





INTRODUCTION

We present the fifth issue of the Sustainability Report of Banco Santander in Brazil which aims to disclose and consolidate the Institutions's social initiatives and actions in 2006 in relation to all its public groups – customers, shareholders, employees, suppliers and society.

The Bank, and its parent company, the Santander Group, is a signatory to the 10 principles of the Global Compact and the Eight Millennium Goals, both initiatives of the United Nations.

This report was produced in accordance with the Santander Group's Sustainability Map which uses standards, directives and recommendations of international reference organizations, such as the Global Reporting Initiative – GRI and AccountAbility AA1000, and covers the areas in three large blocs

- ▣ **Business Sustainability (*A sustainable activity*)**

This section presents the results the Bank has obtained in its relationship with customers and the development of products and services.

- ▣ **Sustainable Structure (*A sustainable model*)**

This section presents the Bank's solid, efficient structure, arising from its Corporate Governance, Internal Public, Technology, Brand, Risk Management and Relationship with Suppliers.

- ▣ **Commitment to Sustainable Development (*A sustainable environment*)**

This section presents the Bank's commitment to encouraging education, particularly higher education, and the programs of social and cultural nature and the preservation of the environment.



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SANTANDER IN THE WORLD

The Santander Group is the 10th largest financial corporation in the world in market value. Its headquarters are in Madrid (Spain) and it is the largest financial institution in the Euro Zone in terms of market capitalization. It operates in more than 40 countries and concentrates its business in Continental Europe, which was responsible for 51% of the Bank's net income in 2006, the UK, with a share of 15%, and Latin America (particularly Brazil, Mexico, Chile, Venezuela, Argentina, Puerto Rico and Colombia), which was responsible for 34% of the Group's net income in the year.

It operates mainly in three broad areas – Retail banking, Global Wholesale Banking for Large Clients, and Asset Management and Insurance – and has a network of 10,852 branches and 130,000 employees worldwide to serve 69 million customers.

In 2006, it was elected the Best Bank in Latin America and the Best Treasury in the region by the British magazine Euromoney, which also hailed the implementation of the 'Altair' technology system in the Group's institutions in Latin America.

The Santander Group has 834 billion euros in assets and manages 1 trillion euros in investment funds. In 2006, it had net income of 7.6 billion euros, 22% higher than the previous year.

Shares for Employees – 150 years

The Santander Group was founded in 1857 and completes 150 years in 2007. As part of the commemorations throughout the year, Santander intends giving 100 shares to each of its 130,000 employees, a move which still depends on approval by the shareholders' meeting in June 2007. If approved, the decision will benefit more than 23,000 employees in Brazil.

By making this donation, the Group is showing its confidence in the Bank's future and the commitment of the professionals who, through their daily work, convey the values that have made Santander one of the largest financial institutions in the world: leadership, dynamism and flexibility, financial strength, innovation, aggressive commercial approach and professional ethics.

This initiative will also make the Bank's employees shareholders in the Santander Group and increase their commitment and involvement in the mission of ensuring Santander's sustainable growth throughout the world.



Vision

Santander wants to consolidate itself as a large international financial group which provides a growing return to its shareholders and satisfies all the financial needs of its customers. To do so, it operates with a strong presence on local markets using global business policies and capacities.

Social Profile

The Group has developed its own business model which is structured on five pillars – global vision, quality of service, quality of credit, efficiency and capital discipline – to ensure its business, structural and social sustainability.

The Santander Group is committed to social development in all countries where it is present and focuses on education, particularly higher education. The Bank has a unique alliance with the academic world through its conviction that education is the most efficient way of promoting social progress. In 2006, the Santander Group invested more than 106 million euros in social responsibility programs.

Corporate Values

- ▣ **Leadership** – A passionate desire for leadership on all markets where we are present, with the best teams and a constant focus on customers and results.
- ▣ **Dynamism and Flexibility**
 - Initiative and agility to discover and exploit business opportunities ahead of our competitors and be flexible in adapting to changes on the market.
- ▣ **Financial strength** – The strength of our balance sheet and prudence in risk management are the best guarantees of our ability to grow and create value for our shareholders in the long term.
- ▣ **Innovation** – The constant pursuit of products and services which meet the needs of customers and allow us to increase our return at a rate which is higher than that of our competitors.
- ▣ **Aggressive commercial approach**
 - The customer is the focus of our strategy. We are determined to constantly improve the customer's capacity, satisfaction and relationship by providing a wide range of products and services which are always of the best quality.
- ▣ **Professional Ethics** – All Santander employees are required to act not only in strict compliance with the law, the Codes of Conduct and the internal regulations, but also with the utmost honesty and transparency and always place the interests of the Group above their own personal positions.



MESSAGE FROM THE CHAIRMAN OF THE SANTANDER GROUP

Since we presented the Corporate Social Responsibility Plan in 2002, Santander has reinforced its commitment to customers, shareholders, employees and society, while maintaining the focus on supporting higher education in the countries in which it is present. This Sustainability Report presents the results obtained in detail with the same rigor and transparency which marks the 2006 Annual Report, of which it is a complement.

The 150 years of Santander's history are the best example of its sustainability and leadership. An institution can only survive this long by having a business model directed at creating wealth in the medium and long term, based on stable relations with different interest groups.

Our current Corporate Social Responsibility policy maintains its convictions as always: a sustainable activity which is concerned with the future will bring benefits for everyone – customer satisfaction, continuing return for the shareholder, motivation for the employees and the welfare of society.

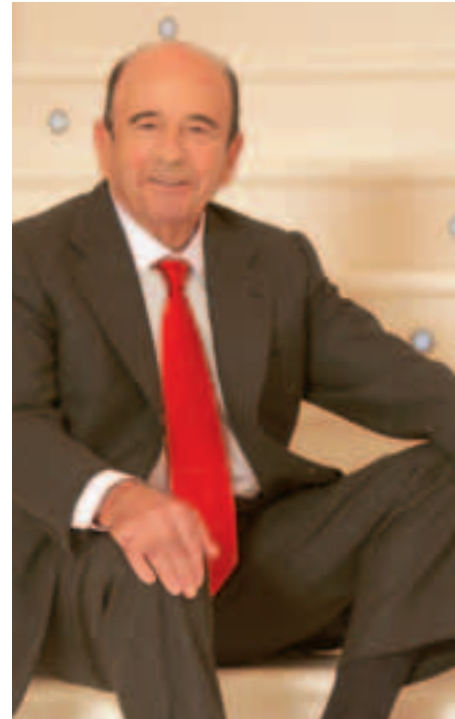
Our presence in different geographical areas and different markets inspires us to maintain a constant dialogue to learn what the customers, shareholders, employees and the community expect from us. Identifying with their expectations helps us in our efforts to be a Bank which is closer to these groups and more committed.

Santander has always been close to its customers in all markets. To do so, it can count on the largest branch network of any international bank and other alternative relationship channels. Getting to know customers better lets us anticipate their needs with innovative products and services which have, in many cases, revolutionized the market.

In recent years, these products and services have been enhanced with products which are socially responsible or adapted to the real needs of various sectors, such as young people, immigrants and pensioners. Besides this, we are improving the quality of the services which is seen in the higher satisfaction ratios from customers who are so important for our future growth.



“In 10 years, the Santander universities program has created a university/company alliance which is unique in the whole world.”



As the Group has changed, improvements have been made in managing human resources, with better processes in selecting staff, managing careers, geographical mobility, training and an emphasis on conciliating employees' family and professional lives. Santander can depend on the best professional staff to confront future challenges. We are a total of 130,000 people, 49% men and 51% women, all making a contribution to the Bank's success through our work.

