

2007 SUSTAINABILITY REPORT



INTRODUCTION

This sixth edition of Banco Santander's Sustainability Report is designed to present the economic and social impacts of its activities in the light of Brazil's sustainable development in 2007.

It is addressed to all strategic stakeholder groups the Bank deals with, serving to celebrate both the 150th anniversary of Grupo Santander and its commitment to the regions which belong to its area of operations.

The document has been drawn up using Grupo Santander's Sustainability Map which incorporates international benchmark guidelines, such as the Global Reporting Initiative (GRI), an international standard for sustainability reporting.

The information presented here is divided into three major topics:

- Sustainability in business
- Sustainable structure
- Commitment to sustainable development

A chart is also presented with some of the key indicators of sustainability and social responsibility applied in corporate terms: Ibase Social Balance, GRI, Global Compact and Millennium Development Goals. It took four months to put together and involved all of the Bank's business and communications areas, as well as a team dedicated full-time to the project.

Doubts and suggestions about the information presented in this Report may be directed to: responsabilidadesocial@santander.com.br.

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SANTANDER IN THE WORLD

Banco Santander is present in more than 40 countries and has a balanced position between mature and emerging markets. A combination permitting high growth in revenues and benefits throughout the whole economic cycle.

The Bank attains significant shares in its reference markets both in Europe and in Latin America. The global business areas and its capacity to generate synergy among countries have also contributed to the fact that the Group is worth more as a whole than the sum of its parts.

Santander has the biggest commercial network of all international banks. Thanks to its 11,178 branches, the Bank serves 65 million customers and offers innovative products and services suited to the needs of the different markets. The goal is to offer an outstanding service in order to raise the satisfaction and loyalty levels of its customers and enable it to establish long-lasting relationships with them.

The Group has more than 131 thousand employees and has built a human resources strategy geared to attracting, motivating, training and retaining the best international talent.

BRANCHES – NUMBERS

2005	10,201
2006	10,852
2007	11,178

CUSTOMERS – MILLION

2005	55.8
2006	61.3
2007	65.1

Archivo fotográfico Banco Santander



Santander Financial City – Madrid/Spain

Garden of Santander Financial City – Madrid/Spain

VISION – A GLOBAL BANK

Santander wishes to strengthen its position as a major International Financial Group, offering its shareholders increasing profitability and meeting all the financial needs of its customers. To this end, it counts on a strong presence in local markets which combine corporate policies with global capacities.

VALUES

LEADERSHIP

Vocation for leadership in every market where we operate with the best teams and an ongoing focus on the customer and results.

DYNAMISM AND FORESIGHT

Initiative and agility to discover and exploit business opportunities ahead of our competition and flexibility to adapt to market changes.

FINANCIAL STRENGTH

The strength of our balance sheet and prudence in risk management are the best guarantees of our capacity to grow and create long-term value for our shareholders.

INNOVATION

A never-ending pursuit of products, services and processes which satisfy customers' needs and allow us to obtain increased profitability, superior to that of our competitors.

CUSTOMER ORIENTATION

Our strategy is to focus on the customer. Our desire is to improve continuously, winning customers, satisfying them and earning their loyalty, through a broad range of products and services, always of the highest quality.

PROFESSIONAL ETHICS

Besides strict compliance with the Laws, Codes of Conduct and Internal Norms, all of Santander's professionals are required to act with the utmost honesty and transparency, whilst always placing the interests of the Group and of the customers before their own.



"Investment in higher education and research is the best driver to develop society, and the best guarantee for the well-being of future generations."

Emilio Botín
President





Banco Santander today is one of the most solid, profitable and respected institutions in its sector. Through its banking activities and its policy of Social Responsibility, the Bank is creating wealth and employment as well as contributing to the economic and social progress of the countries in which it is located.

Our credibility as an institution is closely tied to the transparency of information which is passed on to customers, shareholders, employees and society as a whole.

In 2007, we began a number of different initiatives to improve our customers' satisfaction, to strengthen our shareholders' confidence, to promote our employees' professional advancement and to make sure that a greater number of people were benefited by our programmes of corporate social responsibility.

We believe that investment in higher education and research is the best driver to develop society and the best guarantee for the well-being of future generations.

For this reason, of the 119 million Euros that Banco Santander invested in the corporate social responsibility issue in 2007, 95 million Euros were allocated to university support in all the countries where we are located.

In 2007 we increased the budgetary allocation for Santander Universities by more than 20% and expanded its scope of activities to new institutions of higher learning and new countries such as the United Kingdom, Russia and the USA. We maintain cooperation agreements with 623 universities and over the past year we granted more than 12,400 study scholarships and student work internships.

Another strategic project of our social responsibility policy is Universia, a network of university information and cooperation, unique in the world, which links 1,069 institutions from Spain, Portugal, Latin America, UK and Russia. Of special note among its priorities is the support given to universities in preparing and generating knowledge and the access by university students to their first professional experience.

Our social commitment is rounded out with initiatives which back solidarity projects, many of which directly involve our employees.

We are also a company which is sensitive to environmental problems. We have strict controls over the environmental impact of our activity and, as a Bank, we finance renewable energy projects and we develop financial products which support sustainable development.

Our concern to maintain fluent communication with our shareholders and investors is constant and vital to ensuring their confidence. In 2007 the Large Shareholders Unit was set up and forums for dialogue and informative sessions were started which, similar to Investors' Day, are the key to involving our investors and shareholders in the company's trajectory. During this past year, Banco Santander's actions have kept us in the most important indices of socially responsible investments, the DJSI and the FTSE4Good.

A close relationship between the Bank and its customers is essential to know their needs, to improve the quality of our service every day and to offer the most innovative products. With this in mind, we have taken into account specific demands

whether they be of groups or of students, immigrants or micro-businessmen.

To create value for society, for our shareholders and for our customers, Banco Santander relies on a team of 131,819 people. Some of our priorities include the attraction, retention and motivation of talent and providing the best working atmosphere.

Half of the Group's professionals are women who are consistently occupying important positions in the organization. In all countries, Santander has launched programmes to reconcile family life with career development, a field in which we will continue to make advances.

We refer to all of these issues in this Sustainability Report, which is a complement of the 2007 Annual Report and the purpose of which is to communicate, in a totally transparent manner, our policy of corporate social responsibility.

Emilio Botín
President of Grupo Santander

SANTANDER IN BRAZIL

Santander is one of the biggest foreign private banks operating in Brazil. In the State of São Paulo, a market responsible for 33.9% of the Country's GDP, according to IBGE (Brazilian Institute of Geography and Statistics), it commands the leadership position.

With activities throughout the financial sector, it won 1 million new checking account holders in 2007, surpassing a total of 8 million customers. There is a network of 2,104 branches and service centres available, as well as 7,639 ATM's.

It recorded R\$122.4 billion in assets and profits of R\$1.9 billion during the period. With 22,965 employees, it has steered its social investments to the promotion of sustainable development in the locations where it is operating. The main focus of social investments has been support given to higher education, a global policy of Grupo Santander. It also has developed and supported its own social projects and those with partners which aim to promote sustainable development of communities.

MISSION OF SANTANDER

The mission of Santander is to develop and consolidate a leading financial franchise in Brazil, creating value for its shareholders, customers, employees and the communities in which it is present.

MISSION OF SOCIAL RESPONSIBILITY

The mission of the Social Responsibility area is to create and develop tools, projects and programmes with which Santander can contribute to socioeconomic development, bringing benefits to improve the quality of life of the community where it operates and of society as a whole.

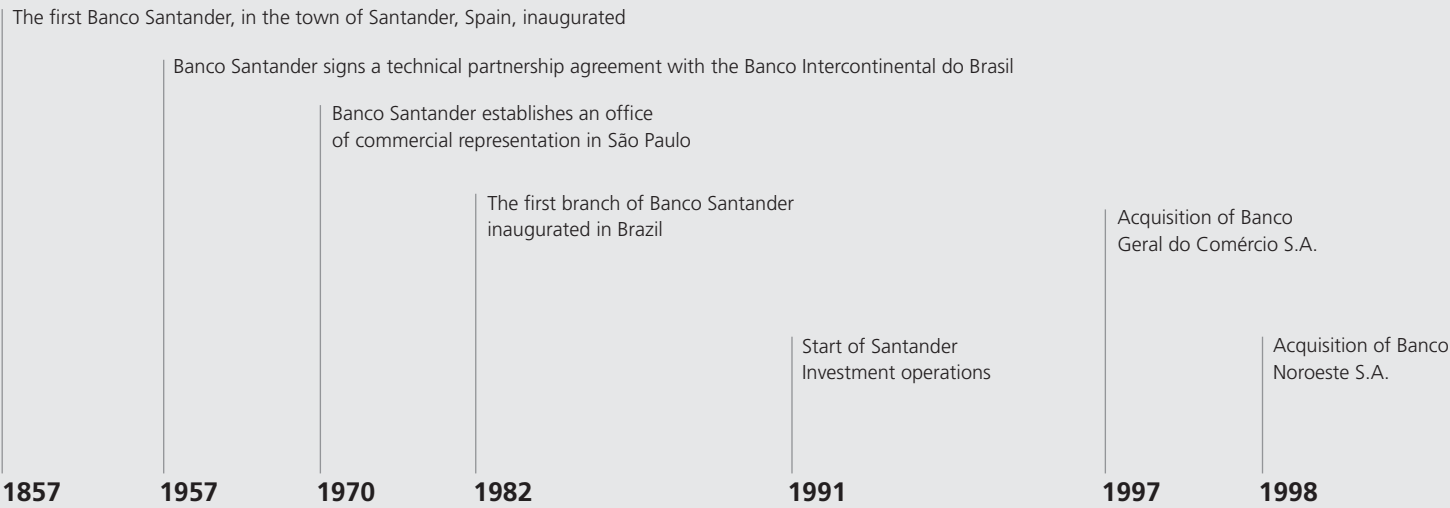


Ivan Sayeg/Carlos Kpinis

CASA4 – São Paulo/SP

TIMELINE

ECONOMIC TRAJECTORY



SOCIAL TRAJECTORY

Living Memory CASA1 – São Paulo/SP



Acquisition of the banks Meridional and Bozano, Simonsen (Meridional Financial Conglomerate) and the Banco do Estado de São Paulo S.A. (Banespa)

2000

Santander Banespa becomes the only brand for all the companies of the Group in Brazil

150 years of Grupo Santander. Santander becomes one brand.

Santander, in association with the Royal Bank of Scotland Group plc, with Fortis N.V. and with Fortis S.A./N.V. formally acquired the ABN AMRO Bank, in October 2007 through RFS Holdings B.V.

2006

2007

1999

Membership of the Ethos Institute

2001

Launch of the Universia network, in Spain
Inauguration of Santander Cultural
Start of the SuperBonus Programme

2002

Launch of the Universia network, in Brazil
Start of support for the Volunteers in Action Institute

2003

Start of the Programme Rediscovering the Centre of São Paulo
Start of support for the Ethos Prize for Journalism

2004

Association with Abrinq Foundation
Adhesion to the Movement for Citizenship and Solidarity (Millennium Development Goals)

2005

Start of support for University Entrance Preparatory course
Launch of Partners in Action Programme
Donations start to the CMDCA's (Council for Children's and Adolescents' Rights)



"Our way to apply and disseminate sustainability is to create growth opportunities for all the stakeholder groups with whom we deal with."

Gabriel Jaramillo
President





Since its foundation 150 years ago, Santander has not stopped growing. For this to happen, we continuously improve what we do best: our capacity to innovate. We believe that it is always possible to change, to improve, to triumph. And so we learn to build relationships, to understand and master the needs of our customers, to recognize the value of our professionals and to make commitments to develop the communities around us. In this way we apply and disseminate sustainability, creating growth opportunities for all the stakeholder groups with whom we deal.

We are present in more than 40 countries. In all of them, just one bank. A great bank, with 65 million customers and more than 131 thousand employees who reflect our ethical, transparent way of doing business. To this end, there is nothing more symbolic than to unify our values and culture under just one brand. This unification, adopted worldwide at the beginning of 2007, makes the size of Grupo Santander more visible and strengthens our employees' pride in belonging to one of the greatest financial institutions in the world.

We also invest heavily in people. In 2007, we gave our employees more than 1.4 million hours of training, we restructured our system of goals and compensations and we made a survey of the working atmosphere to improve the relationship with those we consider to be our most valuable asset. We also encouraged diversity on various fronts: we increased the participation of women in our company and they now represent

52.9% of all employees and occupy 47% of the Bank's executive positions, and we have started the Programme aGente which propagates diversity in the corporate workplace. Besides this, we have taken measures to expand access of disabled customers to our service network and to our services.

Another highlight has been Santander Universities, the Group's main focus for social investment. We built up the team which led the initiative and reorganized our actions into five main vectors to expand the reach of the programme: products and communication, management of university points-of-sale, contract management, relationship management and management and controls. Our objective is to consolidate partnerships with managers, teachers, students and research centres in Brazil. To do this, we have invested R\$ 65 million in actions to support higher education and we have granted 5 thousand mobility study scholarships to graduates and students. With 22 new agreements signed, we ended the year as partners of 260 learning institutions, benefiting more than 1 million students and 200 thousand teachers.

The Santander Prizes for Entrepreneurism and for Science and Innovation also grew. The number of entrants was 40% above that of 2006. One new event was the partnership with a policy institute to evaluate and put into practice the entrepreneurial projects, increasing the impact of this initiative.

Furthermore we continued our support of culture with Santander Cultural and sponsorship of films, plays and exhibitions, and Sports with support to athletes. We continued with our social programmes and volunteer work, centred on actions of social inclusion and promoting the quality of life.

These and numerous other actions during this period, reasserting our commitment to Brazilian society, would not have come about without the efforts of all the people who make Santander a great bank, especially our employees. I thank everyone for this performance.

Gabriel Jaramillo
President

The activities carried out by Santander and their results are presented in this report through the Sustainability Map, elaborated by Grupo Santander, which spreads the information over three main platforms:

SUSTAINABILITY IN BUSINESS

Presents the financial products and services developed for individual customers, companies and institutions. It is broken down into:

Customers: total more than 8 million customers in Brazil, with whom it establishes a long-lasting relationship. Globally, our customers number more than 65 million.

Products and Services: suited to the needs of the customers.

SUSTAINABLE STRUCTURE

Santander's sustainability model is underpinned by a solid, effective structure and an adaptive capacity which guarantees the stability of the banking business and its continuity in the future.

The Sustainable Structure is broken down into:

Shareholders and Corporate

Governance: with over 2.27 million shareholders worldwide, who can count on balanced, transparent corporate governance.

Internal stakeholders: with more than 21 thousand employees in Brazil, performs actions to attract, retain, advance and reward these professionals. Throughout the globe, employees total more than 131 thousand.

Brand: unification under one brand which bestows identity and reputation on all of the Bank's businesses and activities globally.

Technology: counting on the most modern technological banking platform in Brazil, geared to the needs of the business and the customers.

Channels: agile and efficient to meet the demands and strengthen the Bank's relationship with its strategic stakeholder groups.

Risk Management: built on the Group's expertise, adapted to the reality and differentials of the Brazilian market.

Suppliers: promotes an ethical, pro-active relationship, stimulating local economic and social development.

