BRAZIL

Overview of Banking Market
Deputy Governor for Banking Supervision (DIFIS)

July 26th, 2018
I. Banco Central do Brasil – Supervision Structure

II. Overview of Brazilian Financial System
Structure of Brazilian Financial System

CMN
National Monetary Council

(*)

BCB
Central Bank of Brazil

CVM
Securities and Exchange Commission

CNSP
National Council of Private Insurance

PREVIC
National Complementary Pension Superintendency

CNPC
National Council for Pension Funds

Banking system

Other financial institutions

(*) The CMN consists of the Finance Minister, the Planning Minister and the President of Central Bank of Brazil.
Banco Central do Brasil – Institutional Mission

- To ensure the stability of the currency's purchasing power and a solid and efficient financial system;
• Deputy Governor for Supervision
• Deputy Governor for Licensing and Resolution
• Deputy Governor for Regulation
• Deputy Governor for Economic Policy
• Deputy Governor for Monetary Policy
• Deputy Governor for Institutional Relations and Citizenship
• Deputy Governor for International Affairs and Risk Management
• Deputy Governor for Administration
Supervision Structure

Governor

Deputy Governor for Supervision

Strategic Management, Integration and Support for Supervision Department
DEGEF (116)

Financial System Monitoring Department
DESIG (203)

Banking Supervision Department
DESUP (187)

Department of Supervision of Credit Unions and Non-banking Financial Institutions
DESUC (200)

Banking Conduct Supervision Department
DECON (95)
### BANKING SYSTEM

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>154</td>
</tr>
<tr>
<td>Investment Banks</td>
<td>14</td>
</tr>
<tr>
<td>Development Banks</td>
<td>4</td>
</tr>
<tr>
<td>Banco do Brasil and Caixa Economica Federal</td>
<td>2</td>
</tr>
<tr>
<td><strong>BANKING SYSTEM TOTAL</strong></td>
<td><strong>174</strong></td>
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</table>

### NON BANKING SYSTEM

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
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</thead>
<tbody>
<tr>
<td>Securities Brokerage Companies</td>
<td>239</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>1032</td>
</tr>
<tr>
<td>Consortiums</td>
<td>159</td>
</tr>
<tr>
<td>Others</td>
<td>144</td>
</tr>
<tr>
<td><strong>NON BANKING SYSTEM TOTAL</strong></td>
<td><strong>1574</strong></td>
</tr>
</tbody>
</table>

**TOTAL** 1748

### Brazilian Largest Banks

<table>
<thead>
<tr>
<th>Bank</th>
<th>Market share credit to individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caixa</td>
<td>31.8%</td>
</tr>
<tr>
<td>Banco do Brasil</td>
<td>18.9%</td>
</tr>
<tr>
<td>Itau</td>
<td>11.8%</td>
</tr>
<tr>
<td>Bradesco</td>
<td>10.4%</td>
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<tr>
<td>Santander</td>
<td>8.7%</td>
</tr>
</tbody>
</table>
Fintechs

Digital Banking

Business Lending

Consumer Lending

Wealth Management
Average interest rate – new loans

- Private banks
- Public commercial banks
- Public development banks

Graph showing the average interest rate for new loans from December 2012 to December 2017.
Problem assets

- 90 days past due loans
- 90 days past due loans or restructured debt
- 90 days past due loans or restructured debt or "E to H" rated loans
Problem assets
Banking Supervision (DIFIS)
Additional material
Supervision of Banks and Banking Conglomerates

Joint inspections

Supervision teams (GTs)

Support and consulting

Specialized teams

Support teams

Horizontal reviews
Superision Process Overview

SUPERVISION CICLE

Risk Assessment System (SRC):

- ANEF: Economic and Financial Analysis
- Inspections
- Continuous Monitoring
- Horizontal Reviews
Supervision Process
Risk Assessment System - SRC

Quantitative Analysis
- Capital Adequacy
- Quality of Assets
- Liabilities
- Liquidity
- Profitability

Qualitative Analysis
- Credit risk
- Operational risk/legal
- Market risk
- Liquidity risk
- Strategy risk
- Reputation risk
- IT risk
- ML risk
- Credit risk
- Operational risk/legal
- Market risk
- Liquidity risk

Final score
1, 2, 3 or 4
Best
Worst

Communication of Results: to Banks and Regulators