We are making efforts to continuously improve our level of transparency and clarity of information, essential factors in ensuring the trust of our shareholders who enjoy full and equal rights. Our corporate governance practices are in line with the best international standards and Santander shares are included in the most important social responsibility indices, such as the DJSI (Dow Jones Sustainability Index) and the FTSE4Good.

We create wealth and employment in over 40 countries and contribute to the development and modernization of their financial systems. At the same time, we are involved with the different communities through social action programs and by supporting universities.

The Santander Universities program has created a unique university/company alliance in the world in the 10 years since it was established. The Bank now has agreements with 549 universities in Spain, Portugal and Latin America which boost education, research, entrepreneurial culture and new technologies. At the same time, the Universia, the biggest university collaboration network in the world, has 985 partner universities. We also take part in local social initiatives by making Group employees available. We are concerned about the environment and are making efforts to cut the levels of consumption and evaluate the environmental risks in the credit processes.

All this means that, besides the extremely large growth and transformation of our Group – from a small bank to a leading international financial power in a century and a half – Santander continues to be an active player in improving the societies where it is present.

Emilio Botín
Chairman of the Santander Group



SANTANDER IN BRAZIL

Santander has more than 7.4 million customers, of whom over 300,000 are corporate entities. The Bank has a workforce of 23,355 employees to serve them.

The Bank's infrastructure brings together 2,026 sales points (branches and attendance posts) along with 7,440 electronic cash machines in 658 municipalities throughout Brazil. Santander customers can also rely on a large attendance network with 12,000 attendance posts and 49,000 ATMs.

In 2006, the Bank registered growth of 6.8% in its retail attendance network, due to the increase in business, particularly in the city of Rio de Janeiro, a region of strategic importance.

The Bank was responsible for 11% of the Santander Group's net income in 2006 and 33% of the net return from Latin America. Santander in Brazil had net income of R\$ 1,260 million in the year.

Santander invested R\$ 46 million in the social area in 2006. In line with

the Santander Group's worldwide stance, the Bank concentrated its investments in higher education initiatives and academic research, with the aim of promoting knowledge and encouraging sustainable growth. It also directs resources to social actions which reduce poverty and exclusion and raise respect for cultural diversity, citizenship and the environment.



Social Mission

The Social Responsibility mission is to create and develop instruments, projects and programs through which Santander can help bring about social, economic and environmental development to improve the quality of life of the community where it operates and society as a whole.

Actions

Santander is the largest private foreign bank in Brazil in terms of assets and one of the leaders in the state of São Paulo. It is the fourth largest by assets in Brazil, according to the balance sheets published in December 2006, and came sixth in the general ranking of public and private banks.

Santander operates in all segments of the financial system and concentrates its activities in the South and Southeast regions of the country.



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER OF SANTANDER IN BRAZIL

It is with great satisfaction that we present the latest edition of our Sustainability Report. This document complements the information in the 2006 Annual Report and shows our main conquests during an extremely productive year. We concluded our series of transformations with the legal and technological integration of the banks which form the Santander corporation in Brazil. These changes resulted in the creation of a new Bank which is stronger, dynamic and prepared to grow and create value for the institution, customers, employees, suppliers, society and the country.

We made great strides forward in personnel management and expanded our social activities, particularly in the academic area. We launched new creative, daring products in the business area, showing the Bank's skill in creating differentiated solutions, capable of directly benefiting customers and boosting economic and social growth in Brazil.

Proof of this innovative spirit was the launch of products such as: the Santander Light Credit Card which reduced interest rates, raised the credit level and helped expand banking services; the *SuperCasa 20*, the first mortgage with fixed installments which made the dream of owning one's home more attainable; and the *Multi Renda Mais* and *Melhor de 2* funds which opened the doors of the risk market

to small investors but in a way which guaranteed a minimum return and transformed Santander into the absolute leader in this sector in Brazil.

The competitiveness of our products and excellent services allowed us to increase our customer portfolio. The main breakthrough was the acquisition of 165,000 public employees in the city of Rio de Janeiro when Santander won the payroll account of the municipal government. Attending public employees is one of the Bank's differentials. In 2006, we received one of the greatest compliments on the market when hundreds of thousands of public employees in São Paulo state reaffirmed their preference for Santander when their salaries were transferred to another bank.

By signing an agreement to the terms of the transfer, the employees showed

their clear choice of Santander as their relationship bank.

Our challenge now is to become one of the best banks in Brazil in terms of customer attendance, the professional opportunities we offer staff and the economic and social growth we can bring about. Guided by our values – leadership, dynamism and flexibility, financial strength, innovation, aggressive commercial approach and professional ethics – and increasingly in step with the Santander Culture worldwide, we launched a wide expansion program in 2006 for the 2007-2010 period. The new program has clear, well structured lines of operation, strategically aimed at improving the commercial system and personnel management area.

In 2006, we concentrated on strengthening our human capital – and will continue to do so in the coming years – in constantly improving working conditions and the quality of life, creating opportunities for development within the Bank and the Santander Group and a forming a team with unique values and a global identity.

The Santander Group's initiative in presenting each of its 130,000



“Our challenge is to continually create new opportunities for the Santander team to grow professionally, within the Bank and the Group, and work increasingly more together for the economic and social development of the Brazil.”



João Luiz Musa

employees around the world with 100* shares as part of the 150th anniversary commemorations in 2007 confirms its intention of constructing a globalized culture.

Two thousand teachers currently receive study grants from the Santander Universities program to take a proficiency certificate course and this number will be increased to 20,000. This is only one of the projects to expand the activities of the Santander Universities program which provides another 2,000 partial study grants for graduate students from the public university network in Brazil.

In 2006, the Santander Universities program sponsored academic projects in 18 higher education institutes, signed agreements on joint actions with three of the main universities in the country and launched new projects. Of these, it is worth highlighting the International Mobility Program which will provide around 1,300 study grants in 2007 for universities in Spain, Portugal, Mexico, Chile and Argentina.

The Bank also maintains a university cooperation network, the Universia Brasil, which was totally redesigned in 2006 to improve the way it attended the academic community. Universia also coordinated the second Santander Banespa Entrepreneurship Prize and the Santander Banespa Science and Innovation Prize which received 1,085 project registrations (a rise of 21% over the first year) from students at 181 partner institutes of the Universia Brasil in 21 states.

We were proud to see that the high level of the projects brought results. The Prize attracted the attention of the Federation of Industries of São Paulo State (Fiesp) which offered to assess the final projects over the two years and consider them for inclusion in its incubator model.

The success of this and other initiatives, in the social as well as the business area, show that Santander is taking great steps to ensure the sustainability of its business and sustainable growth. However, all these conquests were only made possible through the participation of our employees, the trust of our

customers and suppliers, and the encouragement of our partners. For another year of important conquests and in readiness for the new challenges in 2007, we sincerely thank all those who have helped make Santander one of the best banks in the country.

Gabriel Jaramillo
Chief Executive Officer
of Santander in Brazil



Santander aims to improve its operating strategies in order to ensure business growth, that its structure is increasingly more efficient and to make an effective contribution to preserving the environment and the economic and social development of the country.

The initiatives and results obtained in 2006 are presented through a Sustainability Map the Santander Group has developed which distributes the information across three groups.

SUSTAINABILITY IN BUSINESS

Santander serves private individual customers, companies, entities and public authorities. To keep this business sustainable, the Bank focuses on satisfying these customers and concentrates its efforts on:

1. constantly improving service by increasing customers' perception of the quality and establishing stable and long-lasting commercial relationships;
2. modernizing its premises to make them more comfortable for customers;
3. developing innovative and differentiated products and services, identified with the profile of each customer and which add value, with the aim of fully attending customers' expectations and needs.