COMMITMENT TO SUSTAINABLE DEVELOPMENT

Santander is in favour of a sustainable environment, driving social and cultural development, and conserving the environment. Investment in corporate social responsibility is made on three fronts:

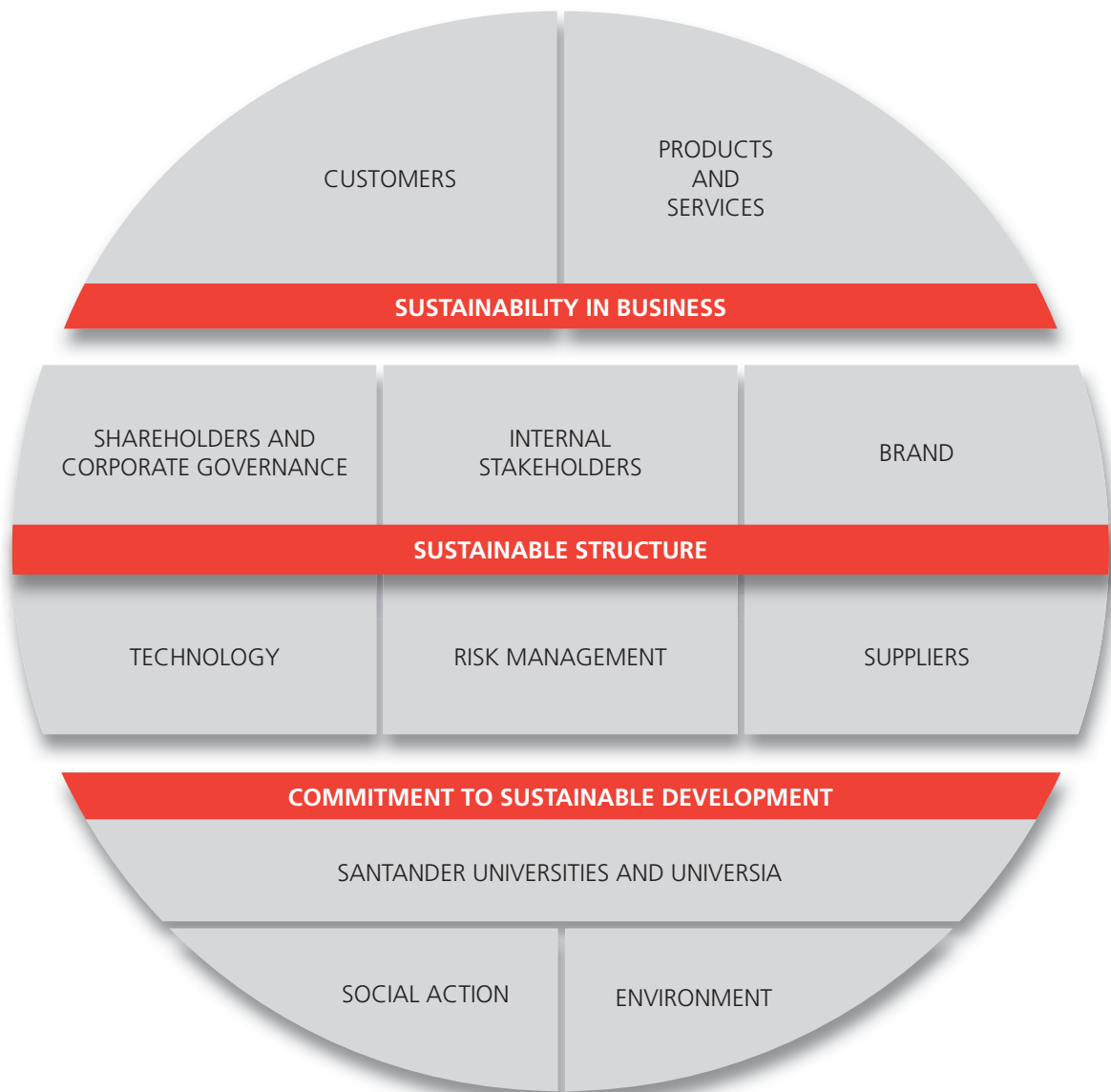
Santander Universities and Universia: a global programme of collaboration with universities which supports higher education as a driver of sustainable development, in an unprecedented alliance between university and company.

Social Action: adapted to the needs of each community where the Bank is located.

Environment: adopts an active policy of environmental protection, promoting control and reduction of its own consumption.



SUSTAINABILITY MAP

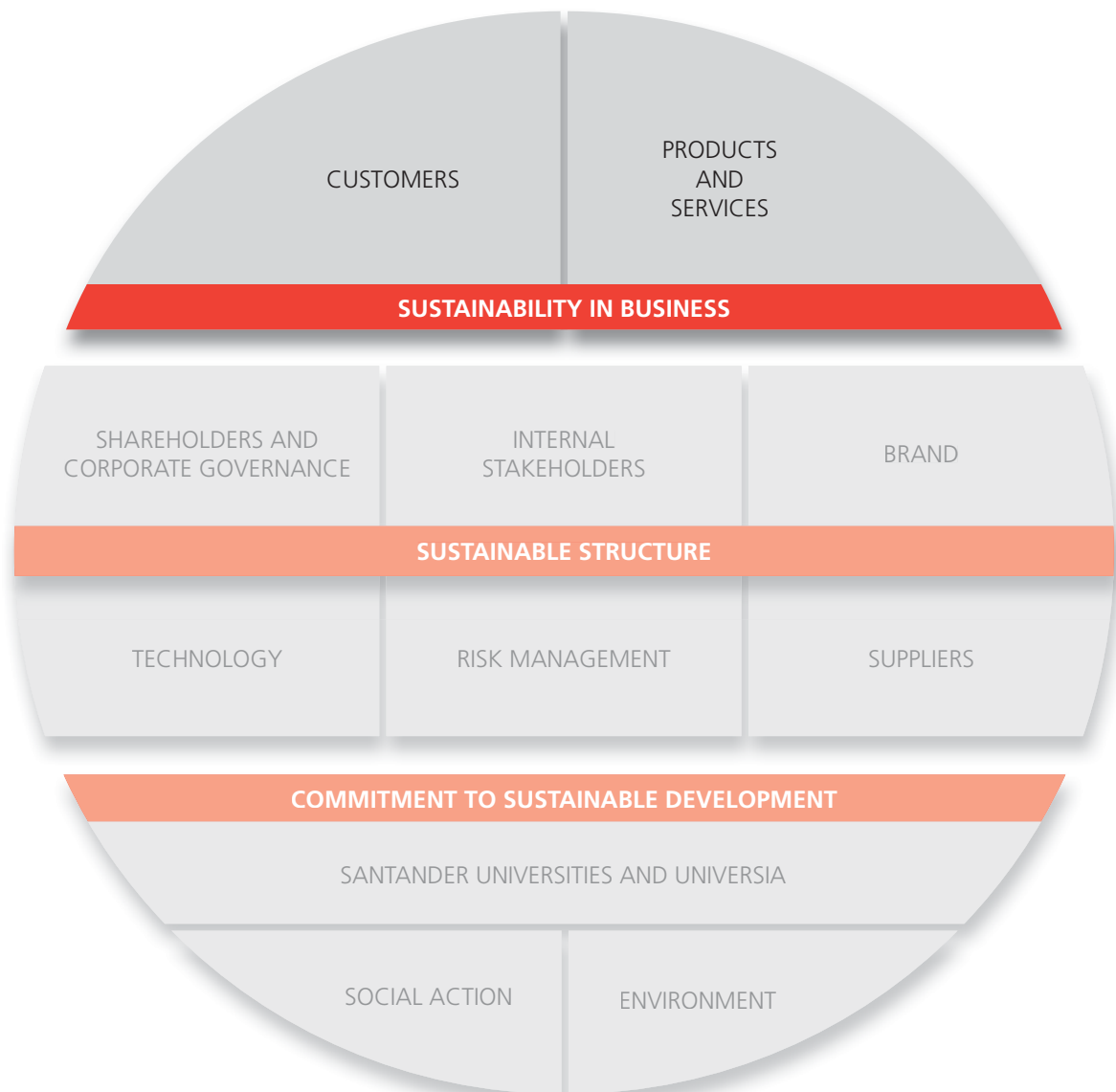


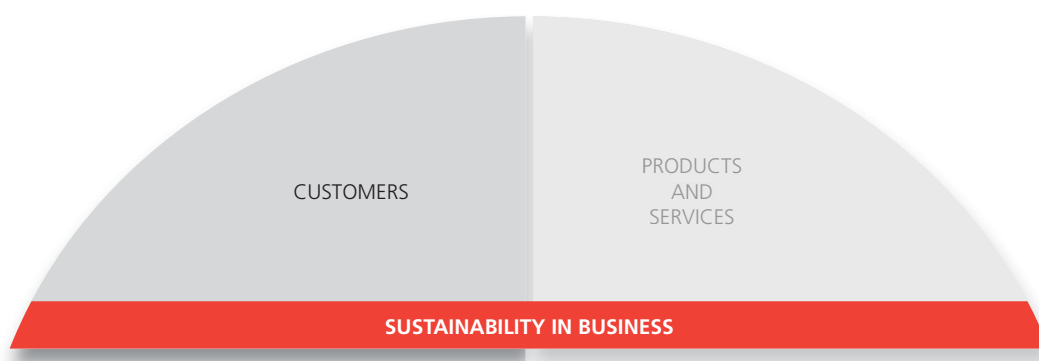


PAB Self-service
CASA3 – São Paulo/SP



SUSTAINABILITY MAP





SANTANDER WON A MILLION NEW CUSTOMERS AND RETAINED 350 THOUSAND DURING THE YEAR, PASSING THE MARK OF 8 MILLION CUSTOMERS.

THE EXPANSION OF CALL CENTRE SERVICES AND THE LAUNCH OF THE OMBUDSMAN REVEAL THE IMPORTANCE THAT THE BANK ATTRIBUTES TO CONTACT AND DIALOGUE WITH ITS CUSTOMERS. IN RECOGNITION OF THIS ATTITUDE, THE AVERAGE SATISFACTION RATING OF SANTANDER CUSTOMERS IN 2007 WAS 83%.



PAB Santander personalized service

CUSTOMERS

One million new customers in 2007. This significant victory, to which can also be added 350 thousand retentions, is the result of intense synergy between all the areas of the Bank to ensure agility and quality of customer service. Working groups, managers and executives exceeded their targets and developed products and services which have come constantly closer to the needs identified by customers from all segments. During the period, the mark of 8 million private and corporate customers was passed.

To meet the challenge of expanding its customer base in Latin America by 2010, Santander has developed Project 20.10 - Doubling is Winning. In Brazil the target means winning 3 million more customers. Another direct result of the Bank's capacity to meet demands from the Retail Banking sector was its entry into markets of significance in the national territory such as Florianopolis (SC), Salvador (BA), Rio de Janeiro (RJ), Curitiba (PR) and Brasília (DF).

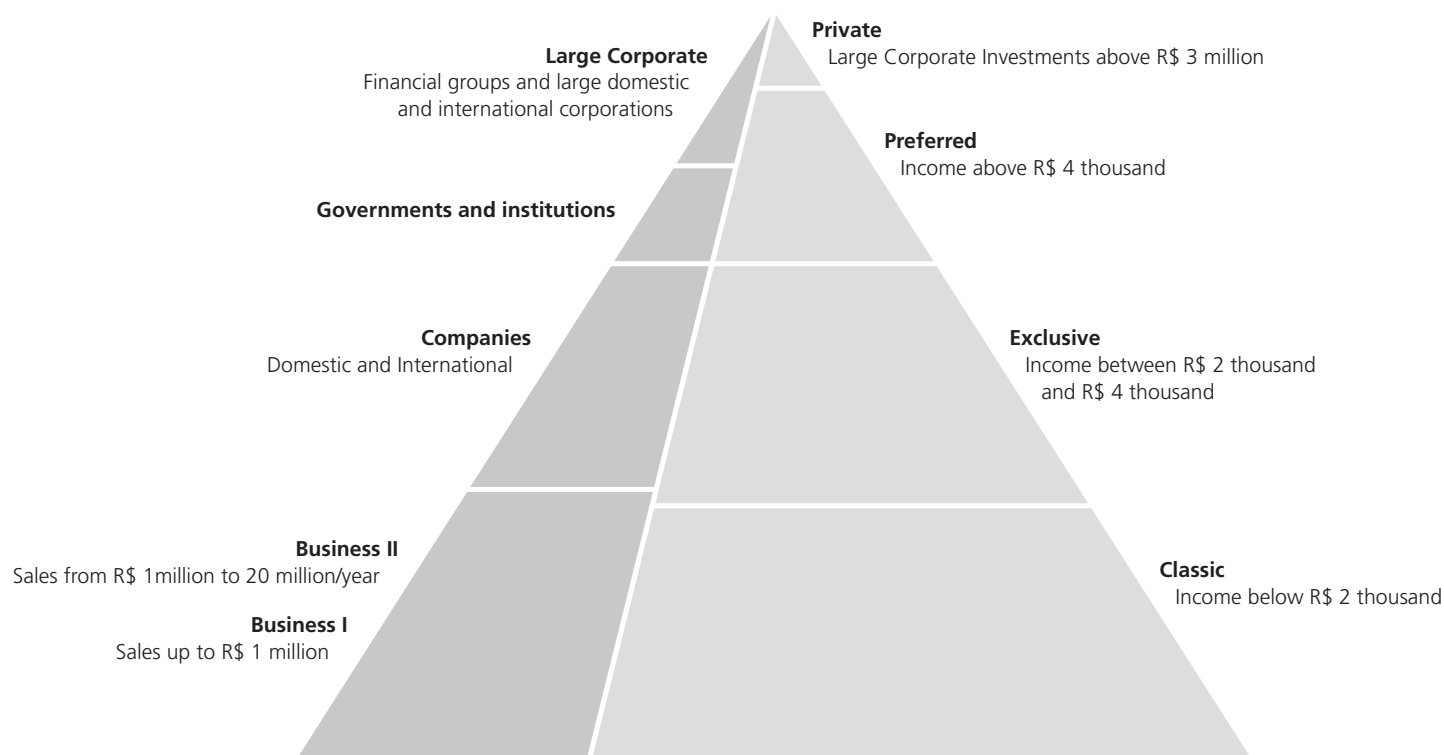
The Grupo Santander's international experience is also reflected in infrastructure projects. In the last five years, the Group has advised, structured and financed more than 25 operations in the electrical sector in 11 countries. The result of this experience is that Banco Santander has been invited to advise no less than six consortiums of major projects which are vital for the growth of Brazil. Among these, the Bank is global advisor to the consortium led by Odebrecht for the bidding and subsequent structuring of financing to build and exploit the hydroelectric power plants at the Madeira Complex. Santander is also the advisor to the consortium led by Odebrecht to identify potential investors interested in the project. The purpose of the Complex is the construction and utilization of the Santo Antonio and Jiraú power plants on the Madeira River in Rondonia. The Santo Antonio Plant alone, for example, should generate the equivalent of approximately 4% of all the energy available in Brazil, and as a consequence this project is of strategic importance as a guarantee for the Country's growth. These and other projects are an integral part of the Bank's commitment to the promotion of sustainable development in the markets where it operates.



Care for customers' needs

INSTITUTIONAL CUSTOMERS

INDIVIDUAL CUSTOMERS



SEGMENTS

Individual Customers: In order to give its Individual customers good, innovative service, the Bank launched new products, including differentiated credit offers (personal loans and financing), insurance, cards, as well as services which optimize the results of these products and the relationship between Santander and its customers.

Institutional Customers: are broken down into two segments: Small and medium-sized business and companies.

- **Small and medium-sized business:** Customers with annual turnover up to R\$ 1 million (Business I) and between R\$ 1 million and R\$ 20 million (Business II), which together totalled 125 thousand customers in 2007.

- **Companies:** Customers with annual turnover above R\$ 20 million.
- **Agribusiness:** Segment developing products and services directed to small, medium and large farmers.
- **Universities:** Develops products and services for the support and growth of institutions of higher education.



