareholders. Thank you.

Operator

Mr. Carlos Macedo from Goldman Sachs would like to make a question.

Q - Carlos Macedo {BIO 15158925 <GO>}

Thank you, Sergio Rial. Andre, thanks for taking time. Good morning. A couple of questions. One, if you could comment a little bit on your credit card business, not the Getnet part of it, the credit card business. A lot of growth not only in the portfolio but over time. I mean, volumes this year have outpaced competition, everybody else by a wide margin. Part of it is NPS, of course, that you were talking about just now. But part of it is there must be some initiatives that you carried out there. Can you talk a little about that? It seems -- just to see if it's sustainable and what you have done.

Second question, going back to Getnet now. You just recently, I think, Stone filed a complaint in the CADE against Getnet. Similar to what Stone had filed in the past against Rede's Yellow and the CADE found in favor of Stone's complaint, and it curtailed a bit the ability that those two companies had to cross-sell. We know that of all the companies in the market, probably Getnet is the one that has the best cross-selling of products to its clients. What do you expect to come out of that? And if the decision is similar to what happened to Bradesco and -- sorry, to Cielo and with Bradesco Brasil and Itau with Rede what would that -- would that mean anything for Getnet's ability to gain and maintain market share?

A - Sergio Rial {BIO 1925337 <GO>}

Okay, Carlos. Sergio. I'll start with the last one. I mean, it's just part of a normal process where CADE, the antitrust agency here, does request comment from different players in the segment. So I don't think I could, at this point in time, speculate of anything. I think it's a legitimate process. I mean, they have voiced their concerns. They also have to explain their own growth story and their own valuation. So it doesn't look like it being impeded from growth. Much to the contrary, I think, they have shown so far, like others, a capacity to grow. There are very large number of players today in this segment, so I think you used the word curtail, which I don't think it applies to this segment or to any segment in that respect, but in particular to this segment, as you see the proliferation of new players and entrants, which we see as very good.

For example, Getnet, which we haven't really explored during this call, hasn't really deepened its presence in what I would call the individual dimensions. So we've been primarily a company for corporates, but not necessarily for individuals. So we hope to see some traction with Getnet on individual dimension. On the first part of your question on cards, I think there is an enormous space for us to grow cards in Brazil, I really do. Not only on the back of penetration, but also on the back of reliability characteristics of the card, focusing on different segments and not being the last piece but an important one, which I would call intelligence around customer data and what actually customers need. I'll give you an interesting data just to signal what I just said. We have been very successful in marketing special events if I would call it. We were probably the first bank to take Black Friday as an opportunity for the financial industry. After we did it first time, all the banks followed, which we see that as really, really good. But last -- this last year, in our Black Friday positioning, just in one day payment volumes through Getnet -- sorry, payment volumes through our cards above BRL1.1 billion. We normally have, on average, around 400 to 500.

And if I look at the debit card, we were around 350 million as opposed to 175 million a day. So -- and this is still relatively low levels in terms of volume relative to the size of the portfolio. So I think there's still an enormous amount, and also, it's on the back of becoming more focused. For example, we eliminated last year over 150 cards. So the risk of cards is far too much customization. You're not really focused on have a running of very industrial-led organization from a cost point of view with terms of marketing and CRM intelligence to differentiate ourselves from competition. That's a little bit sort of a summary.

Operator

Mr. Jorg Friedemann from Citibank would like to make a question.

Q - Jorg Friedemann {BIO 15405752 <GO>}

Hello, thank you for the opportunity. Just two additional points from the question that was already answered. The first point, in terms of your loan book, we observed that even though SMEs are performing nicely over the year, the line Working Capital and Other came down approximately 2% year-over-year. So just wondering where is this competition coming from or if there is a change in strategy or if this is just for sort of competition also in the prepayment acquiring business. This is the first question.

And the second question, we observed there's a need continue to improve with the clients in terms of the provisions for contingencies that we had year-over-year, probably most of it's related to labor contingencies. But the number now seems to have stabilized. At least the quarterly figure demonstrates that. Just wondering if you see additional room to capture improvement in this particular line or as other banks already indicated, you believe that (inaudible) contingencies increasing might offset additional gains on labor contingences. Thank you very much

A - Angel Santodomingo {BIO 15757370 <GO>}

Thank you, Jorg. Angel here speaking. On the loan book, I mentioned it on my previous words, we do have, as you said, SMEs that had been gaining momentum during the last quarters. If I go back three, four quarters, they were in the high-teens territory, and they had been improving slightly quarter-after-quarter to those levels you mentioned in terms of growth. So -- and again, this grows with the cycle. It's a normal process where you start to see, you read the pure retail individuals, with confidence in consumption starts to pick up, and then they are kind of followed by SMEs and potentially after that, corporates and large corporates.

On the large corporates side, you were mentioning negative. If you look at a little bit of tax -- sorry, of ForEx effect there, but in any case we are kind of flattish. Let me say like that or slightly negative, which is probably a reflection of two things. I would say what I mentioned in terms of available capacity, which is today that will mean that the investment clients probably grow in the country as the cycle continues to two out of four. And capital markets in different parts of the year, specifically the first part of the year, we did have capital markets. And we see that's a good sign. I mean, we should -- the companies, the large corporates should have market capitals and ourselves as kind of providers of funding.

But again, that with the cycles should keep on gaining momentum. And at some point, what we would call the companies side, let me say, call it SMEs, corporates and large corporates. The companies side, I will say we turn to level off compared to the individual side. On the provisions side, in terms of labor provisions, et cetera, as you know, one year ago, one year and two months ago, the new labor reform was approved. This has gradual and specifically medium-term effects. So I would say to you that the trend will be the one you see, but you will not see strong kind of changes within quarters or -- because it's going to be gradual. Remember that all employees that were hired before the reform, they obviously are going to be in another direction because you already have previous kind of rights. So as we move into time, that will happen in that line. The trends will be the one that you said.

A - Andre Parisi {BIO 21511610 <GO>}

Okay, thank you.

Operator

Thank you. The Q&A session is over, and I wish to hand over to Mr. Sergio Rial for his closing remarks.

A - Sergio Rial {BIO 1925337 <GO>}

Okay. Thank you very much for attending. Thank you very much for following us, and thank you very much for all your comments and constructive questioning, which I think it really helps us as management. I always say we'll remain committed to the same story you've seen over the last three years. Stay tuned. More to come. And hopefully, you make us all a better company, and we remain committed to really create the best bank from a customer point of view in this country. So stay tuned, and thank you very much.

Operator

Banco Santander Brasil's conference call has come to an end. We thank you for your participation. Have a nice day.