SUSTAINABLE STRUCTURE

Maintaining a suitable structure to carry out business also comes about through a policy of forming a relationship with suppliers, founded on mutual respect, ethics, honesty and equal opportunities. Santander values quality, loyalty, efficiency and respect for the environment, employees and the communities in which its partners operate.

Santander's structure is based on:

1. skilled human capital, committed to and identified with the Bank's values;
2. transparent, responsible corporate governance which adopts rigid international standards of conduct and management;
3. a stable capital structure and proprietary risk management models, created from the Group's know-how abroad and experience on the local market;
4. a strong brand and the worldwide recognition of the Santander Group, one of the 10 largest financial corporations in the world, active in over 40 countries;
5. a modern technological platform which gives the Bank flexibility and makes day-to-day life easier for its customers.

COMMITMENT TO SUSTAINABLE DEVELOPMENT

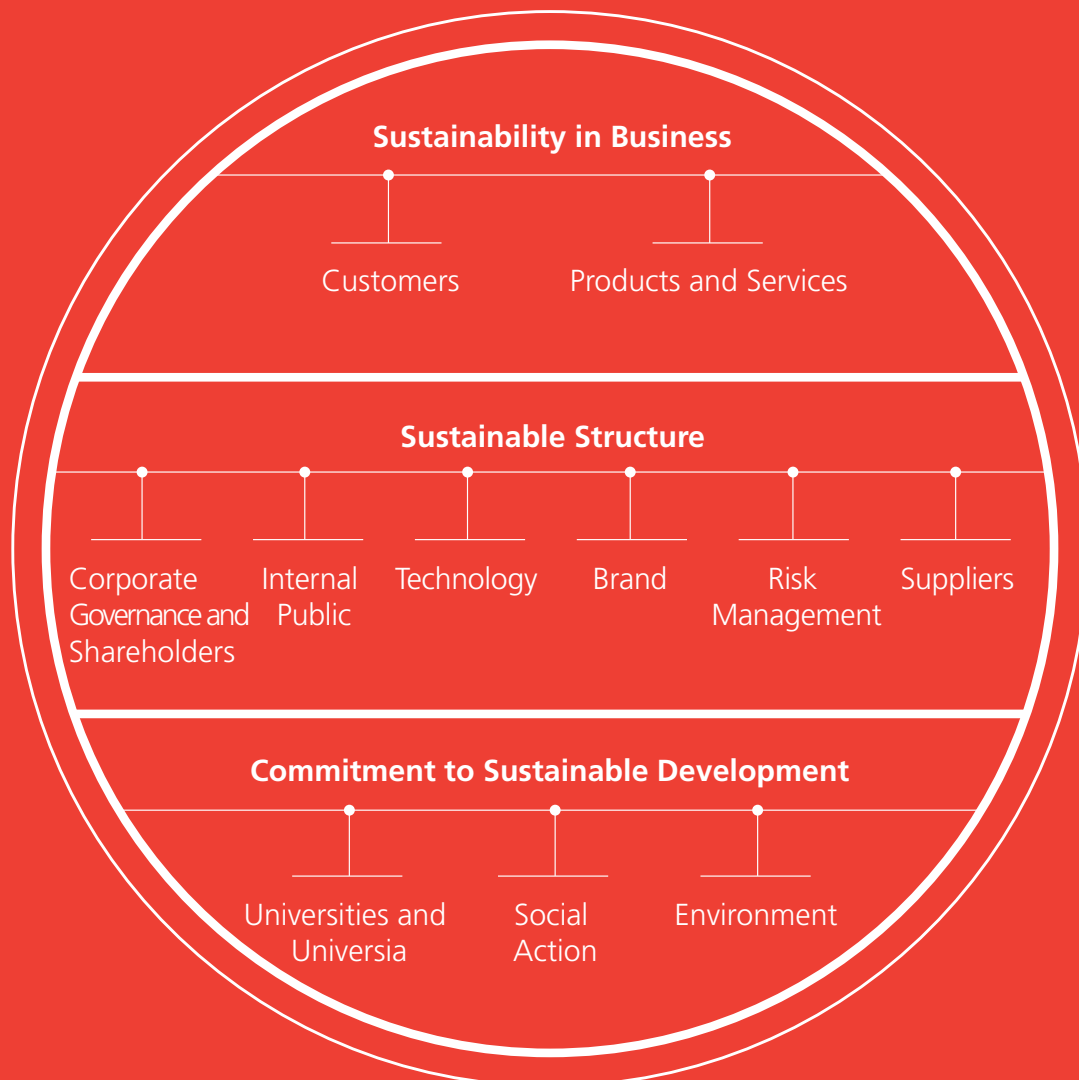
Santander supports, participates in and develops initiatives to bring about the economic and social growth of Brazil. Its social activities are centered on the area of education, particularly higher education, with the aim of:

1. encouraging the formation of young people and professional specialization;
2. encouraging scientific research and academic discussion;
3. bringing about an exchange of experiences with other universities and countries;
4. facilitating access by students and teachers to information from the academic world, creating opportunities for students to enter the professional area.
5. creating opportunities for students to enter professional life.



SUSTAINABILITY MAP

The Bank's concern with sustainable development translates into concrete actions which help create economic, social and environmental value.





SUSTAINABILITY IN BUSINESS



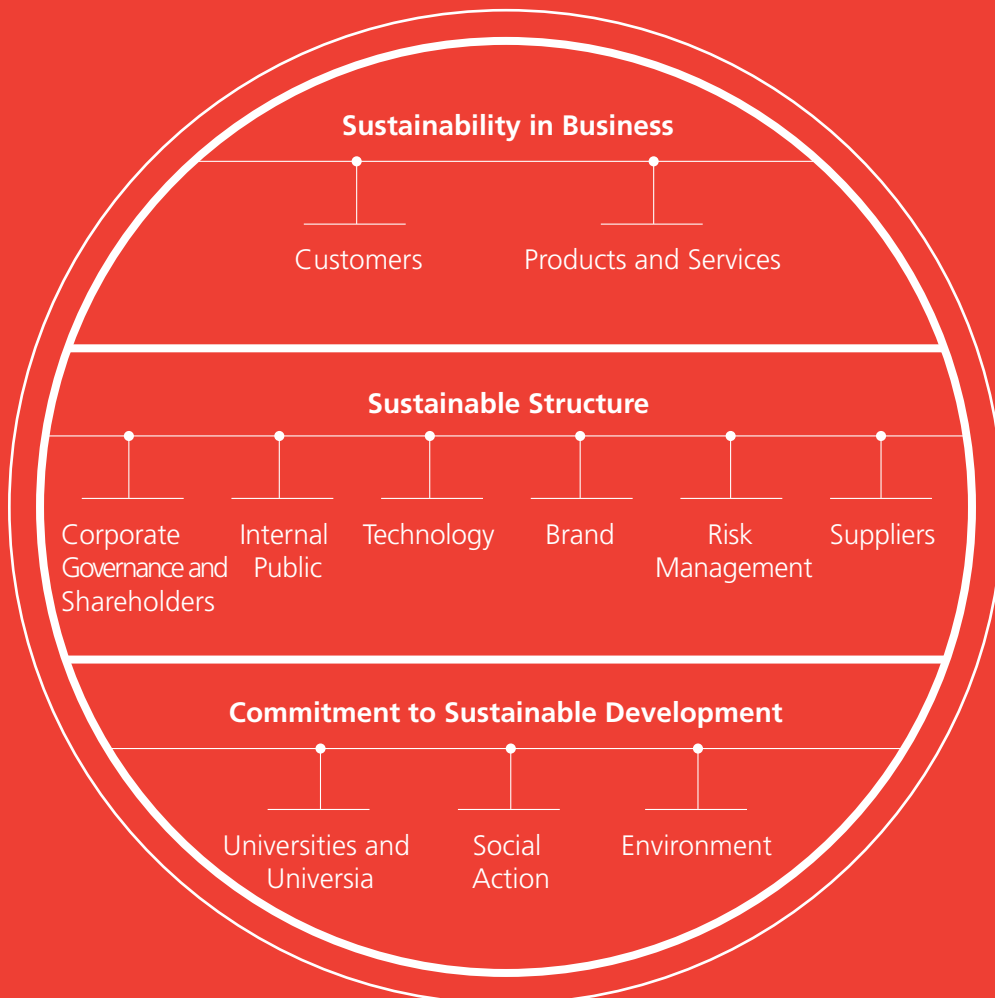
Santander's goal is to speed up its growth and consolidate its position as one of the main financial retail institutions in Brazil. To achieve this objective, the Bank has created the foundations which will bring sustainable business expansion.