Ivan Sayeg/Carlos Kipnis

Satisfaction serving the customer well



QUALITY AND INNOVATION

Developing solutions to meet customers' needs involves an intensive process of integration between all the areas of the Bank. From counters and personal services, passing through the legal, sales, marketing, communications, people management and technology areas, as well as others, the needs are identified and new services and products are proposed. For each project, on average 20 areas are involved, all responsible for delivering another practical and efficient product or service at the end of the process.

Through programmes such as Pro Mais which, throughout the year, identified 150 process improvements and simplifications to make Santander even more agile, or the F1, focused on attending civil servants, the institution has reasserted its pledge to give the customer good service. During the year, the A+ Programme was extended to 100% of the points-of-sale, in order to ensure the quality of service, while respecting values such as speed, competence, courtesy, good relations and accessibility. The expansion of the Call Centre service and the launch of the Ombudsman are further examples of the importance given by the Bank to contact and dialogue with its customers. As a consequence, Santander's average customer satisfaction rating during 2007 was 83%.

In the beginning months, the Ombudsman attended on average 1,600 complaints. This monthly rise was attributed to two causes; an increase in the customer base which came to know of the Ombudsman and improvements in the ease of access to this channel.

CHANNEL USED FOR CONTACT – IN %

Internet	10%
Telephone	90%

COMPLAINT INDEX PER SEGMENT

Preferred	0,58
Exclusive	0,56
Classic	0,21

Complaints during the Month ÷ Customer Base x 1.000

REASONS FOR CONTACTING THE OMBUDSMAN – IN QUANTITY

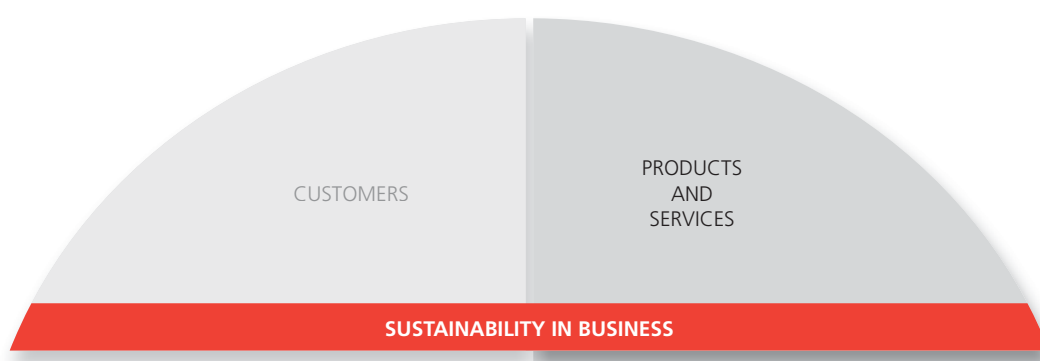
Do not agree with the solution	705
Solution not implemented	416
Solution not informed	337
Solution outside timeframe	111
Inappropriate attitude on part of the attendant	32
Not informed	199

Referring to previous complaint

Ivan Sayeg/Carlos Kipnis



Structure to guarantee the best service



SANTANDER DEVELOPS PRODUCTS AND SERVICES WHICH ARE EFFICIENT AND SUITED TO THE NEEDS OF EACH CUSTOMER'S PROFILE.

TO GIVE THE CUSTOMER GOOD SERVICE, THE BANK IS ABLE TO COUNT ON SYNERGY BETWEEN AREAS, CUTTING-EDGE TECHNOLOGY AND BROAD EXPERIENCE IN DEVELOPING SOLUTIONS FOR INDIVIDUALS, COMPANIES AND INSTITUTIONS.



PRODUCTS

Santander products are developed, bearing in mind good service, while respecting both culture and internal values. Among the highlights of the year are the Santander Free Card, the first credit card free of annual charges; the Cheque Essencial, which allows a payment plan of the balance owed at half the interest rate; and the SuperCasa, a 30-year house mortgage, the longest term offered by a private bank in the Country. According to IBGE (Brazilian Institute of Geography and Statistics), Brazil currently has a housing deficit of 7.9 million houses, the major part of which (36.7%) is concentrated in the Country's Southeast Region, Santander's main area of activity. These are just some examples of how the products work to offer solutions to the customers, while strengthening business and the domestic economy at the same time. Institutional customers with an annual turnover above R\$ 20 million comprise the "Companies" segment and can count on all the products offered by the Grupo Santander's structure, both in Retail Banking and also in Santander Global Banking & Markets (SGB&M) and Asset Management (investment funds).

Micro and small firms, on the other hand, can count on differentiated lines of credit and products such as Conta Corrente Garantida (Guaranteed Checking Account) and Cheque Empresa (Company Cheque). These guarantee greater liquidity for these stakeholders who, according to Sebrae (Service to Support Micro and Small Business), only have access to 10% of the total credit given by official and private banking, in spite of the fact that they answer for 20% of the GDP and 60% of the jobs in the Country.



Santander Free

Another group whose specific requirements are met by Santander's products is that of farmers. Since it is a cyclical activity, agriculture demands speed in credit approval for the rural producer, a factor which directly influences business continuity. The Bank is well aware of this reality and offers four families of product: CPR (advances on crop sales), onlending from BNDES, credit based on own resources or obligations and SuperAgro.

Support and funding given to Universities is another focal point of the activities of Santander, which serves learning institutions for their credit requirements, payroll management and receivables, as well as offering products and services to teaching staff and students, thereby fostering higher education in the Country and ensuring that these future professionals have the financial means to start their lives. One example is Fit Card for university students whether or not they are

customers of the Bank. The product is easy to use and allows students to control their purchases and assume both responsibility and independence in their financial lives by becoming conscious consumers.

In Brazil, Santander Universities has 260 partnerships, covering a universe of more than 1 million 550 thousand students and teachers.

Other products which also do the job of supporting the Country's social development are the Big Din Din da Amizade, a capitalization security, sold from January to March, which resulted in the donation of 5,496 blankets to social welfare institutes; and the Din Din dos Sonhos da Alegria, which came to approximately R\$ 120 thousand donated to the NGO "Doutores da Alegria" (Doctors of Joy)".

(Learn more about Santander Products in the Annual Report at the site www.santander.com.br)

Ivan Sayeg/Carlos Kipnis



Quality customer service

SERVICES

Santander continuously endeavours to improve its services. Working groups, such as the Forum of General Managers (Forum GM's), set up in 2006 to debate topics which directly involve the business and results from points-of-sale, and the Pro-Mais Programme, which identifies ways to improve and streamline processes, among other initiatives, have resulted in innovations which differentiate and add value to the solutions offered to the market.

One innovation in 2007 was the "Clique Único" (Single Click) which accelerates transactions involving credit, pension plans, capitalization and investment funds with the simple use of a checking account password, doing away with paperwork, signatures and direct contact at the points-

of-sale. In merely 15 days of operation, 71% of the bills paid at the ATMs had been registered in the "Clique Único". With this initiative, the Bank did not have to print 2.6 million sheets of paper, thus contributing to the responsible use of natural resources.

A further innovation was the "Pagamento Inteligente" (Intelligent Payment) which was introduced in ATMs and allows customers to pay up to eight bills in one single operation.

To manage payrolls, the Bank has formed a team to guarantee quality service to new account-holders. The work entails the planning required to install points-of-sale and ATMs, training promoters, activating accounts and preparing communications materials. The average time needed to take on a payroll is 60 days, but the Bank's goal is to reduce that to 50 days.



Banco Santander photographic archive

Formula 1 Sponsorship



Customers with disabilities can count on facilities and equipment adapted to their needs as well as personalized service.

VARIETY OF PRODUCTS AND SERVICES

With over 8 million customers, Santander successfully faces the challenge of identifying and developing services that meet the needs of professionals in different segments and with different profiles, like public workers, physicians, army officials, students and teachers, among others.

This policy is applicable to all phases of relationship between the Bank and customers. The creation of the Ombudsman, in 2007, and the Call Centre, with 600 thousand calls answered a month, help to identify customers' needs and to measure their degree of satisfaction.

The physical aspect of the network also stands out in excellence. Two innovations in 2007 are designed for the disabled. In March, the Call Centre started to offer services to the hearing impaired by means of TDD (telecommunications device for the deaf), specially designed to allow communication with the help of a keyboard, similar to that in typewriters. With it, the customer with hearing impairment can access statements of checking and savings accounts 24 hours a day with customized services. Other action reflecting commitment and respect for diversity was the adaptation of points-

of-sales for the disabled, which, according to IBGE (Brazilian Institute of Geography and Statistics), total 24.6 million people in the Country. Geared to these people, the Projeto Acessibilidade provides for appropriate access (comfort, independence and safety when in the environments and using equipment) and functionality (integrated touch, sound and visual signals). In the first phase, 143 points-of-sales were adapted and in the second phase, expected to be finished by March 2008, other 163 will be concluded. In the third phase, forecast for the end of 2008, 100% of the network will have been adapted.

RESPONSIBLE CREDIT

Another highlight of the year was the launch of a brochure on the responsible use of credit, aimed at helping Payroll account holders to organize personal and family bills. Published as a guide, it offers practical tips to those seeking a more balanced financial life, aware of the fact that the available credit means solution to problems and it should be used responsibly. Since it was launched, 22,500 brochures have been handed out.

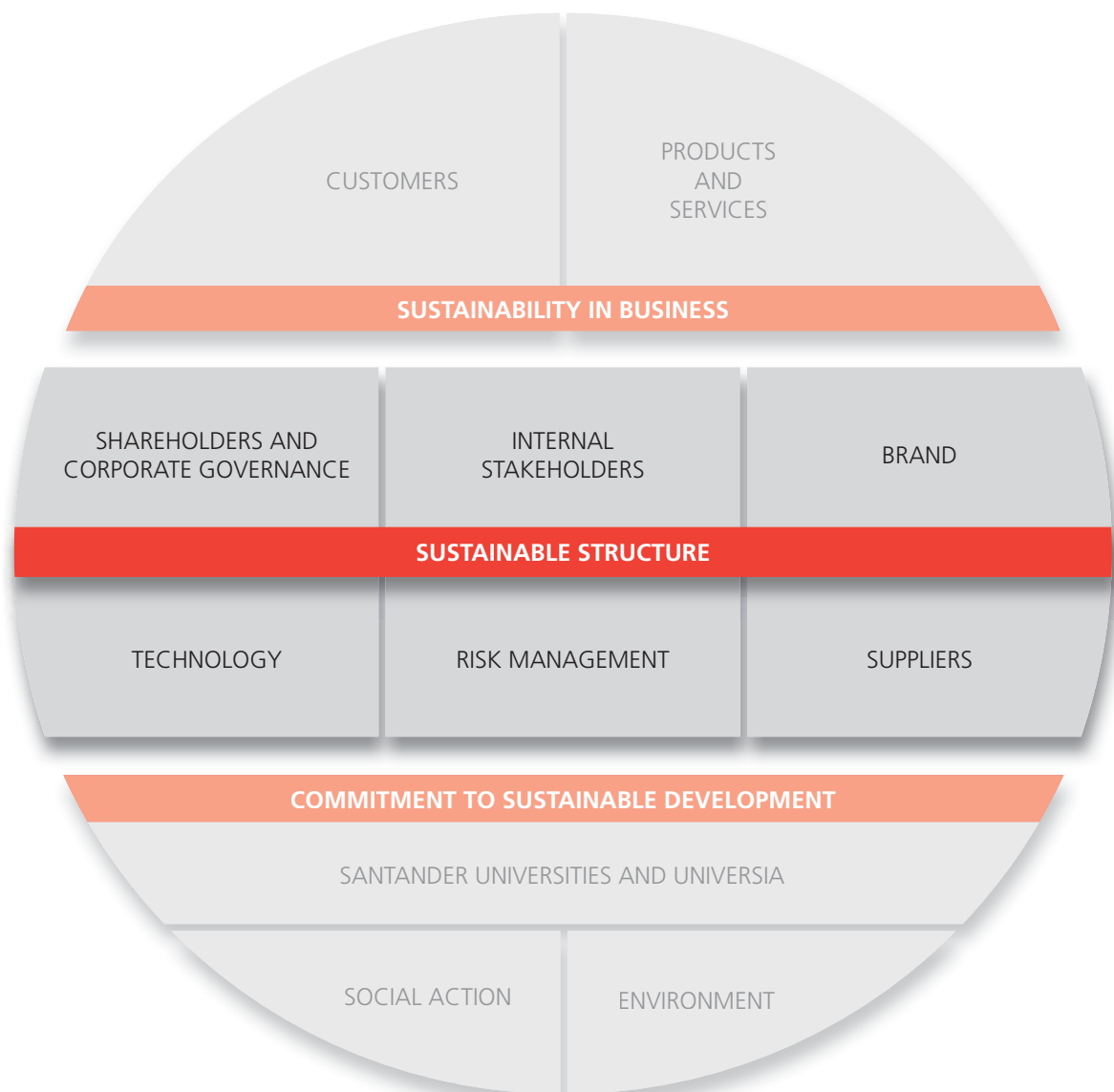
(Learn more about Santander Services in the Annual Report or at the site www.santander.com.br)



*Highlight of Living Memory at
CASA1 – São Paulo/SP*



SUSTAINABILITY MAP





SHAREHOLDERS' RIGHTS ARE GUARANTEED BY MEANS OF A TRANSPARENT MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES THAT MEET BRAZILIAN AND INTERNATIONAL STANDARDS.

IN 2007, GRUPO SANTANDER WAS GRANTED THE SARBANES-OXLEY CERTIFICATION WHICH ATTESTS TO COMPLIANCE WITH REGULATIONS FOR THE STOCK MARKET ESTABLISHED IN THE USA LAWS.



Santander

Faria Lima Branch

SHAREHOLDERS AND CORPORATE GOVERNANCE

Santander's controller and main shareholder is Santander Central Hispano S.A., in Spain. Shareholders' rights are guaranteed by means of a transparent management and corporate governance practices that meet Brazilian and international compliance and efficiency standards. In 2007, it was granted the Sarbanes-Oxley certification, which attests to compliance with regulations for the stock market, established in the USA laws.

CODE OF ETHICS AND CODES OF CONDUCT IN THE STOCK MARKET

The Compliance area is responsible for establishing rules, procedures and controls related to conduct and transparency when doing businesses. In 2007, jointly with the Human Resources area, Compliance took on the management of the Codes of Ethics, applied to all employees of the Bank.

On-site training programmes on the Codes of Ethics and of Conduct in the Stock Market were attended by 2,659 employees. In addition, the adoption of the Declaration on Conflict of Interests in the Commercial Network was consolidated. About 8.2 thousand employees working at the points-of-sales, in regional or network branches, declare having (or not) economic, family or any kind of ties with Santander's customers. This initiative is intended to making employees' ties with customers transparent, thus preventing misconduct and conflicts.

PREVENTION OF MONEY LAUNDERING

Complementary to traditional training for new employees, the Prevention of Money Laundering area introduced a programme to reinforce and update information about the issue to 14 thousand employees working for over two years in central areas or Retail Banking. The programme will be introduced in the entire Bank in 2008. Other initiative taken in 2007 was requiring certain employees to prove how knowledgeable they were about Prevention of Money Laundering.

GOVERNANCE COMMITTEES

The Board of Directors and Executive Committee, composed of Executive Presidency and Executive Board, are the organs responsible for managing the Bank. Decisions are made based on information and orientations provided by the six committees: Auditing, Compliance, Analysis and Solutions (CAR), Operational Risks, Risks and Assets and Liabilities (ALCO). The Bank presents independent auditing in its financial statements.

TRANSPARENCY WITH THE NEWS MEDIA

Transparency in conducting businesses is also reinforced by an open and proactive relationship with communications means. In the year, Santander issued 613 press releases and met 3.1 thousand requests from professionals in the news media. Events, individual interviews and press conferences attended by 146 journalists were held. The institution also kept supporting education in the print media like the sponsorship of an intensive course on applied journalism, promoted by O Estado de S.Paulo news agency and the development of journalists, like the Prêmio Ethos de Jornalismo, a prize which recognizes the best articles written on social responsibility and sustainability.

According to IQEM (quality measurement in media exposure), which monitors image performance in the news media, it reached an average of 8.5 in the Brazilian media (from zero to ten), the highest reached by a financial institution in the Country in 2007.

(More information about Shareholders and Corporate Governance is available in the Annual Report and at the site www.santander.com.br)



IN THE PAST THREE YEARS, SANTANDER HIRED OVER 12 THOUSAND PROFESSIONALS.

IN 2007, THE HIGHLIGHTS IN PERSONNEL MANAGEMENT INCLUDED THE ACTIONS CELEBRATING THE BANK'S 150TH ANNIVERSARY, THE ESTABLISHMENT AND STRENGTHENING OF SANTANDER'S CULTURE BASED ON CORPORATE VALUES, THE INTEGRATION OF HR INSTRUMENT SYSTEMS WITH LATIN AMERICA AND MANAGERS' AWARENESS OF AND QUALIFICATION FOR THEIR EDUCATIONAL ROLE.



INTERNAL STAKEHOLDER

The well-succeeded 150-year trajectory, celebrated by Santander in 2007, is oriented by the development of products and services and relationships with customers. This policy, which led the institution to a series of achievements, is put into practice thanks to employees' efforts and commitment.

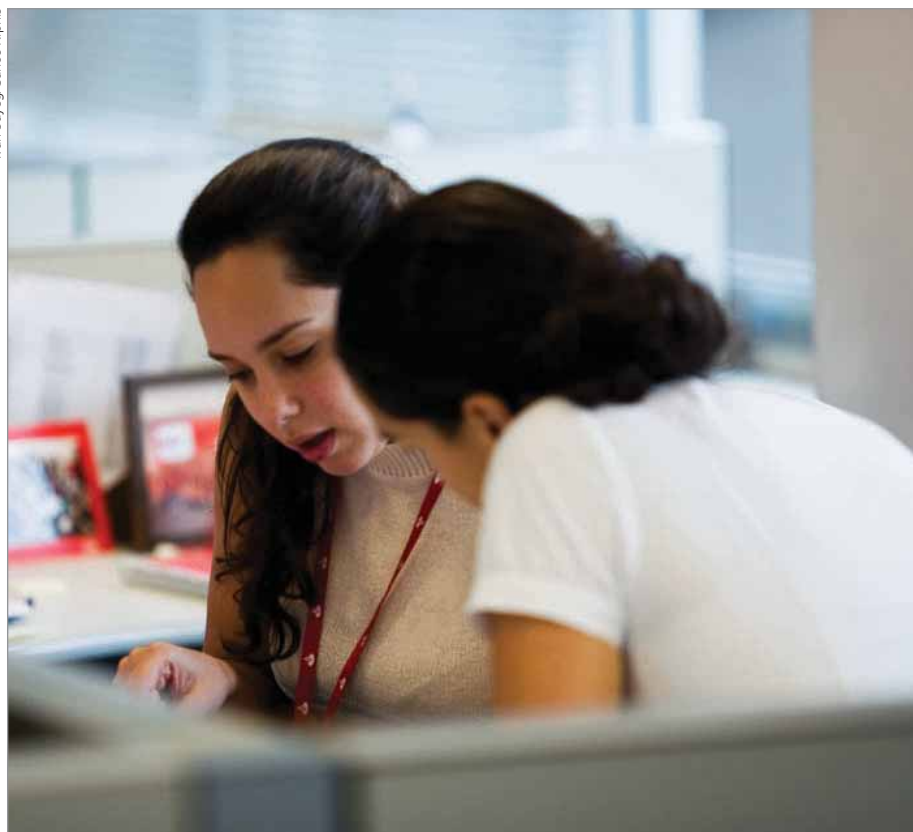
This commitment is reinforced by actions toward maintaining, developing and recognizing the personnel, setting up an integrated system called Santander é Você.

As a part of the global strategy for the 150th anniversary celebration, the programme Santander é Você reached all employees and candidates in the Bank's selection processes. The programme intended to reinforce the pride in belonging to an international and successful group and to strengthen Santander's culture based on corporate values. Among the actions developed in Brazil, those standing out are the direct communication to team managers, the advertising campaign, posters at workplace and dissemination through in-house channels like intranet, Ideas magazine and Universia network.

In 2007, the main vectors in this aspect were establishing and strengthening Santander's culture based on corporate values; integrating HR instrument systems with Latin America and getting managers aware of and qualified for their educational role, in addition to promoting actions for improving the workplace environment.

In the year, the Bank hired 3,074 employees and ended the year with 22,965 directly employed personnel. Turnover remained around 15%, including here those who requested their deserved retirement.

Ivan Sayeg/Carlos Kipnis



Dedication and commitment to employees

WE ARE SANTANDER

Diversity is one of the most valuable assets in the Country. For Santander, this value must be part of the organizational culture as a tool for social inclusion and promotion of opportunities equally shared by employees, independently of race, religion or other differences which compose the mosaic of this society.

This commitment is one of the values perceived by the Bank's employees. The 2007 survey on the climate revealed that 80% of the employees believe that there is no kind of discrimination concerning employees' sexual orientation.

The survey also showed that 81% of the employees reported no sign of discrimination between male and female employees. As for race and disability, the rate was 80%.

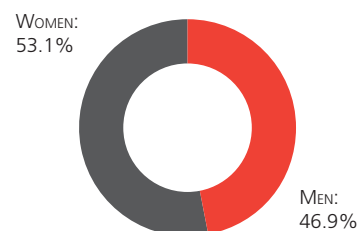
Data about functional staff profile also reinforce equality of opportunities. In 2007, 52.9% of employees were women, against 51% in 2006. The recognition of women's value was targeted by the Bank's actions and at the end of the year 47% of the executive positions were taken by women, two percentage points above the previous year.

Other initiatives promoting diversity were Programa aGente, which intends to introduce in the organizational culture the idea of an environment which respects differences, promotes inclusion and integrates people. In addition to a broad communication campaign with the creation of a space in the Intranet, and the "Troque uma idéia com aGente", for people to post questions, suggestions and testimonials, the Bank handed out 27 thousand brochures in which it presents the importance of and the Bank's positioning regarding the diversity issue.

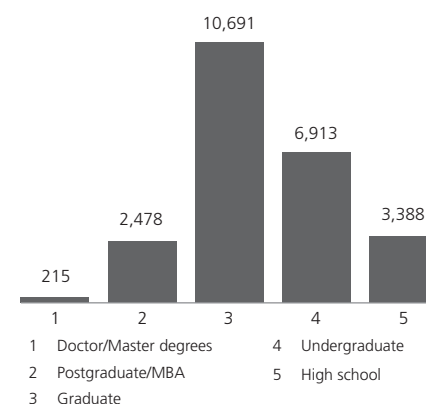
Other front integrating the commitments taken on in the previous years was the partnership signed with UniPalmares – Universidade da Cidadania Zumbi dos Palmares, geared to including African descendants in higher education and the NGO Afrobrás for internship programmes. In it, students receive a complement to their academic education and can take the opportunity to invest in a career in the financial market. The programme is composed of a training grid with on-site and distance training, with theoretical content modules totaling 130 hours. Santander also takes part in the sub-commission of Febraban – (Brazilian Federation of Banks - Diversity Valorisation) and supported the promotion of the third seminar on corporate race diversity (III Seminário Diversidade Racial Corporativa/ Programa de Valorização) and the Trophy Raça Negra 2007.

EMPLOYEES' PROFILE

SEX



SCHOOLING

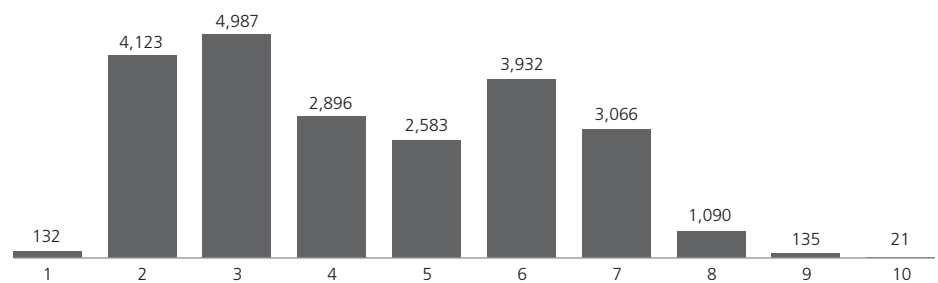




- 1 from 16 to 20 years
- 2 from 21 to 25 years
- 3 from 26 to 30 years
- 4 from 31 to 35 years
- 5 from 36 to 40 years
- 6 from 41 to 45 years
- 7 from 46 to 50 years
- 8 from 51 to 55 years
- 9 from 56 to 60 years
- 10 over 60 years

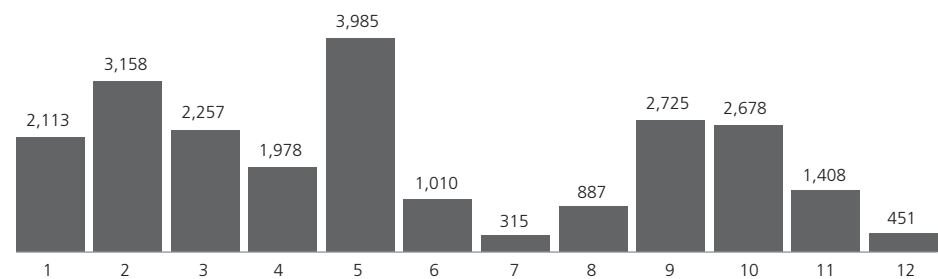
AGE GROUPS

Total: 22,965



- 1 up to 1 year
- 2 from 01 to 02 years
- 3 from 02 to 03 years
- 4 from 03 to 04 years
- 5 from 04 to 06 years
- 6 from 06 to 08 years
- 7 from 08 to 10 years
- 8 from 10 to 15 years
- 9 from 15 to 20 years
- 10 from 20 to 25 years
- 11 from 25 to 30 years
- 12 over 30 years

TIME IN THE COMPANY



Ivan Sayeg/Carlos Kipnis



Synergy for making decision

THE TRAINING PROGRAMMES JOINED 2,254 PROFESSIONALS IN THE YEAR, AMONG THEM , 1,540 WERE EMPLOYED BY THE BANK.

PROFESSIONAL DEVELOPMENT

In Brazil, the unemployment rate of young people and recently graduated students is about 18%, virtually twice as much the Brazilian average, 9.4%, according to IBGE (Brazilian Institute of Geography and Statistics). Therefore, initiatives to promote inclusion in the job market are positively and sustainably reflected in society.

Among the main programmes developed by Santander is Aprendiz@Sucesso, designed for high school students aged 15 years. In the year, 111 young people were allocated in the central areas and six were hired through agreement with the International Labour Organization (ILO) – Brazil, in partnership with Santander Latin America.

Also, through the programme Jovem Aprendiz, carried out by the Federal Government, 232 young people from 18 to 21 years of age were hired. The Internship Programme, in turn, engaged 2,254 professionals and hired 1,540 at the end of the period.

For recently graduated people in the beginning of their career, the Bank also develops specific programmes like Novos Talentos (internship), which ended the year with 23 professionals hired, and the Futuro Diretivos, designed for employees able to take international executive positions in Latin America, which has hosted nine foreigners in Brazil and referred eight Brazilian professionals to countries where

Ivan Sayeg/Carlos Kipnis



Work environment

the Group operates. The programme Step (Santander Executive Training Programme) is global and oriented to managing employees' mobility in Latin America and Europe. In the year, 19 Brazilian employees were chosen for initial tests. Out of these, nine employees went to Madrid (Spain) to participate in group dynamics and three of them were approved in the programme.

Santander also develops two MBA programmes: the international MBA, which, in the year, prepared employees for application tests in some of the most important higher education institutions in Europe and the United States; and the MBA Summer, which targets Brazilian professionals attending MBA in reference universities abroad interested in developing projects in the Bank during their vacation. Fifteen projects with the selection process scheduled for 2008 first semester have been approved.

The Bank counts on programmes for international mobility like Futuro Diretivos and Step.



CONTINUING EDUCATION

The programmes for professional development and enhancement promoted by Santander aim to identify and retain best talents and to offer career opportunities. Investments are allocated according to the Bank's strategic needs and to each business's particularities. The courses are organized in categories defined according to employees' positions and also in line with important corporate issues. They are carried out on-site or on-line (e-learning).

This way, the Bank guarantees the teams have the education necessary to face challenges and recognizes employees' capacity and growth. In 2007, three units of Espaço Formação in São Paulo City were inaugurated. Other five units – Porto Alegre (RS), Rio de Janeiro (RJ), Campinas (SP), Presidente Prudente (SP) and Araçatuba (SP) – are expected to be inaugurated in the first quarter of 2008.

In 2007, investments in training totalled R\$ 22 million. On-site training programmes were attended by 42,792 people and totalled 659,236 hours, whereas distance learning engaged 115,359 people and totalled 743,732 hours. Specific Management and Leadership courses, targeting the Bank managers, served 33% of these people in 25,096 class hours. The remaining 67% of the managers will be qualified in these modules in 2008.

Other initiative that stands out is the Projeto ¡Hablar!, in partnership with Instituto Miguel de Cervantes and Brazilia University and supported by Univesia,

which offered basic, intermediate and advanced Spanish Courses to 400 executives.

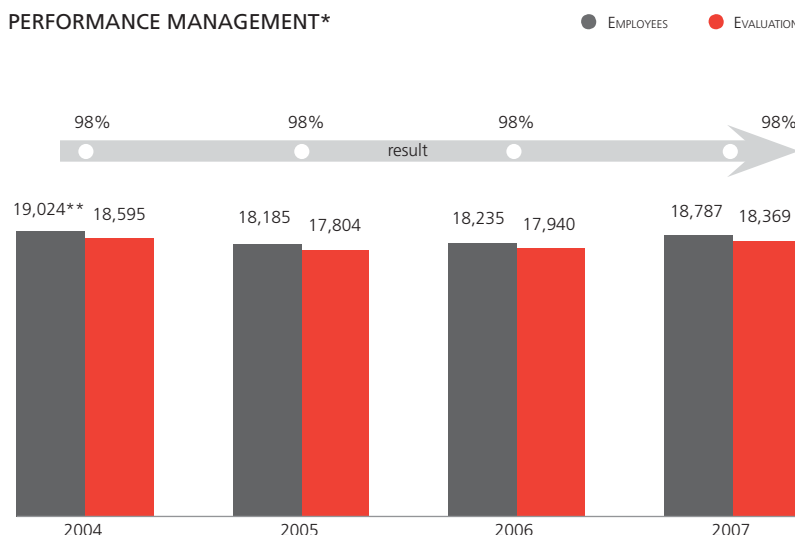
COMPETENCIES EVALUATION

For Santander, getting to know the performance of and the results obtained by about 22 thousand employees means looking at today with a future-oriented view. Therefore, the Bank guarantees all necessary tools are applied to achieve education, leadership and the established targets. Out of all employees, 18 thousand

are evaluated every six months. Interns have a specific evaluation programme, MAPE, carried out twice in 2007. In the first edition, 2,577 interns were formally mapped by their managers, receiving orientation and follow-up and in the second, other 2,203 went through the same process.