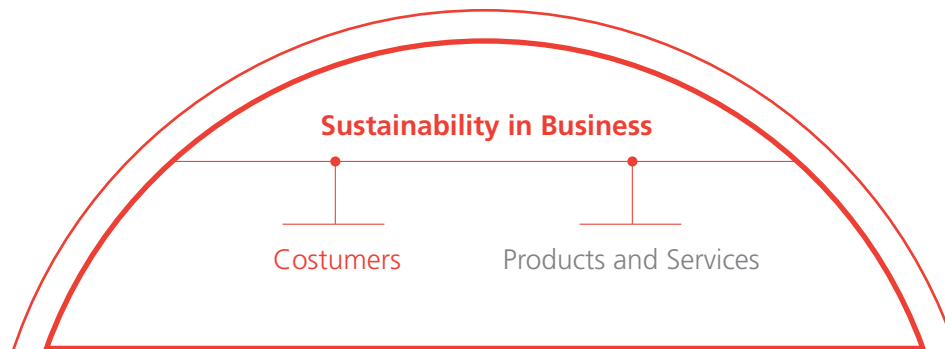
- ▣ It has concluded the physical, commercial, operational and legal integration which has transformed it into a strong, agile, dynamic and alert Bank ready to seize market opportunities;
- ▣ It has concentrated its activities in the South and Southeast regions, the most attractive market in Brazil, with per capita income 40% higher than the national average, allowing it to attract customers with a high potential for generating business;
- ▣ It has achieved an 11% share in the infrastructure of the retail network in São Paulo state – i.e. of every 100 branches, 11 belong to Santander;
- ▣ It has focused its business strategy on customer satisfaction and the launch of innovative, differentiated products and services which meet all the needs of accountholders and non-accountholders;
- ▣ It has aligned its activities to the values of the Santander Group which brings it closer to the expertise and strength of the Group around the world;
- ▣ It has started the implementation of the Retail Banking 20.10 Project which will concentrate its efforts on conquering and retaining customers as well as their loyalty.

These competitive advantages substantially improved the relationship with accountholders and brought 750,000 new accountholders in 2006 alone. This performance shows the success of this strategy and, above all, how customers identify with the Bank's profile, a synergy which brings growing sustainable business growth.



SUSTAINABILITY MAP





Eduardo Simões

Focus on customer satisfaction



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Accountholders using ATMs at the USP branch (São Paulo)



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Preferential attendance for the customer

Customers

7.4 million customers in Brazil

Achievement

750,000 new accountholders in 2006

Business

More than 300,000 companies in the portfolio

Excellence in service

1,300 branches have already implemented the A+ Program

Sales Points

2,026 branches and banking service posts

F1 Program

Differentiated treatment led to the retention of public employees in São Paulo



CUSTOMER CONQUEST, LINK AND RETENTION

The actions arising from the Retail Banking 20.10 Project, focused on the commercial area of the branch network and, led to a significant increase in the customer portfolio.

The physical, operational, commercial and technological infrastructure has been expanded and modernized over the last five years. In 2006, the legal and technological integration of the Group's institutions in Brazil concluded the process of change and opened the way to a new phase of expansion.

To accelerate the growth process, the Bank initiated the implementation of the Retail Banking 20.10 Project which intends doubling business volume by 2010 and concentrate efforts mainly in the commercial area of the retail network. Two products launched in 2006, among others, showed this differentiated profile clearly: the Santander Light Credit Card which cut by half average interest rates charged by the financial system, and *SuperCasa 20*, a pioneering mortgage in Brazil, which offers fixed installments for a period of up to 20 years.

Customer Profile

The initiatives undertaken by the Retail Banking 20.10 Project have already brought the first positive results: in 2006, around 750,000 new accountholders were added. One of the main reasons for the rising customer base was the Bank's success in gaining the payroll accounts of large multinational companies and, in particular, the public employee payroll of the municipal government of Rio de Janeiro, which represented 165,000 new clients.

The Business segment, directed at companies with revenues of up to R\$ 20 million, ended the year with a portfolio of more than 300,000 companies. The potential growth of this sector led to the creation of an executive department dedicated exclusively to it, with planning, marketing, products and development of business intelligence areas.

The area which attends the large companies segment was also restructured and expanded. It now processes all operations in an integrated way and has 125 specialist managers (superintendents and business managers). This is an increase of 54% over the year and the team which will increase by another 50% in 2007.



Front view of a Santander branch (Rio de Janeiro)

Excellence in Service

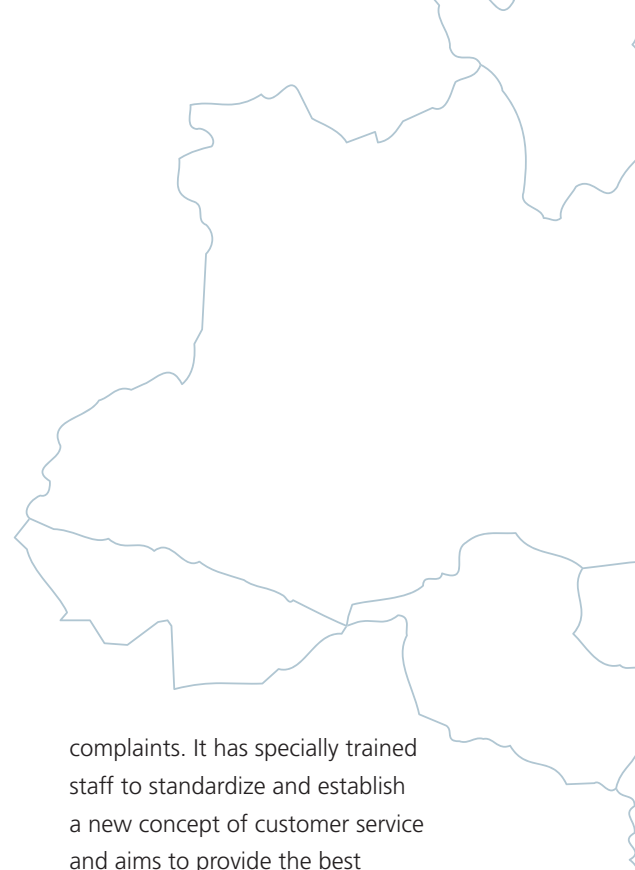
Santander focuses on customer satisfaction and dedicates special attention to attendance. To approve contact with customers on a constant basis, it has adopted various initiatives, such as the A+ Program, which trains teams to identify needs and expectations and offer creative, differentiated solutions.

The technological integration, which ended the final stage of the structural changes at the beginning of 2006, also brought advances. The retail network gained new tools to improve service and make it more flexible. These include the Superbase system which gives employees access to the customer's historical records, allows them to get to know the customer's relationship with the Bank and find products which fit the client's profile. The 20.10 Plan, aimed at winning and retaining customers, also established two new personalized attendance centers.