Recognizing performance is also part of the Bank's people management policy. Throughout the year, the Bank performed over 6,000 salary actions, which included merit and promotions.

PERFORMANCE MANAGEMENT*



* In 2007, differently from previous years, the evaluation of objectives and targets was not performed in the first semester. These items were evaluated only at yearend.

** Total number of evaluated employees.

*Ad in Ideas magazine,
with employees*



CLIMATE SURVEY

In any relationship, it is necessary to listen to and understand the parties involved so as to guarantee synergy. This is the aim of the Climate Survey, carried out by Santander: identify needs and possibilities of improvements in the organization atmosphere and structure available to employees. In the 2007 edition, the initiative put up something new: each survey responded guaranteed an item in the composition of food baskets that totalled 18.5 tons of non-perishable foodstuffs, donated to social institution. The survey was answered by 16,667 employees, representing 74% of the employees, against the 41% in the 2005 survey.

Among the main results are the indicators of pride in belonging, revealed by 83% of the employees who consider the job itself very important ("it is not one more job") and 74% who stated to be pleased to tell friends they work for Santander. Another highlight in the survey was the employees' knowledge of the good opportunities Santander offers, in Brazil and abroad, to their professional development. It was also evident the recognition for encouraging team diversity and the improvement in the "trust team have in their managers".

As a response to the result of the Climate Survey, Santander prepared an action plan built up in five fundamental fronts: 1) People management, 2) Meritocracy, 3) Qualification, 4) Integration between areas, and 5) Institutional communication.

In line with that, for 2008, one of the main measures related to these guidelines will be the creation of "Carreira Santander",

a policy to reallocate employees, increasing their chances of new career opportunities in the Bank. This project will allow better professional development for those who stand out the most.

The aim is to become one of the best companies to work for in the Brazilian market.

BENEFITS AND LIFE QUALITY

Other initiatives were part of Santander é Você in 2007. The project Embaixadores Santander, which promotes cultural exchange and knowledge sharing between employees in countries where the Bank has businesses, had four Brazilian professionals included in it. In addition to these intense cultural programme and communication activities, Grupo Santander celebrated its 150th anniversary, with the distribution of 100 Bank shares to each employee, in all countries, making them legitimate part of the business, in recognition for the role they play in this history of success.

Promoting life quality is also focus of attention. One of the objectives set for 2007 is reducing the number of overtime working hours, which had already reached 40%, was successfully reduced to 10%, an acceptable average to guarantee balance between the employees' professional and family lives. Furthermore, the Programa de Qualidade de Vida, launched in 2005, was carried on: developed on four pillars – health, social life, work relations and family life – it develops actions like vaccination campaigns against influenza, an annual contest of drawings made by employees' kids, lectures on behaviour at

work, campaigns for healthy eating habits, courses for pregnant women – designed for female employees and employees' wives – and promotion of physical activities among others.

The Programa de Apoio Pessoal (PAP), launched in October 2006, is available 24 hours a day and 365 days a year, to provide personalized services to employees and their families in tense or stressful moments, affecting their personal or professional lives. Among the services offered are financial guidance and psychological support. In the year, the number of these services amounted to 27,239.

As for health and safety at work, 37,427 occupational exams and 930 environmental evaluations were performed. Sipat – a one-week programme devoted to Prevention of Accidents at Work – had the theme "Na vida, quem faz o tempo é você" (In life, you make your own time) and was attended by 33,408 people.



ONGOING DIALOGUE

As a way to encourage “two-way” and transparent dialog between the Bank and employees, several relations channels are available. The magazine *Ideas*, published bimonthly in 25 thousand copies, presents issues relevant to the Bank day-by-day, like information about main actions promoted by the plans as well as programmes integrating its strategic planning, as an instrument to engage employees in the organization’s objectives. A survey on the six issues in the year showed how Santander’s values were considered in the items presented: Leadership came in 17.82% of the articles; Dynamism in 32.18%; Innovation in 50%; Strength in 19.54%; Professional ethics in 15.52% and Customer orientation in 28.74%.

Other initiatives also sought to reinforce to workers the Group’s policies, opportunities and values. The Social Responsibility area, for example, was invited to participate in two offsites (outside or out-of-company events), which gathered 500 employees and a number of in-house meetings, fulfilling the interest of workers from different areas to learn about and to disseminate the programmes supported by Santander and the Bank’s attitude in relation to

the commitment to social responsibility. Furthermore, a wide-reaching communication campaign was held in-house to launch products exclusively benefiting employees, in an integrated manner, like SuperCasa – a 30-year house mortgage, the longest term offered by a private bank in the Country, and payable in special conditions. The result was highly positive: from February to December, 711 proposals were submitted and 495 contracts were signed.

The Bank also has the news channel *Ideas* on-line and the Intranet, in addition to other publications.

Among the main actions developed on the Intranet, in 2007, is the creation of Intranet Local, the first in the entire Grupo Santander to adopt the new Corporate Model. The Portal Santander

150 years was also introduced in Brazil first. As a result from these and other initiatives, representing agility and transparency in the Bank’s communication with employees, the Intranet was visited by over 4 million people a month, with an average of seven clicks a day by each employee. It also published 18 work tools and created the New Manual for Electronic Products, making employees’ work easier at the points-of-sales.

For 2008, among other actions, are the creation of the Public Corporate Intranet, the segmentation of the Intranet into Commercial Area and Administration Area, the creation of spaces *Quem é Quem On Line* (Who is Who online) Service Centres, in addition to a space especially dedicated to the Call Centre.

Ivan Sayeg/Carlos Kipnis



Promoting life quality



CELEBRATING 150 YEARS IN 2007, GRUPO SANTANDER SOLIDIFIES ITS HISTORY AND RELEVANCE IN THE FINANCIAL MARKET.

GRUPO SANTANDER CONCLUDED ITS PROJECT OF ONE SINGLE BRAND WHICH PUTS TOGETHER VALUES LIKE INNOVATION, CREDIBILITY, SECURITY, TECHNOLOGY, SPEED, FLEXIBILITY AND TEAM WORK.



BRAND

In 2007, Santander took an important step toward its consolidation as one of the largest financial institutions in the world. The Group finalized a project for a single brand name that seeks to unify values like innovation, credibility, security, technology, speed, flexibility and team work.

Up to 2006, Santander was composed of local brands in countries where it operated, but they did not have an identity common to all of them. With a single brand, the Group moves toward a unique communication code and integrated image. The aim is to achieve, up to 2010, an international positioning and recognition and to become one of the top ten in image and brand.

Today, Santander brand is among the 50 most valuable brands according to survey published in the Financial Times. It is the only company in Spain to reach this position.

In the first year of full operations under one single brand, the Bank endeavored to benefit all its stakeholders in Brazil, with the celebration of the Group's 150th anniversary. For internal stakeholders, the campaigns involved the values and pride in being part of a multinational company with over 131 thousand workers and 65 million clients and present in over 40 countries.

Initiatives that stand out among many are the distribution of 100 Bank shares to employees, the inauguration of a permanent Intranet space, the creation of Santander

Live Memory, "O Santander é você" campaign, events in Santander Cultural, Christmas lights and launching of the commemorative corporate identity. In addition, a special edition of the programme Parceiros em Ação stands out for the celebration of the 150th anniversary, which was requested by the institutions through the Bank's employees.

For the coming years, the Bank intends to strengthen the sports sponsorship efforts; it will sign, from 2008 to 2012, the major interclub soccer championships in Latin America, which will then be called Copa Santander Libertadores. In addition, the Bank will keep on supporting the Volleyball Project and McLaren Formula 1 Team, giving the brand more visibility to 2 million people.



AGILITY, PRACTICALITY AND SECURITY MAKE SANTANDER'S TECHNOLOGY PLATFORM THE MOST ADVANCED AND COMPLETE IN THE COUNTRY.

THE YEAR WAS MARKED BY THE ADOPTION OF PROCESSES AND SYSTEMS RELATED TO CUSTOMER SERVICE AND THE DEVELOPMENT OF PRODUCTS AND SERVICES, AMONG THEM THE INTELLIGENT PAYMENT AND SINGLE CLICK WHICH HAVE INCREASED AGILITY AND EFFICIENCY IN THE BANK'S BUSINESSES AND BROUGHT INDIRECT BENEFITS LIKE THE 2.6 MILLION SHEETS OF PAPER THAT WERE SPARED.



TECHNOLOGY

Counting on the technological platform introduced in the previous year, the year 2007 was marked by the adoption of processes and systems related to customer service and by the development of products and services for the Network.

The Intelligent Payment, which allows clients to pay up to eight bills in one single operation in the ATMs and the integration of services in the Fit Card, especially designed to college students, are some examples of synergy between the Bank areas, which have technology as the supporting structure. The Clique Único (Single Click), which simplifies different operations with electronic tools, improved services to clients who do not need to go to points-of-sales and also promoted a significant saving of 2.6 million sheets of paper.

Another example of innovation in the area was the development of a security

card unprecedented in the Country. Launched as a pilot-project to clients who make bank transactions on the Internet Banking or ATM machines, the security card has a display with additional passwords. At each transaction the client is requested, in addition to entering the traditional password, to push a button on the security card and enter the password in the display. This new security device integrates a set of new technologies which are under trial to be introduced in the future to offer more security and easy access to channels.

Agility, practicality and security are some of the attributes Santander guarantees to clients thanks to the functionality of a modern and efficient technological platform, considered as the most advanced and complete in the Country according to report by Standards & Poor's (April, 2007).

For 2008, more investments will be made in technology for distribution channels, telemarketing centres, ATMs and Internet.

(More information about Santander technology is available in the Annual Report at the site www.santander.com.br)



Ivan Sayeg/Carlos Kipnis

Structure with cutting-edge technology

CHANNELS

Offering efficient and safe channels to clients is an effort that engages all areas in the Bank. In addition to points-of-sales, ATMs and service centres spread countywide, Santander offers unique alternatives to better serve over 8 million clients.

The Solution Centre, which houses 400 professionals and receives about

150 thousand messages monthly, is an important contact channel to evaluate clients' requests and the degree of their satisfaction. The Ombudsman, created in 2007, is composed of 25 professionals who address requests in a special, efficient and impartial manner. Claims are always answered by the same professional, from the first call to the solution presented, resulting in security and confidence to customers and credibility to the Bank.

The Ombudsman plays the role of a mediator between customers and Santander. About 20% of the claims are solved on the first call and 11% on the same day.

The average time taken to solve the other 69% of the cases is two workdays. A survey carried out at yearend revealed that 83% of the clients who used the new communication channel were pleased with the service and solutions presented.



Center 3 Branch – São Paulo/SP



Ivan Sayeg/Carlos Kipnis



Treasury Team

Santander also offers services and information via Internet Banking (www.santander.com.br) and mobile phone. The different segments of customers count on exclusive areas, as those available to college students on Portal Universia, with products and services related to the academic environment, or on the website

of Santander Universities, with bank products and services designed for these stakeholders.

Transparency and ethics sustain the Bank's relationship with the press and communications media and discloses information about its activities and results in the Annual and Sustainability Reports.

SERVICE STRUCTURE (2007)

Nr. of branches and service units	2,104
Nr. of own ATMs	7,639
Nr. of equipment interconnected with 24Hour Banking	30,067
Nr. of 24-hour booths	4,221
Nr. of interconnected service units, terminals and ATMs, in partnership with Rede Verde Amarela	32,342



RISK MANAGEMENT IN SANTANDER IN BRAZIL IS ALIGNED WITH THE POLICY DEVELOPED GLOBALLY BY THE GROUP, BEARING IN MIND CHARACTERISTICS AND CRITERIA OF THE BRAZILIAN FINANCIAL MARKET.

WITH INITIATIVES LIKE THE 3RD WEEK OF OPERATIONAL RISK PREVENTION AND CONTROL AND THE OPERATIONAL COMMITTEE FOR OPERATIONAL RISKS, SANTANDER GUARANTEES THE DEVELOPMENT OF PRODUCTS AND SERVICES WITH LESS BUREAUCRACY AND RISKS AND MORE SECURITY, RELIABILITY AND AGILITY.



Ivan Sayeg/Carlos Kipnis



Social Centre CASA1 – São Paulo/SP

RISK MANAGEMENT

The operations in Santander are developed under the most rigid security standards. In line with the Group's policies, risks are constantly followed up in order to assure the institution's strength and to prevent losses to shareholders and customers.

Market and Credit Risk management counts on an especially dedicated Vice Presidency, a Risk Executive Committee and other credit committees, designed according to region and business segment.

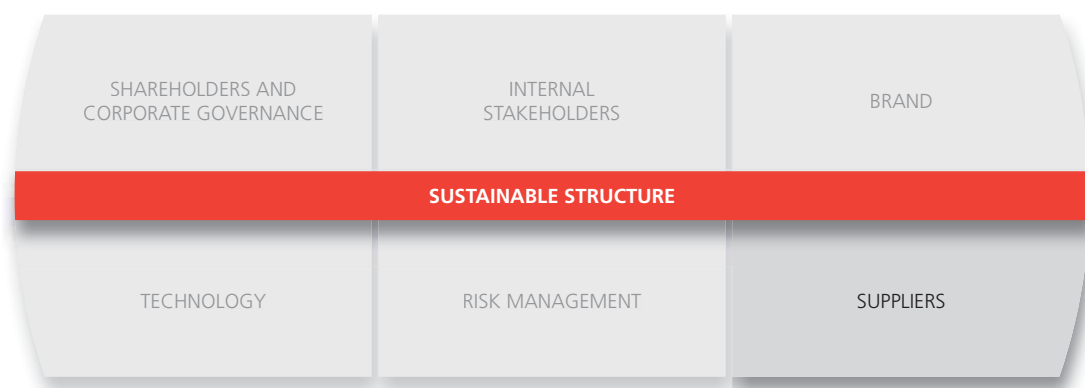
They meet with other areas in the Bank regularly, in so-called mixed committees, to evaluate commercial proposals and customers' rating, determine operation risks and make decisions based on profitability/risk relationship.

In order to manage and control Operational Risks the committee for the area disseminates the culture and defines methodologies, regulations, policies and tools. It is also responsible for promoting the teams' qualification for correct identification, capturing, assessment, monitoring, control and mitigation of risks for designing and operating an efficient system for internal controls.

To support the Executive Committee for Operational Risks, the Bank created the Operational Committee for Operational Risks in 2007, whose aim is to assure compliance with approved guidelines and policies in addition to assessing measures for operational risks management.

Aiming to disseminate the concepts of Operational Risks and Internal Controls to employees, in 2007 Santander held the 3rd meeting for Operational Risks Prevention and Control. A number of lectures related to Information Security and Operational Risks, Internal Controls and Special Occurrences were delivered. In all, 1,061 employees participated in the activities and among them 81% considered the lectures content and information as important tools to help improve their work and processes in the Bank. The correct application of this information and procedures allows the Bank to offer products and services with less risk and bureaucracy and more security, reliability and agility. As an example, mortgage loans now count on a simplified and fast payment system.

(More information about Risk Management in Santander is available in the Annual Report)



OPTIMIZED PURCHASING PROCESSES, WITH WELL-TRAINED AND AGILE TEAMS.

THE PURCHASING AREA IN BRAZIL FORMALLY INCLUDES CRITERIA RELATED TO SOCIAL RESPONSIBILITY PRACTICES, AMONG THEM THE PROHIBITION OF ANY CHILD, FORCED OR SLAVE LABOUR.

SUPPLIERS

Over the past years, the Santander's Global Purchasing Area has strengthened its structure with well-trained and agile teams supported by an efficient technology platform. These unique attributes allowed the group to optimize purchasing processes, reducing costs and improving product and service quality. Ethical and transparent relationship between the bank and suppliers is governed by rules and procedures described in the Global Manual for Conduct in Purchasing Management. All employees in the department are informed and trained on the procedures defined by Santander. The area is focused on four priorities.

1. Global projects: applies Group's diversity and experience as unique attributes in local purchasing policies;
2. Online negotiations: about 47% of purchases are performed through electronic negotiations;
3. Impact of costs: assessment of local and global purchasing policies;
4. Team development: deals with the assessment of employees in the purchasing area and with qualification and training initiatives suitable for the teams.

IN BRAZIL

The Purchasing Area in Brazil is responsible for the negotiation of products and services acquired by the institution. With over 2 thousand points-of-sales spread in the Brazilian territory, the Bank

recognizes the importance of encouraging economic and social development in the regions where it operates. That is why, in 2007, a project was designed to strengthen the value chain, focused on micro and small firms. Among them are:

- Fostering qualification in technology, management and quality;
- Offering commercial advice (transfer of knowledge about taxation, import and export, investments and IT);
- Promoting joint-ventures and partnerships between companies.

A survey in the area showed that increasing and strengthening the number of micro and small firms in the institution's value chain poses a series of challenges. In operational terms, there are companies with difficulty in supplying the documentation required for registration or with little reference or history in the market. In labour aspects, they face challenges related to lack of safety and initiatives to prevent accidents or irregular workforce.

Besides, management challenges can also mean risks for Santander when delays or delivery problems take place.

In 2008, the Supplier Forum – a space for companies' representatives to actively share experiences – will be created aiming to strengthen the Bank's value chain. Especially oriented to micro and small companies, the Forum will also promote the identification of best practices and dissemination of social responsibility.

Ivan Sayeg/Carlos Kipnis



Ivan Sayeg/Carlos Kipnis



1 - Easy access to food products provided by SodeXho
2 - Reception service team

Santander follows, among the selection criteria for suppliers, the compliance with fiscal, labour and environmental regulations in effect.

Along the year, it formally incorporated criteria regarding social responsibility practices, among them the prohibition of child, forced or slave labour.

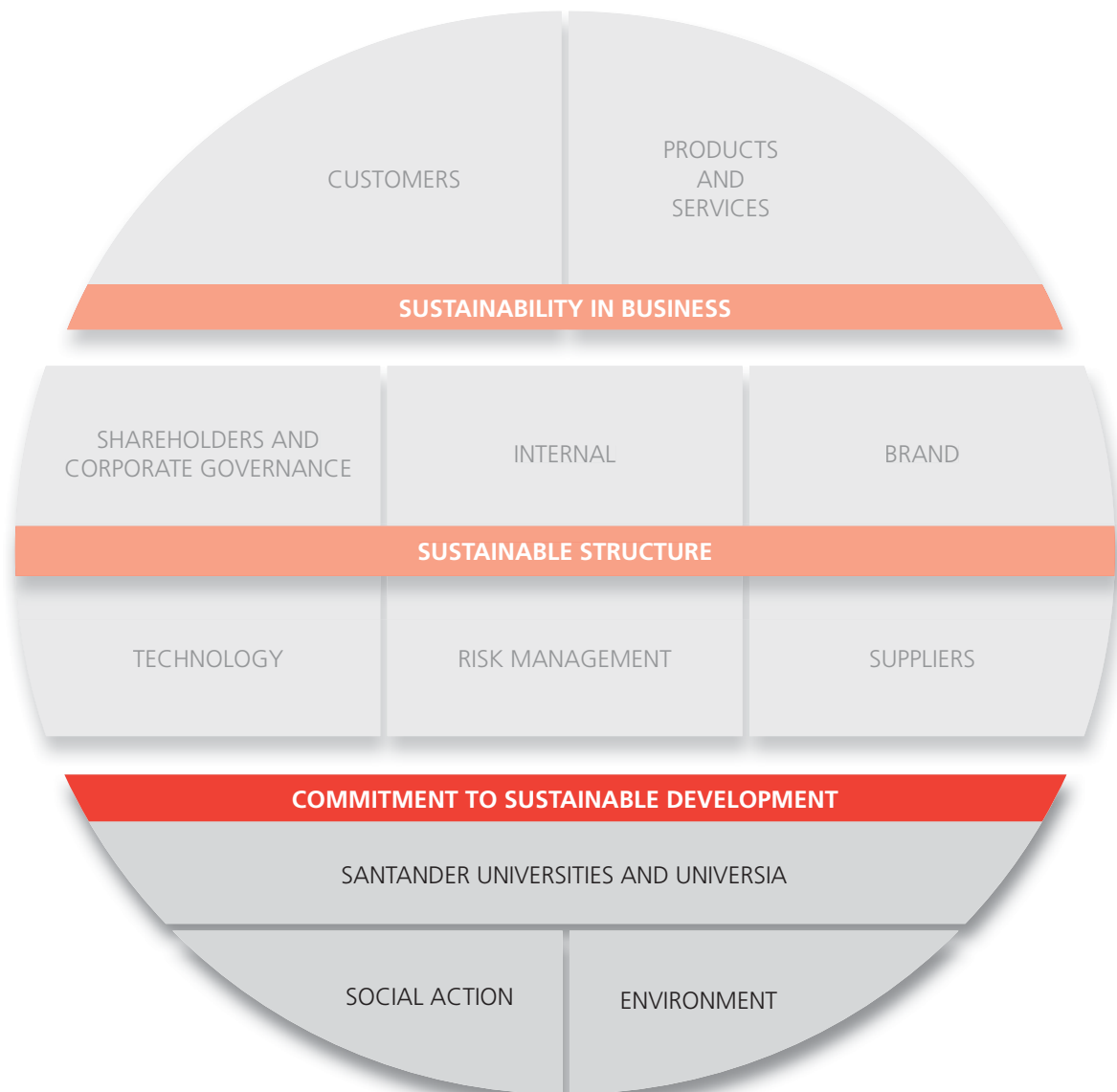


Della Rocca

*Students from Preparatory Course for
College Entrance Examination*



SUSTAINABILITY MAP





ONLY 20.1% OF OVER 24 MILLION BRAZILIAN YOUTH BETWEEN 18 AND 24 YEARS OF AGE ATTEND COLLEGE (2006 INEP'S SURVEY ON EDUCATION).

SANTANDER UNIVERSITIES, A LEADING GLOBAL PROGRAMME TO SUPPORT HIGHER EDUCATION IN THE WORLD, BENEFITED OVER 1 MILLION AND 550 THOUSAND STUDENTS AND TEACHERS IN BRAZIL.



Signing the agreement for Projeto ¡Vale!

SANTANDER UNIVERSITIES

Grupo Santander has a Programme to Support Higher Education, launched in 1996, its main social responsibility effort in countries where it operates. For the Bank, investing in higher education means promoting the sustainable future of these nations, contributing to guaranteeing

partnerships and projects that result in the intellectual and economic development of Ibero-American countries.

The Bank performance in the education segment is made through two work fronts: the Santander Universities Area and Universia Network.



Santander's major lines of actions are the development of products and services for students, teachers and office staff in addition to supporting the strengthening of the institutions.

In 2007, the process for changing the programme Santander Universities, started in the previous year, was concluded. After the reformulation, it was no longer a programme and became a global division of the Bank. Its main lines of action are the development of products and services for students, professors and office staff in universities and the strengthening of these institutions. This support is delivered through bilateral agreements to aid teaching and research, especially through scholarships and student exchange programmes as well as through partnerships with Universia Network to develop projects.

In Brazil, Santander Universities has become a vice-presidency, with an exclusive structure to promote and support efforts oriented to higher education.

In the year, 22 new agreements were signed, 147 full agreements and 260 partnerships with Brazilian universities, benefiting over 1 million and 550 thousand students and professors.

The Bank's investments in actions to support education in 2008 are forecast to increase by 30%. This increase reflects Santander's commitment to making education one of the main tools for social transformation.

REMODELLED MANAGEMENT

The programmes developed in the scope of Santander Universities result in impacts on all entities involved – the Bank, the universities and the community – and were organized in five strategic vectors to promote higher education in Brazil. They are: Products and Communication, Management of University Points-of-Sales, Contract Management, Relationship Management and Management and Controls.

This thematic division also oriented the reformulation of Santander Universities. The team increased from five to 79 people, and services were classified in two large areas. The first, focused on the students, has a team specialized in academic themes, such as sponsorships, study scholarships and incentives to research. The other group, focused on teachers and office staff, deals with the day-by-day of state, federal and private universities, and counts on special professionals to serve each area.

To support the decision made by the vice-presidency of Santander Universities, a Committee was created, composed of the vice-president of the area, the director-general of Universia and the world President's assessor and council member of Universia in Latin America. With this governance model, the Bank aims to align the global expectations with local businesses, promoting synergy among social responsibility fronts.



Students with scholarship – Santander Universities

SANTANDER UNIVERSITIES - ACTIONS

SCHOLARSHIPS

One of Santander Universities' main tools to address education is granting scholarships to promote study, research and professional development. In the year, the Bank granted 350 scholarships for scientific pre-initiation and initiation and 777 scholarships for graduation students. Other 23 graduations scholarships benefited students attending Law School in São Paulo State University (USP) through the project Jovem Jurista. Also, scholarships for university professors' education benefited 50 professionals.

The dissemination and internationalization of knowledge is another target for investments made by the Bank. To do so, it offers different modalities of scholarships: mobility and student exchange. One of the highlights of the year was 175 Brazil-Portugal study scholarships granted. In a period of six months, Brazilian students are sent to Portugal, and the Brazilian Universities chosen to participate in the project take care of Portuguese students in Brazil.

Santander also granted 134 international mobility scholarships for professors and students and 20 scholarships for OUI (Inter-American Organization for Higher Education).

For the 2008-2010, Santander Universities has taken the commitment to giving 5 thousand study scholarships to improve academic education of students and professors in different areas of knowledge.

SCHOLARSHIP FOR SPANISH COURSES

Through a partnership between Brazil and Instituto Cervantes, Banco Santander develops two initiatives which aim to offer study scholarships for Spanish courses to students and teachers.

With Projeto ¡Vale! 1,000 graduation and post graduation students and university employees were benefited. In turn, with the Projeto ¡Oye!, which includes a cooperation agreement with São Paulo State Education Secretariat, 2,000 study scholarships were granted to public school teachers in the State.

SANTANDER'S CYBER ROOM

These are spaces with computers and computer screens to make it easy for college students from partnering teaching institutions to access the Internet. In 2007, ten new Santander Cyber Rooms were created. The installation of other seven units is forecast for the first semester of 2008. Since 2005, the Bank has opened 23 Santander Cyber Rooms.

PROJECT FOR THE DEVELOPMENT OF UNIVERSITIES

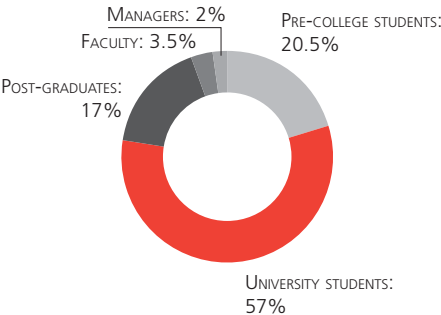
The Bank also develops initiatives aiming to strengthen some of the main universities in the Country. Among the efforts in 2007, those benefiting three state universities in São Paulo stand out. With Campinas University (Unicamp), Santander develops a programme to support the entrance examination and

the project for digital signature. With São Paulo State University (USP), it signed a contract for the application of three projects. The partnership encompassed granting 2,000 study scholarships a year for Spanish distance learning, via the Internet, with the Projeto Vale!, 150 scholarships for scientific initiation and 400 scholarships for scientific pre-initiation. In addition, there are other projects like MAC Virtual, for the digitalization of the MAC (Museum of Contemporary Art) collection, Cora Saúde, intended to improve the services in the University Hospital (HU) and to support the entrance examination (Fuvest) and to USP's Ocam (chamber orchestra). At UNESP (University of the State of São Paulo), the Bank supported the development of Centro de Genoma do Boi (bovine genome centre), the junior company programme of the University and the entrance examination agency, Vunesp.

SENAC

Santander Universities and Senac (National Service for Commercial Education) in São Paulo joined to promote a project of social responsibility, social inclusion and community development. The partnership proposed the development of four fronts: guidance to breastfeeding, youth qualification for the job market, environmental preservation and HR managers' education on how to include people with special needs. These efforts benefit youth in socially risky conditions, the disabled, pregnant women, high school students from public schools as well as social and community leaders. Over 2 thousand young people were prepared for the job market and 300 multipliers for non-governmental agencies (NGOs) were qualified.

PROFILE OF PORTAL USERS



UNIVERSIA

Universia is a cooperation network designed for universities which is composed of 1, 069 higher education institutions from 11 countries in Latin America and Iberian Peninsula (Spain, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Puerto Rico, Portugal, Venezuela and Uruguay), corresponding to 80% of the academic collective in the area.

In 2007, Universia underwent reformulation. Its activities were set up in four strategic lines: Education (information for learning and support for continuing education); Employment (practice, job and professional development); Observatory (observatory for the future of science and higher education) and Social Networks (communities for college idle and free time).

The major integrating element of the network is the Portal Universia. There, content and services are available for free for the academic community, in Portuguese and Spanish.

The information is oriented to pre-college students, graduate and post-

graduate students, faculty and managers. The portal offers search services for training and internship programmes, information about study scholarships, students exchange programmes, entrepreneurship, news related to higher education and the agenda of main events taking place in partnering universities.

According to study on satisfaction and quality carried out by Universia with about 16.5 thousand people about the portal, users recognize the following aspects: security, content updating, quantity, scope and quality of the information, especially that related to scholarships, job opportunity and professional qualification courses. The most visited channel is the Job link, followed by Scholarships and Grants.

In 2007, Universia Brazil was nominated one of the 45 finalists of the Marketing Best Prize, promoted by Editora Referência, by Business Administration School of Getulio Vargas Foundation (FGV-Eaes) and by MadiaMundoMarketing. By means of the prize, about 1,000 professionals specialized in the marketing area vote for companies that stand out most in planning and execution of strategy for products and services.

RESULT OF UNIVERSIA BRAZIL IN 2007

Partnering Universities	260
Users registered on the portal	1.9 million
Single visits a month	900 thousand
Viewed pages	62 million



Users of Universia Network Portal

Jones Bastos - Agecom/UFRS



UNIVERSIA PROJECTS

Some highlights of Universia in 2007 were:

EDUCATION

Ibero-American Network for Basic Education: Universia supported the launching of the Ibero-American Network for Basic Education, whose aim is to promote improvements in education and infrastructure of Ibero-American public schools. Held by GRULAC (Group of Latin American and Caribbean Countries), by São Paulo State Secretariat of Education and by Latin American Memorial Foundation, the initiative also included 290 computers offered by Banco Santander.

Net Courses: Online courses for qualification and development of the Bank's employees. In the year, Universia developed 97 Net Courses, totalling 128,000 events. One of the outstanding the courses was Projeto ¡Háblar!, an online Spanish course for employees.

EMPLOYMENT

Universia Network Portal: First Job Service (52 thousand single users/month), Career and Entrepreneurship Channels, Incubator and Junior Guides (65 thousand single users/month). After the service First Job was reformulated in 2007, the area on the portal began to offer users, in addition to training programmes and internship opportunities, access to tests of Spanish and online qualification modules as well

as helping selection processes and inclusion in the job market. In another initiative, carried out in partnership with CIEE (Centre for Company-School Integration), Banco Santander participated in two events geared to promoting openings in training programmes: Feira do Estudante – Expo CIEE 2007, in São Paulo (SP), and Átrio do Santander Cultural, in Porto Alegre.