□ **Solutions center** – this is the channel set up to receive, handle and resolve complaints and register suggestions and compliments from customers and the network. The center's mission is to achieve excellence in dealing with these

complaints. It has specially trained staff to standardize and establish a new concept of customer service and aims to provide the best solution to every case as quickly as possible.

□ **Customer Retentions Center** – this center has a team of specialist staff and operates on three levels: proactive, dealing with customers who show some sign of leaving the Bank; active, reacting to inactive customers; and receptive, attempting to solve possible problems from customers who request the cancellation of a product or account closure in order to understand the reason and reverse the decision.





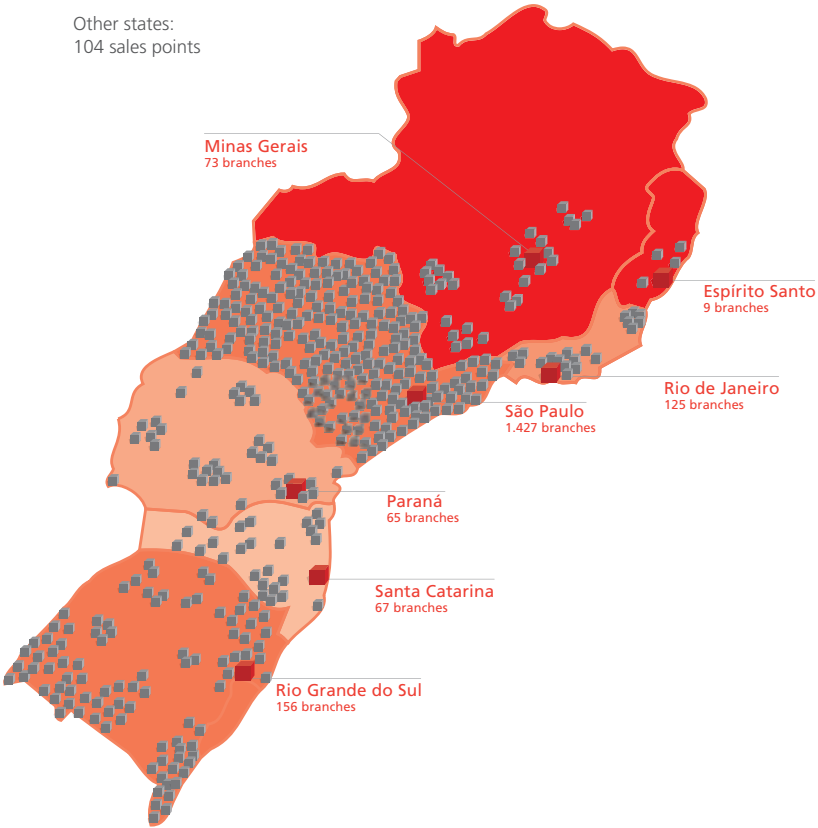
A+ Program

The **A+ Program** was created in 2004 to improve the service model at the sales points and train employees to adopt practices to form a closer relationship with the customers, from the initial contact to matching their demand and identifying new business opportunities.

The program is focused on aspects such as speed, courtesy, relationship, ability, accessibility and the physical surroundings. It has created behavioral directives and processes for employees and improved the physical environment, creating a new concept of the point of sale.

The initiative, which began in a small number of branches, reached the 1,300 mark in 2006. Of these, over 200 already have a modern system for managing queues, one of the pillars of the Program.

Other states:
104 sales points



Wide Distribution

Sales Points ¹	2,026
ATMs	7,440
Customers (million)	7,4

1. Includes branches and banking posts



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Concern right from the beginning until the problem is solved

The Bank's strategy of maintaining the loyalty of public employees proves its desire to attend this market and the integration of its team to achieve consistently better results.



Eduardo Simões

Exclusive products and services for each segment

F1 Program

Public employees in São Paulo state have a historical link with Santander and, for this reason, receive special, differentiated treatment. As part of the Bank's strategy of segmenting customer attendance, the exclusive F1 Program was established. It includes the development of differentiated products and services, the modernization of busy sales points frequented by public employees, actions to delight the customer and promotions to reward fidelity. All the initiatives have the single aim of reinforcing the long-term relationship between these customers and the Bank.

Most of these public employees receive their salaries through the Bank and efforts were intensified in 2006 to retain them. This action became necessary as the payroll of the São Paulo state government was transferred in January 2007 to the official state bank. The strategy was highly successful as most customers opted to keep their relationship with Santander which they chose as their bank of preference.

The success should be credited to a series of innovative products and services, proving the Bank's experience and vocation in attending these

customers. The Bank also used a team of 650 specially trained business managers allocated in 300 attendance points with the greatest concentration of public employees, plus more than 100 relationship managers specialized in attending the public employees at the workplace. It also offered discounts in tariff packages, better credit conditions and launched an exclusive Premium Credit Card, with no annual charge and discounts in accredited retail networks.

As part of its appreciation, respect and recognition of the importance of community services, the Bank also sponsored a number of events in different categories of the public employee area. For example, in the education area, it established partnerships with the State Education Secretariat and universities to improve the training of its teachers and pupils in the public school network. The Culture Bridge is one example. In 2006, this project took 30 teachers to Salamanca for a Spanish-language improvement course. The ¡Oye! Project is an on-line Spanish course for teachers throughout São Paulo state.



Student customer, Santander Universities (São Paulo)

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Special conditions to help students learn how to manage their own budget

Eduardo Simões

Universities and Students

The Bank's decision to concentrate its social activities on higher education has brought it closer to universities and students. Santander provides a wide range of exclusive products and services to meet the special needs of this customer segment.

The Santander Universities program was created for young people. Besides supporting higher education institutions, it also offers special conditions so that students can have their own current account and learn to manage their budget.

Agribusiness

Santander is the largest private financial institution in the agribusiness area in São Paulo state and plays an important role in the country as a whole. Its operations cover the entire productive chain and it ended 2006 with R\$ 3,052 million in loans to agribusiness, 36.3% higher than in 2005. This outstanding position is the result of forming partnerships with its 38,000 rural customers. The Bank has a specialist attendance team consisting of 80 agronomists who operate in the South and Southeast regions.

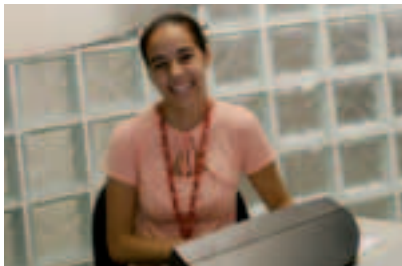


Eduardo Simões

Daring products, consistent results

Light Credit Card

500,000 new customers in only four months



Eduardo Simões

Efficient, agreeable attendance

Din Din Voluntário (Din Din Voluntary) Project

8,300 blankets donated to over 270 social organizations

Payroll loans

R\$ 1.7 billion in loans to employees of 1,427 companies in 2006

Din Din Natal da Alegria (Christmas Din Din Happiness)

R\$ 300,000 donated to the *Doutores da Alegria* (Happy Doctors) NGO



Paulo Uiras Neto

The Doutores da Alegria (Happy Doctors) NGO receives a donation from Santander

SuperCasa 20 Mortgage Product

20 years repayment period with fixed installments



PRODUCTS AND SERVICES

Santander was a leader in increasing credit, by expanding mortgage and reducing the spreads and interest rates.

In line with the commercial positioning of the Group, Santander in Brazil is an aggressive, innovative bank which is daring in the creation of products and services both for the individual and corporate customer or specific market niches. As well as launching products which provide extra advantages to customers or attended specific segments, the Bank also stood out in 2006 for the following reasons:

- it increased the amount of credit made available in all segments (while preserving the quality of the loan portfolio), thereby boosting the economy;
- it reduced the spreads, thereby bringing banking services to more people;
- it reduced interest rates, making credit available to a larger number of people; and
- it expanded mortgage credit which helps reduce the housing shortage.