OBSERVATORY

Opencourseware: In partnership with The Consortium OpenCourseWare, of Massachusetts Institute of Technology (MIT), which collects and offers class material for free, to be used by college professors in learning and teaching processes. Seven Brazilian universities partners of Universia Brazil were included in the pilot project.

II Brazilian Meeting of Universia Rectors: gathered together 132 Brazilian Rectors to debate the the university internationalization in Ibero-America. The meeting resulted in the creation of a document with the main considerations, in addition to proposals of concrete actions capable of promoting necessary changes in the Ibero-American institutions.

Seminars on digital media: in partnership with Pontifícia Universidade Católica do Rio de Janeiro (PUC-RJ) and Universidade Federal do Rio Grande do Norte (UFRN).

SOCIAL NETWORKS

IBM and Universia Brazil Partnership: aims to contribute to the development of research and academic education by means of two projects: World Community Grid (WCG) and Reading Companion. The first (www.worldcommunitygrid.org), a non-profit community, utilizes the idle capacity of thousands of home, school and office computers to carry out research on health and environment. In turn, the Reading Companion (www.readingcompanion.org) is designed to install IT laboratories in teaching institutions for improving English skills according to each learner's needs. Both programmes will benefit respectively research institutes in Latin America and Universia partnering universities, encouraging socially responsible action that will drive the development in the region.

Universia Play: computer game launched by Universia to support cultural improvement among students. It aims to increase users' knowledge of daily issues, with music, entertainment and fun.

SANTANDER ENTREPRENEURSHIP AND SCIENCE AND INNOVATION PRIZES

Part of the strategic line of Universia Observatory, the Santander Entrepreneurship Prize and Science and Innovation Prize, held by Santander Universities and managed and coordinated by Universia Brazil, received 1,522 registrations from 182 universities all over the country in its third edition. This figure is 40% higher than the 1,085 papers registered in the previous year. Among these, 1,177 were registration for the Santander Entrepreneurship Prize and 345 for the Science and Innovation Prize.

Some important changes were made in this edition. The first was the promotion of regional ceremonies, performed in the cities of Porto Alegre (RS), São Paulo (SP) and Rio de Janeiro (RJ). The authors of the best projects representing these regions received a trophy, certification and honour mention. The second aims to carry on the entrepreneurial and innovative ideas awarded the Prize. To do so, a partnership with Study Centre in Private Equity and Venture Capital (GVcepe) and Endeavour Institute was set up by means of which all finalists of the Santander Prize are eligible to participate in a preparatory business round and present their project to potential investors.

The third change was the creation of new categories (Communications and Information Technology, Biotechnology and Culture and Education) and the extinction of the Social Responsibility category, which then became the selection criteria for all categories. The edition counted on 38 finalist projects, 23 of them on Entrepreneurship and 15 on Science and Innovation.

(More information about programmes, projects and services developed by Santander Universities and Universia is available at the sites: www.santander.com.br; www.santanderuniversidades.com.br e www.universia.com.br)



Members of the Universia Council

Della Rocca



*Winners of Santander Entrepreneurism
and Science and Innovation
Prizes, 2007 edition*

Della Rocca





IN 2007, THE SOCIAL INVESTMENTS SANTANDER MADE IN BRAZIL AMOUNTED TO R\$ 86 MILLION.

THE BANK ALSO TAKES PART IN FORUMS AND SOCIAL MOVEMENTS WHICH JOIN REPRESENTATIVES OF PUBLIC AND PRIVATE SECTORS SEEKING SOLUTIONS FOR SOCIETY.



Della Rocca



Students of Maria Petronila school, an institution benefited with the Bank's social actions.

SOCIAL ACTIONS

Santander has the commitment to promoting initiatives that encourage the sustainable development of the communities where it is present. As a financial institution, it applies knowledge and resources to create products and services which foster credit and strengthen businesses, benefiting companies, governments and society. As a socially responsible company, its main focus is the promotion of higher education, in line with Grupo Santanders' policies.

The Group signed the Global Compact, a set of principles launched in 1999 by then UN Secretary General Kofi Annan to promote worldwide the fundamental values in the environment and human rights, labour and anti-corruption areas.

It is also present in two of the most important sustainability indexes in the stock

exchange: Dow Jones Sustainability, in the United States, and FTSE4Good, in England.

In Brazil, Banco Santander complies with these policies and is committed to the Eight Millennium Development Goals, which companies and entities throughout the world are determined to achieve up to 2015, for building a better world. It also participates in forums and social movements which gather together representatives of the public and private sectors, seeking solutions for the community.

The Social Responsibility area in Santander accounts for the management of social investment, support to entities and social programmes and also for the dissemination of culture and social responsibility among the 22 thousand employees. In 2007, social investments amounted to R\$ 86 million.

SOCIAL PROJECTS

The social projects developed or supported by Santander are broken down into five large themes: Government and Society, Volunteer Work, Communities, Culture and Sports.

Government and Society: participation in and support to programmes developed by the government (local, state and federal) and civil society organizations. Among the partnering entities are the Ethos Institute – Business and Social Responsibility, Abrinq Foundation, Akatu Institute, Associação Viva o Centro and micro-credit NGO São Paulo Confia.

In 2007, the Bank expanded its partnership with FUSSESP (Solidarity Social Fund of São Paulo), started in 2001 with the project Padarias Artesanais, and supported the programme for multiplying agents Programa de Capacitação de Agentes Multiplicadores, which offers professional qualification and income generation. In the year, 335 people from 86 entities were benefited with embroidery, sewing and clothes-making courses.

The Bank started in 2006 to support a programme to modernize public management, developed by São Paulo Municipality, in partnership with Fundação Brava, whose aim is to improve results in the municipality management by means of three fronts: growth of income, reduction of expenditure, redesign of processes.

From 2007 onward, also in partnership with Fundação Brava, it supports the Programa Choque de Gestão, a management programme with Rio de Janeiro State Government. The initiative is intended to strengthen the state governance through a result-oriented management system improving the public machine and proposing solutions for issues considered as structural in the public administration.

It also started to support the commitment Todos pela Educação, an alliance formed by civil society representatives, private companies, social organizations, educators and public managers in education to guarantee quality basic education to all Brazilians up to 2022, the bicentenary of the Country's Independence.



Children from Projeto Unisol



Volunteers of the programme Banco na Escola



Della Rocca

*Former preparatory school student,
now attending USP Language School*



Volunteer work: encourages volunteer work among employees, develops own programmes and supports other institutes addressing this issue, like Banco na Escola, whose aim is to contribute to the qualification of public education in institutions belonging to São Paulo city network. It also participates in campaigns like Corrida e Caminhada Graacc, Caminhada Tertio Milennio and Mc Dia Feliz, and carries out its own efforts like Campanha Natal Santander Solidário, a campaign promoting better Christmas to everyone.

Furthermore, it supports three NGOs created by employees: Comitê Betinho, ABAS (Banespa's association for social assistance) and Apabex (Banespa's Association of Parents and Friends of the Handicapped). In the year, the Comitê Betinho oriented resources and donations that benefited over 25 thousand children. ABAS, in turn, passes on funds to entities supporting children, adolescents and people with special needs and in the year benefited over 75 thousand people. The third NGO in the Bank, Apabex, helped 200 people in 2007.

It is also a part of employees' mobilization the campaign IR Solidário, the destination of income tax to CMDCA, local councils for the children's and adolescents' rights. In the year, it supported São Paulo state and Rio de Janeiro local councils. The Bank allocated 1% of its Income Tax (legal entity) to the campaign and employees were invited to adhere to the initiative. The resulting funds will be directed to Fundação Projeto Pescar, in order to foster the programme for digital inclusion among 16 to 19-year-old youth. Today, this project benefits 1,300 young people in 11 Brazilian states and Federal

Fundação Projeto Pescar Archive



Young people from Fundação Projeto Pescar

District. The Envolver project will also provide funds to Barretos Hospital (SP) and Pastoral da Criança, in Manari (PE).

Other volunteer work initiatives in the period were carried out spontaneously by employees from different areas in the Bank. The Santander Global Banking & Markets (SGB&M) area, for example, raised funds for homes for the elderly and the team of points-of-sales in Caraguatatuba (SP) organized the delivery of Christmas gifts to local entities. The institutions which were benefited are Casa Beija Flor which takes care of children victims of abuse and Abrigo de Caraguatatuba, which aids children and teenagers. The Christmas Campaign Santander Solidário, promoted by the Social Responsibility area, benefited 591 children and teenagers from partnering entities Aldeia SOS do Rio Bonito, Lar da Benção Divina, Arco

Associação Beneficente and Abrigo Lar União, who are supported by employees and service providers of Santander.

Since 2003, the Bank has awarded the prize Volunteer of the Year. In its last edition, five employees were awarded prizes and the entities where they work were given donations. Employees are encouraged to send a report of activities to volunteers along the year, taking into considerations some criteria, like the concept of volunteer work, commitment to the cause of volunteer work and activities, alignment with the objectives of the social organization and the social impacts of the volunteer activity developed. In all, 29 initiatives have already been recognized and R\$ 68 thousand donated to the entities.

THIRTEEN SOCIAL PROJECTS SUPPORTED BY THE PARCEIROS EM AÇÃO PROGRAMME.

Della Rocca

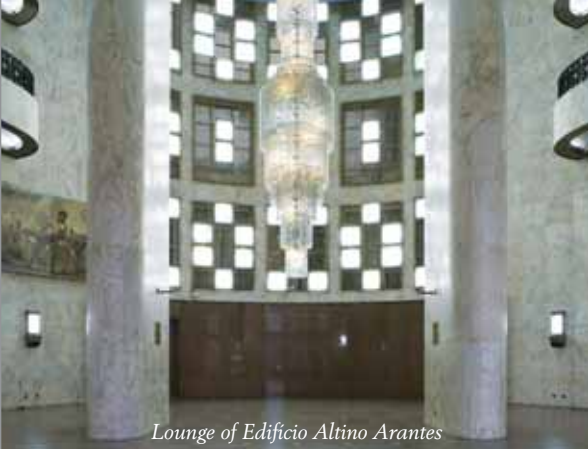


Children in the programme Rediscovering the Centre of São Paulo City

Other institutions directly engaged in promoting volunteer work and receiving Santander's support are NGO Parceiros Voluntários, in Porto Alegre (RS) and Instituto Voluntários em Ação, in Florianópolis (SC). The former was created in 1987 by the business community in Rio Grande do Sul. Among its initiatives to appreciate and recognize volunteer work is the prize Parceiros Voluntários, supported by Santander since 2003. Instituto Voluntários em Ação, supported by the Bank since 2002, develops activities like qualification meetings to create projects and resources qualification and also promotes the prize Exemplo Voluntário yearly.

Communities: behaves as an active partner seeking solutions for communities where it operates. It concentrates initiatives which are intended to promote economic, social and cultural inclusion of needy social classes. In 2007, Parceiros em Ação had, in addition to two annual editions, each one benefiting five social entities, a third edition, celebrating the 150th anniversary of Grupo Santander. In this special edition, employees and interns referred projects from social entities they knew. Three of them were chosen. Each one of the thirteen entities benefited in the year received R\$ 50 thousand.

The programmes Rediscovering the Centre of São Paulo City and Rediscovering Paulista Avenue take needy children and teenagers, from 7 to 14 years of age, from social institutions and public schools, to get to know and learn a little about São Paulo downtown area and financial centre. In the year, the programmes benefited 1,440 and 840 children respectively.



Nelson Kon

Lounge of Edifício Altino Arantes



Culture: fosters culture in different fronts, especially visual arts, music, cinema, theatre and literature. One of the main initiatives is the Bank's Santander Cultural, a space in the capital of Rio Grande do Sul, oriented to the integration and dissemination of languages diversity and artistic-cultural content, engaged in the contemporary culture, knowledge and socioeconomic development.

It acts in the fields of visual arts, music, cinema and reflexion, in partnership with a variety of social segments and institutions throughout the Country and abroad.

In visual arts three great exhibitions are held annually. In 2007, the public saw, for example, O Grão da Imagem, an exhibition with the first anthology of the 40-year art trajectory of artist Vera Chaves Barcellos. Other highlight is the participation of Santander Cultural in Mercosur Biennial since it was launched in 2001. In its sixth edition, it acted as master sponsor, with communications consultancy and educational action, in addition to hosting one of the main exhibits. In the Biennial alone, over 500 thousand visits were registered on the 79 days of the activity. In all, Santander Cultural promoted 132 initiatives and was visited by approximately 430 people in 2007.

The cinema area of Santander Cultural presents an agenda of films from different countries, seminars, festivals, exhibits, previews and courses with renowned personalities both from Brazil and abroad in partnership with Casa de Cinema in Porto Alegre. It promoted a daily, regular and high level programme, showed 1,347 films and promoted 38 exhibits, eight

launchings, two previews and 55 features with movie review. In 2007, there were over 22 thousand viewers and participants.

In music, Santander Cultural prioritizes unprecedented and exclusive activities with 23 shows, 20 workshops and unique concerts. The music programme in 2007 had audience of over 8 thousand people. As for the Reflexion area, 73 initiatives

were carried out, among them seminars, debates, lectures, contests, festivals, product launching and especially organized courses which deepen the themes in the Santander Cultural programme.

Another cultural focus is the sponsorship of the Brazilian film production. This support is done directly by means of the Programa de Fomento ao Cinema Paulista,

Eduardo Seidl



Visitor at Santander Cultural

Sponsorship of the
movie *O passado*



Cristiano Sant'Anna



Jairo Goldflus



of Secretaria do Estado da Cultura de São Paulo, and indirectly as well. In 2007, the films supported were: Tata Amaral's "Antônia"; de David Schürmann's "O Mundo em Duas Voltas"; Odorico Mendes's "O Dono do Mar"; Paulo Morelli's "Cidade dos Homens"; Carlos Cortez's "Querô"; Hector Babenco's "O Passado" and Ricardo van Steen's "Noel Rosa – O Poeta da Vila".

Santander also promotes performing arts and, last year, it sponsored two plays: "Os Produtores", directed by Miguel Falabella, and "A Graça da Vida", directed by Aimar Labaki.

The Bank also has other spaces regularly holding cultural activities. The building Altino Arantes, an important historical landmark in the city, is one of them. On the 59th anniversary of the Santander library, for example, an exhibition was promoted in the building lounge in honour of writer Clarice Lispector and visited by 23 thousand people. To celebrate the 60th year of the Tower, in the same building and another symbol of São Paulo capital, a variety of actions were performed, among them "Quartas Musicais", live performances on Wednesdays and the exhibition "Imigrantes". Together, the Altino Arantes's Lounge and Tower were visited by 255,373 people in 2007.

(More information about Santander's initiatives in the Cultural area is available at the site www.santander.com.br e www.santandercural.com.br)

- 1 - Exhibit in Santander Cultural – Porto Alegre/RS
2 - Actors in the play *Os Produtores* – *The Producers*

Sports: sponsors athletes and disseminates the sports culture and values. Since 1984, the Bank is the official sponsor of male volleyball team of Santander São Bernardo. Annually, in the scope of Projeto Vôlei, selection tests called Peneiras (sieve) are carried out screening for talented volleyball players. So that they can develop sports skills, the chosen young people from 15 to 19 years of age are

given all support: housing, food, school, health and dental insurance and other expenses. The 2007 edition was attended by 20 states and 128 cities in the Country. Forty-one people were chosen to join the programme to promote practice of sports and encourage a healthy approach to physical activity and social life. In the year six clinics were promoted with the attendance of 1.5 thousand young people.