Another differential is its products linked to social initiatives, created to increase the Bank's activities directed

at the economic and social growth of the country.

Din Din Natal da Alegria – Doutores da Alegria* **(Christmas Din Din Happiness Project – Happy Doctors NGO)***

The *Din Din Natal da Alegria* (Christmas Din Din Happiness) capitalization product was launched for the second consecutive year. This project allowed Santander to help the *Doutores da Alegria* (Happy Doctors) NGO, as part to the sales revenue is transformed into a donation.

More than 36,000 products were sold between October and December 2006, resulting in a donation of R\$ 300,000 to the NGO.

Santander arranged for the NGO to make presentations to its branch employees in various locations so they could have more information for the customers. The NGO used these occasions to comment on and publicize the work it does with hospitalized children.

(*) Product guaranteed by Santander Capitalização S/A – CNPJ 03.209.092/0001-02 – Susep process



Divulgação

Publicizing the *Din Din Natal da Alegria*
(Christmas Din Din Natal Happiness) product

Din Din Voluntário (Din Din Voluntary) Project

The *Din Din Voluntário* (Din Din Voluntary) project was held in the branch network between February and March of 2006 with the aim of bringing the Bank closer to needy communities and creating a positive link with the product.

Part of the sales revenues from the products were used to buy around 8,300 blankets which were donated

to more than 270 social organizations around the country.

The organizations were chosen by the branches and the blankets were delivered personally.

Another social activity is foreseen for 2007 - the Big Friendly Din Din Project which will take place between January and March. Part of the sales revenues will be used to buy blankets for social organizations to distribute in winter.

Continuing Education

The Continuing Education Credit program finances postgraduate, MBA, doctorate and master's students in Brazilian universities which have agreements with the Bank for students who do not have the resources to invest in their professional career.

The initiative finances up to 100% of the course and the students have up to 90 days to pay the first installment of the loan which can be packaged over 36 months.

SuperBonus

To encourage social initiatives among its customers, the Bank created the SuperBônus program. This program was launched in 2002 and allows Santander credit card holders to donate the bonuses they have accumulated in their purchases with the cards to partner bodies. The Bank currently has agreements with four non-profit organizations: *Alfabetização Solidária* (Literacy Solidarity), *Ceris* (Social Research Center), *Doutores da Alegria* (Happy Doctors) and *Parceiros Voluntários* (Volunteer Partners).

INSS Supercredit

More than 900,000 pensioners who receive their INSS state pension through Santander can apply for the INSS Supercredit loan, created under the federal government program to give a larger part of the population have access to bank credit. The SuperCredit loan is made at lower rates (around one-third of normal), with differentiated repayment periods and installments which are automatically discounted in the payment of the benefit. This allows the lenders to plan their finances better and increases the security to the lender.

Over 109,000 pensioners took out loans with the Bank between April 2005, when the Supercredit was created, and December 2006.



In 2006, the number of companies which had agreements with the Bank to provide pay-backed credit to employees registered an increase of 29%.

Payroll loan

The payroll loan, known as Consigned Credit, allows employees from accredited companies to receive loans from the Bank with the payments made directly from the payroll. These loans came to R\$ 1.7 billion in 2006 and Santander has agreements with 1,427 public and private companies. This is an increase of 29% over the 1,107 agreements registered at the end of 2005.

To advise these employees on being responsible in terms of credit, the Bank holds presentation at which it shows them how to carry out healthy financial planning. To do so, it created a training area which prepared around 3,000 people in 2006, including customers and employees to ensure a high quality service and that the product was disclosed correctly.

Micro-loan

This loan is directed at small entrepreneurs with low incomes and is made in accordance with Central Bank Resolution nº 3310 which lays down the use of a minimum of 2% of the value of sight deposits for this line of credit.

At the end of 2006, Santander had 27,324 micro-loan contracts totaling R\$ 15.7 million. These operations are made at pre-fixed rates of 2% a month (a percentage decided by the Central Bank), had an average payment period of 17 months and amounted to an average of R\$ 575 per loan.

Eduardo Simões



Entrance to the Juscelino Kubitschek branch (São Paulo)



Daniel Rosa

Entry to the Butantã branch (São Paulo)

The launch of the Light Credit Card proves Santander's innovative profile and its potential for foreseeing trends and winning new market niches.



João Luiz Musa

Woman's Protection Insurance: service directed at health and welfare

Woman's Protection Insurance

This is a differentiated product which aims to improve the health and well-being of the woman. The policy guarantees a payment in cases where cancer of the breast, womb and ovary are diagnosed. In the case of accidental death or invalidity of the family breadwinner, a series of other benefits are also provided, such as nutritional assistance and discounts in purchasing medicine.

The Bank carried out two events in 2006 to promote the product and encourage health care. The first, to mark International Woman's Day, presented all those who had acquired the insurance during the period from March to May with the *Saúde da Mulher* (Women's Health) Guide. This publication appears in six installments and covers issues of

importance to women's health and welfare.

The second was directed at a new public group - the employees of the Rio de Janeiro municipal government which has 70% of women on its payroll. All customers who acquired the Woman's Protection Insurance in the Rio region in November and December received a summer kit consisting of a beach bag and a spray.

Light Credit Card

In August 2006, Santander surprised the market by its daring when it launched the Santander Light Credit Card on the open market i.e. to account and non-account holders. This card charges half the usual interest rates in this segment and even doubled the average market credit limit.



SuperCasa 20

In the mortgage area, Santander also launched an innovative product - the *SuperCasa 20*, the first mortgage for Individuals within the Housing Financing System (SFH) which offer fixed installments during the whole contract. This helps the borrower to plan ahead as there will be no surprise readjustments and makes it easier to achieve the dream of becoming a homeowner.

The loan has a lifetime of up to 20 years and can be used to purchase homes from R\$ 40,000. It has an

additional exclusive feature – the possibility of choosing one month during the contract when the payment need not be made.

In June 2006, Santander also launched Behavior, an analysis of payment involving no bureaucracy based on the good behavior of the borrower during the construction period to the purchase of the home. In October, it revised its internal proceedings and reduced the number of documents required from the future borrower to make the process more flexible.



Eduardo Simões

Products and services which bring customers extra advantages



João Luiz Musa

Innovative services for accountholders

Multi Retorno Mais

The *Multi Retorno Mais* is a product which combines a Multi-market Investment Fund with an insurance policy and guarantees the savings gain after a period of two years.

The first *Multi Retorno* product was launched in 2001 and is composed of a Multi-market Investment Fund and an insurance policy which guarantees the invested capital after a year. Three versions of this product have now been launched.

The *Multi Retorno Mais* was launched in February 2005 and is a variation on the original product. In 2006, the *Multi Retorno Mais 3* and *Multi Retorno Mais 4* were launched, aimed at individual and corporate customers, and the *Multi Retorno Mais Business*, exclusively for corporate entities.

Along with the *Multi Retorno* family, the Bank also launched other unique products on the fund market in 2006.

- ▣ *Multi Segurança*, a DI fund (more conservative, to invest in securities remunerated by interest rates) with an insurance policy which guarantees at least the return of a savings account after two years.
- ▣ *Multi Segurança Mais*, a conservative fund with an insurance policy which guarantees the return of the savings account and a personal accident policy which also covers coerced withdrawals.
- ▣ *Melhor de 2*, which provides the highest return between two funds (Fixed Income and the DI) at the end of each month.



João Luiz Musa

Combinations to encourage saving and realize dreams



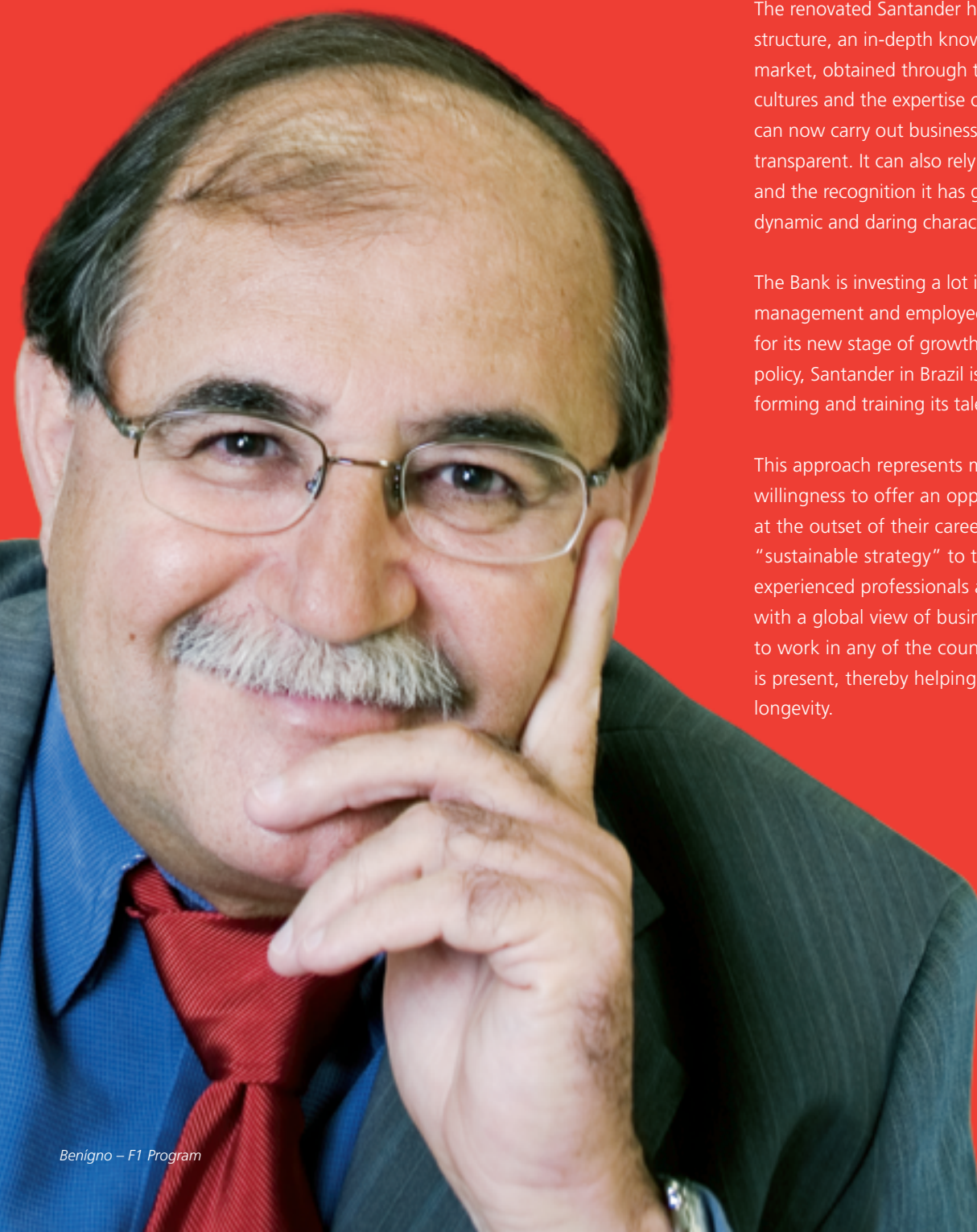
SUSTAINABLE STRUCTURE

With the technological integration and legal merger of the banks within the corporation in Brazil, the Bank became more modern, agile and innovative.

The renovated Santander has a modern, complete structure, an in-depth knowledge of the local market, obtained through the integration of cultures and the expertise of a global group, and can now carry out business efficiently, securely and transparent. It can also rely on its strong brand and the recognition it has gained for its innovative, dynamic and daring character.

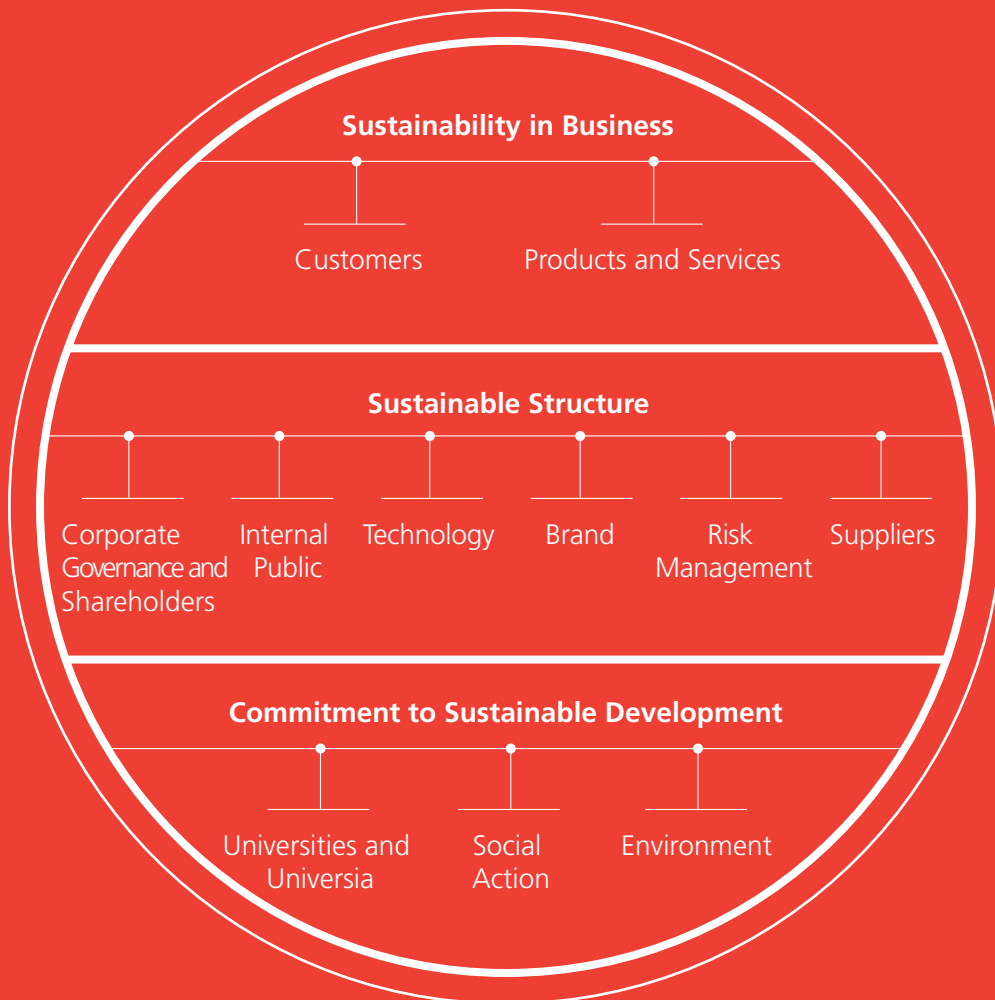
The Bank is investing a lot in personnel management and employee training in preparation for its new stage of growth. In line with the Group policy, Santander in Brazil is a leader in placing, forming and training its talents at all levels.