João Pires

Players selected in 2007 Peneira



RESPECT FOR THE ENVIRONMENT AND PROMOTION OF RESPONSIBLE USE OF NATURAL RESOURCES ARE PART OF SANTANDER'S COMMITMENT TO TODAY AND FUTURE GENERATIONS.

WITH THE CLIQUE ÚNICO, A NEW ATM SERVICE IN THE BANK, 2.6 MILLION SHEETS OF PAPER WERE SPARED IN 2007.

Ivan Sayeg/Carlos Kipnis



Initiatives that preserve the Environment

ENVIRONMENT

The selective waste collection was introduced in all administration centres in 2004 and has become one of the fronts adopted by the Bank to disseminate the idea of responsible use of natural resources. All paper collected is turned into money to be donated to Apabex (the Banespa Association of Parents and Friends of the Handicapped), an association founded by the Bank employees to support children with special needs.

In 2007, an effort to integrate the entire Network's customer service areas reinforced Santander's commitment to reducing environmental impacts in its operations and to promoting employees' environmental awareness. This is Clique Único (single click), a service in ATMs in points-of-sales which allows hiring services and products by only entering an electronic password. With this new technology, the Bank spared 2.6 million sheets of paper.

ENVIRONMENTAL INDICATORS

Year	Electric energy (Kwh)	Water (m ³)	Solid residues generated (t)	Paper (reams)
2005	158,994,749	481,089	426.0	565,015
2006	162,840,241	385,006	354.2	630,696
2007	157,118,715	385,000	344.0	633,357

SANTANDER INDICATORS IN THE WORLD

RESULTS

	2007	2006	Var (%)	2005
MILLION EUROS				
Ordinary margin*	27,095	22,333	21.3	19,076
Group attributable profit (no capital gains)	8,111	6,582	23.2	5,212
Group attributable profit	9,060	7,596	19.3	6,220

* Data corresponding to 2006 and 2005 differ from those in previous year as a result of the sales of pension funds administrators in Latin American, allowing a better monitoring of the Group's business management.

BALANCE SHEET

	2007	2006	Var (%)	2005
MILLION EUROS				
Reserves	43,828	32,595	34.5	29,098
Own resources (computable BIS ratio)	65,225	59,776	9.1	53,426
Total Assets	912,915	833,873	9.5	809,107
Managed customers' resources	784,995	739,223	6.2	651,360

ACTIVITY

	2007	2006	Var (%)	2005
Number of customers (million)*	65.1	61.3		55.8
Number of shareholders (million)	2.28	2.31		2.44
Number of employees	131,819	123,731		120,047
Number of branches**	11,178	10,852		10,201
Number of credit and debit cards (million)	60.40	54.9		48.93

* Data corresponding to 2006 and 2005 differ from those in previous year as a result of the sales of pension funds administrators in Latin American, allowing a better monitoring of the Group's business management.

** Included are traditional branches, bank service points and ATM points.



MAIN MANAGEMENT RATIOS

	2007	2006	Var (%)	2005
ROE (no capital gains)	19.61	18.54		16.64
ROE	21.91	21.39		19.86
Efficiency Ratio*	44.22	48.56		52.94
BIS Ratio	12.66	12.49		12.94
Earnings per share (euros)	1.4287	1.2157		0.9967

* Data corresponding to 2006 and 2005 differ from those in previous year as a result of the sales of pension funds administrators in Latin American, allowing a better monitoring of the Group's business management.

OTHER INDICATORS OF VALUE GENERATION

	2007	2006	Var (%)	2005
MILLION EUROS				
Direct Economic Value Generated	30,539	25,689		22,324
Retained Economic Value	12,069	9,116		8,238
Distributed Economic Value*	18,470	16,572		14,086
Dividends	4,070	3,256		2,605
Suppliers and other administrative costs	4,658	4,106		3,816
Tax on profits and other taxes	2,336	2,255		1,242
Personnel costs	6,551	5,968		5,611
Investments in Corporate Social Responsibility	119	106		98

A BANK HIGHLY DIVERSIFIED GEOGRAPHICALLY.

CONTINENTAL EUROPE

Santander is the first bank in the Euro Zone

Branches (number)	5,976
Employees (number)	47,838
Credit for customers in balance sheet *	310,618
Managed customer resources *	323,602
Group attributable profit *	4,423

* Million euros

UNITED KINGDOM

Abbey aims at becoming the best commercial bank in the United Kingdom

Branches (number)	704
Employees (number)	16,827
Credit for customers in balance sheet *	184,086
Managed customer resources *	216,672
Group attributable profit *	1,201

* Milhões de euros

LATIN AMERICA

Santander is the first financial Group in Latin America

Branches (number)	4,498
Employees (number)	65,628
Credit for customers in balance sheet *	68,854
Managed customer resources *	137,682
Group attributable profit *	2,666

* million euros / ** Included are traditional branches, bank service points and ATMs

ABN AMRO BANK OPERATION

Largest bank operation in history

Banco Santander, in consortium with Royal Bank of Scotland and Fortis, successfully closed the acquisition of Dutch bank ABN AMRO, the largest bank operation in history.

The operation complies with Banco Santander's financial and strategic criteria: having as objective a market they know well – Brazil – and will have a positive impact on earnings per share



Banco Santander is present in 16 countries in Continental Europe and is the first bank by market capitalization in the euro zone and leader in retail and private banking in Spain. It is the third private bank in profit in Portugal. It maintains high market shares in consumer financing in Spain, Germany, Italy and Poland.



Abbey is the third mortgage bank in the United Kingdom. In 2007, it increased its offering of products designed for individual customers, in particular regarding savings accounts, checking accounts, insurance and personal loans as well the quality of its services. Since its incorporation in the Group in 2004, Abbey has made an excellent progress toward the objectives set in its strategic plan, surpassing 1.2 billion euros of attributable profit in 2007 and reducing its efficiency rate up to 50%.



Banco Santander has sustained a firm commitment to Latin America over the past 60 years. It is present in nine countries of the region and has leading positions in the three major Latin American economies: Brazil, Mexico and Chile.

In 2007, Santander doubled its presence in Brazil by purchasing Banco Real. This operation will increase to 4,000 the number of Santander's service centres in the country and will rank the Bank as the third financial institution in Brazil by credit and second by customer deposits.



since the very beginning and return over investment will surpass the capital costs in the third year.

With 4,000 branches (2,000 from Banco Real and 2,000 from Santander), the bank has become the third in credit and the second in deposit in Brazil. The total integration of Banco Real in Grupo Santander will take place during 2008.

IBASE SOCIAL BALANCE

1 - Calculation Base				2007 Value (Thousand reais)			2006 Value (Thousand reais)		
Net sales (NS)				5,948,946			5,435,043		
Operational results (OR)				2,056,498			1,641,484		
Gross payroll (GPR)				2,270,685			2,058,999		
2 - Internal Social Indicators				Value (thous.)	% on GRP	% on NS	Value (thous.)	% on GRP	% on NS
Food				159,715	7.03%	2.68%	149,550	7.26%	2.75%
Social taxes				378,803	16.68%	6.37%	346,470	16.83%	6.37%
Retirement plan				27,511	1.21%	0.46%	31,353	1.52%	0.58%
Health				55,796	2.46%	0.94%	62,260	3.02%	1.15%
Health and safety at work				1,475	0.06%	0.02%	517	0.03%	0.01%
Education				0	0.00%	0.00%	0	0.00%	0.00%
Culture				0	0.00%	0.00%	0	0.00%	0.00%
Professional qualification and development				24,481	1.08%	0.41%	22,258	1.08%	0.41%
Day care facility or support				7,467	0.33%	0.13%	7,169	0.35%	0.13%
Share in profits				111,241	4.90%	1.87%	78,856	3.83%	1.45%
Others				56,046	2.47%	0.94%	53,349	2.59%	0.98%
Total – Internal social indicators				822,535	36.22%	13.83%	751,782	36.51%	13.83%
3 - External Social Indicators				Value (thous.)	% on OR	% on NS	Value (thous.)	% on OR	% on NS
Education				67,016	3.26%	1.13%	30,431	1.85%	0.56%
Culture				8,282	0.40%	0.14%	7,462	0.45%	0.14%
Health and Sanitation				185	0.01%	0.00%	705	0.04%	0.01%
Sports				857	0.04%	0.01%	857	0.05%	0.02%
For safe food and against hunger				8	0.00%	0.00%	444	0.03%	0.01%
Other				10,053	0.49%	0.17%	6,046	0.37%	0.11%
Total contribution to society				86,401	4.20%	1.45%	45,945	2.80%	0.85%
Taxes (without social taxes)				1,114,060	54.17%	18.73%	738,265	44.98%	13.58%
Total – External social indicators				1,200,461	58.37%	20.18%	784,210	47.77%	14.43%
4 - Environmental Indicators				Value (thous.)	% on OR	% on NS	Value (thous.)	% on OR	% on NS
Company's production/operation-related investments				191,260	9.30%	3.22%	251,080	15.30%	4.62%
External programmes and/or projects-related investments				18,740	0.91%	0.32%	7,260	0.44%	0.13%
Total investment in environment				210,000	10.21%	3.53%	258,340	15.74%	4.75%

As for the determination of “annual targets” to minimize

residues and general production/operation consumption and to improve the use of natural resources, the company: () has no targets () meets from 51 to 75% () has no targets (x) meets from 51 to 75 () meets from 0 to 50% (x) meets from 76 to 100% () meets from 0 to 50% (x) meets from 76 to 100%

5 - Workforce Indicators		2007	2006
Nr of employees at yearend		22,965	23,355
Nr of admissions in the period		3,620	5,458
Nr of outsourced employees		8,786	7,848
Nr of interns		2,254	3,298
Nr of employees aged over 45 years		3,591	4,661
Nr of women in the company		12,197	12,260
% of leadership positions taken by women		32.00%	32.55%
Nr of black people in the company		1,397	1,326
% of leadership positions taken by black people		3.61%	2.82%
Nr of disabled or people with special needs		498	508



6 - Information relevant to the exercise of business citizenship				2007	2008 Targets		
Highest and lowest pay ratio in the company				34,1	ND		
Total number of accidents at work				185	ND		
Social and environmental projects developed by the company were defined by:				() leaders (x) leaders and managers () all employees	() leaders (x) leaders and managers () all employees	() all employees	
Health and safety standards at work were defined by:				(x) leaders and managers () all employees + Cipa	(x) all and managers () all employees + Cipa	() all employees + Cipa	
As for union freedom, the right to collective bargaining and employees' internal representation, the company:				() is not involved (x) follows OIT rule () encourages and follows OIT rules	() will not be involved (x) will follow OIT rules () will encourage and follow OIT rules	() all employees	
Private retirement plans benefit:				() leaders () leaders and managers (x) all employees	() leaders () leaders and managers (x) all employees	(x) all employees	
Profit is shared among:				() leaders () leaders and managers (x) all employees	() leaders () leaders and managers (x) all employees	(x) all employees	
When selecting suppliers, the same ethical standards of social and environmental responsibility adopted by the company:				() are not taken into account (x) are suggested () are required	() will not be aken into account (x) will be suggested () will be required	() all employees	
As for the employees' participation in volunteer work programmes, the company:				() is not engaged () supports (x) organizes and encourages	() will not be engaged () will support (x) will organize and encourage	(x) all employees	
Total number of customers' complaints and opinions:				in the company 97,79% at Procon 0,92% In Court 1,29%	in the company 97,84% at Procon 0,89% In Court 1,27%	In Court ND%	
% of complaints and opinions addressed or resolved:				in the company 99% at Procon 94% In Court ND%	in the company 99% at Procon 95% In Court ND%	In Court ND%	
Total added value to distribute (in thousands. R\$):				In 2007: 5,322,696			In 2006: 4,897,366
Value-Added Distribution (VAD):				26.0% government 32.8% shareholders 38.9% employees 2.3% retained	23.9% government 16.0% shareholders 46.3% employees 13.8% retained		

Higher and lower pay ratio: the highest pay divided by the lowest absolute result.

Total number of accidents at work: all accidents at work registered during the year.

Rules : in conformity with Convention 87, 98, 135 and 154 of OIT and the item of the rules established in Social Accountability 8000 (SA 8000).

Added-value: further information at www.balancosocial.org.br

7 - Further Information

From December 2007 onward, the elaboration of Value-Added Statements (VAS) was included, as supplementary information. These statements are not requested in the standard exercised and disseminated by the institutions integrating the Brazilian Financial System.

GRI, GLOBAL COMPACT AND THE MILLENNIUM DEVELOPMENT GOALS

GRI 3		GLOBAL COMPACT
Indicator	Description	Description
EC 1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	
EC 5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	
EC 6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Prevent Human Rights abuse Abolish forced labour Abolish child labour
EN 3	Direct energy consumption by primary energy source	Support a precautionary approach to environmental challenges Promote environmental responsibility Encourage t environmentally friendly technologies
EN 5	Energy saved due to conservation and efficiency improvements	Support a precautionary approach to environmental challenges Promote environmental responsibility Encourage t environmentally friendly technologies
EN 7	Initiatives to reduce indirect energy consumption and reductions achieved	Support a precautionary approach to environmental challenges Promote environmental responsibility Encourage t environmentally friendly technologies
EN 8	Total water withdrawal by source	Support a precautionary approach to environmental challenges Promote environmental responsibility Encourage t environmentally friendly technologies
EN 22	Total weight of waste by type and disposal method	Support a precautionary approach to environmental challenges Promote environmental responsibility Encourage t environmentally friendly technologies
EN 26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Support a precautionary approach to environmental challenges Promote environmental responsibility Encourage t environmentally friendly technologies



MILLENNIUM DEVELOPMENT GOALS

Description

Pages

Eradicate extreme poverty and hunger

6-9, 11, 12, 21, 48-54,
56-63, 65, 70 and 71

71

44 and 45

Ensure environmental sustainability

65

Ensure environmental sustainability

65

Ensure environmental sustainability

65

Ensure environmental sustainability

65

Ensure environmental sustainability

65

Ensure environmental sustainability

22, 38 and 39

	GRI	GLOBAL COMPACT
Indicator	Description	Description
LA 1	Total workforce by employment type, employment contract, and region	
LA 3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	
LA 8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	
LA 10	Average hours of training per year per employee by employee category	
LA 11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	
LA 12	Percentage of employees receiving regular performance and career development reviews	Elimination of discrimination in respect of employment and occupation
LA 13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Elimination of discrimination in respect of employment and occupation
HR 2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Respect and protect Human Rights Prevent Human Rights violations Abolish forced labour Abolish child labour
SO 1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	
SO 5	Public policy positions and participation in public policy development and lobbying	Work against corruption in all its forms, including extortion and bribery
PR 1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	
PR 5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	



MILLENNIUM DEVELOPMENT GOALS

Description

Pages

29 and 30

Improve maternal health
Combat HIV/AIDS and other diseases

34, 35 and 37

Improve maternal health
Combat HIV/AIDS and other diseases

27, 32, 33 and 43

11 and 43

11 and 32-35

33

Promote gender equality and empower women

11, 30, 70 and 71

Develop a global partnership for development

44 and 45

Eradicate extreme poverty and hunger
Improve maternal health
Combat HIV/AIDS and other diseases
Develop a global partnership for development
Achieve universal primary education
Reduce child mortality
Promote gender equality and empower women

6, 8, 9, 11, 12, 21, 48-54,
56-63, 65, 70 and 71

6, 8, 9, 11, 65, 70 and 71

21, 22, 23, 38, 39, 40 and 41

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38, 39, 40 and 41

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