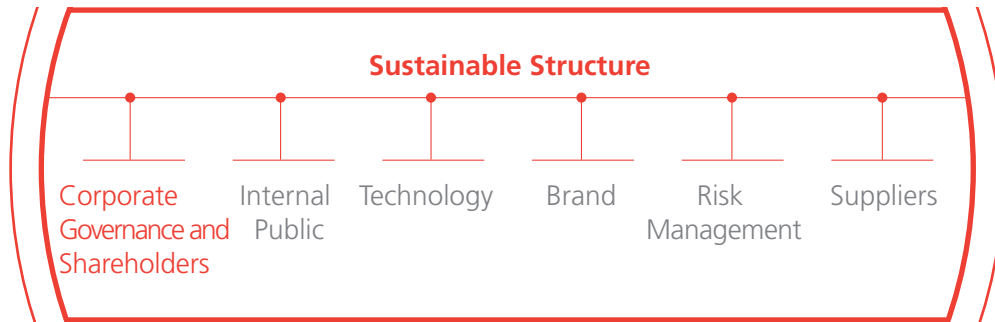
This approach represents more than a simple willingness to offer an opportunity to employees at the outset of their careers. It is, in fact, a "sustainable strategy" to transform talents in experienced professionals and skilled executives with a global view of business and the ability to work in any of the countries where the Bank is present, thereby helping ensure the Bank's longevity.





SUSTAINABILITY MAP





Eduardo Simões

Graça and Vítório – Commercial Network



Eduardo Simões

*Armando (Individual Customer Segment)
and Agustín (Risks)*



Eduardo Simões

*Ramón (Individual Customer Conquest)
and Gilberto (Insurance)*

Technological Integration

Four financial institutions were integrated

Code of ethics

Disclosure of best practices in working behavior

Code of conduct

Established rules of behavior in the stock market

Transparency

944 press releases issued and more than 2,500 press inquiries handled

Media

Media exposure is one of the highest ratios in the sector



CORPORATE GOVERNANCE AND SHAREHOLDERS

The Bank adopts rigorous rules of business conduct to ensure total transparency in management, equal treatment in disclosing information and respect for minority shareholders.

Santander adopts the best world practices of corporate governance and initiatives which ensure total transparency in its management and equal access to information provided to the market.

To standardize its operating procedures and processes, increase the efficiency of the management instruments and improve the organizational structure, approval was given in August 2006 for the incorporation of Banco Santander Brasil S.A., Banco Santander S.A. and Banco do Estado de São Paulo S.A. (Banespa) by Banco Santander Meridional S.A.

It was also decided, on the same occasion, to alter the official corporate name of Banco Santander Meridional S.A., to Banco Santander Banespa S.A.

As part of the Santander Group – which has its shares traded on the New York Stock Exchange – Santander in Brazil adopted the rules of business conduct required by the American legislation (Sarbanes-Oxley Act).

To publicize the best working practices, the Bank has a Code of Ethics, directed at all employees, which establishes the procedures

for an impartial, honest conduct in personal and professional activities, based on values of citizenship, dignity, work, respect, loyalty, decorum, zeal and efficiency, taking into account factors such as ethics, professional secrecy and personal responsibility, amongst others. Santander also has a Code of Conduct for the Stock Market which lays down rules of behavior for all staff whose functions are related to these markets.

The Bank also maintains a specialist department to ensure a good relationship with the media and public. It also has an internal publication called *Idéais* (Ideas) which provides information on events affecting the institution and highlights the practices and achievements in the social and cultural area, along with employees' voluntary activities.



Eduardo Simões

Roberto
(Treasury)

Santander aims to expand its relationship with strategic public groups and society through a close, ethical contact with the media.



Willian Charles

Participants in the Applied Journalism course at the O Estado de S. Paulo newspaper

Relations with the Media

To strengthen its relations with strategically important public groups and ensure the adoption of solid, transparent channels with society, Santander maintains a close, ethical contact with the media through the Press Relations department. This relationship and the responsibility for the information led the Bank to register an average ratio of 8.1 points in the Quality of Exposure in the Media scale (from zero to 10 points). This was one of the highest of any financial institution in Brazil.

In 2006, the Bank publicized various actions through the press, always based on transparency, the diversification of information and equal treatment for the small regional and national publications. It also adopted a number of initiatives, such as supporting the sixth Ethos Journalism Award for the fourth consecutive year and sponsoring the Intensive Applied Journalism Course of the *O Estado de S. Paulo*

newspaper. The Bank also arranged meetings with 370 journalists, through 70 visits to newsrooms and 58 events, including lunches and press conference.

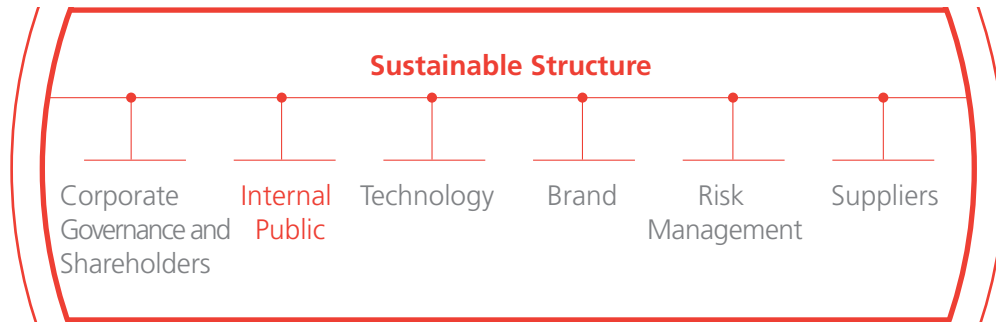
During this period, the Press Relations department issued 944 press releases and handled more than 2,500 calls from the media.



Daniel Rosa



*CASA 1 – Santander
Administrative Center
(São Paulo)*



Eduardo Simões

Gabriela and Nuno
(Cards)



Eduardo Simões

Cláudia and Lilian
(Investor Relations)



Eduardo Simões

Sérgio
(Government Relations)

Employees

More than 34,000 members of staff

Ability

More than 8,000 hours of evaluation in four years

Opportunity

1,448 interns hired in 2006

Promotions and merit awards

12% of more than 23,000 employees received some kind of recognition

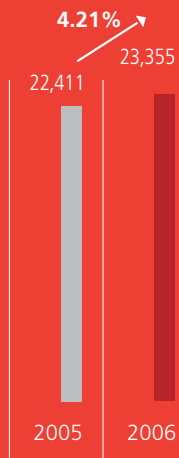
Training

More than 1.8 million hours of training in the year



INTERNAL PUBLIC

Rise in number of employees



Santander believes people are a company's differential and a Bank which has the goal of becoming market leader also needs to be one of the best places to work.

Santander intends expanding its business in Brazil and, at the same time, wants to promote the personal and professional development of its employees. It also wants to attract young people to ensure the permanence of this new stage and create value for the Bank and people.

The investments in formation and training, development of career plans and the creation of a healthy, cordial working environment increased substantially from 2006 with the intention of transforming the Bank into a center of ability and knowledge sharing. To do so, the human resources area works intensively in restructuring a combination of projects with five focal points:

- reducing staff turnover to create integrated, well-trained teams;
- qualify professionals at all levels, particularly branch staff;

- establish a "culture of belonging" (being proud to belong to Santander) and pursue a global identity (globalization);
- create a Communication Program as a support for the areas;
- consolidate the best Human Resources management practices.

From these objectives, the HR Communication Program has already been established to bring greater efficiency, transparency and flexibility in providing employees with information. The HR Communication Program activities will include setting a monthly timetable of actions which simplify the area's activities and relationship with employees.

At the end of 2006, Santander had a workforce numbering 23,355. During the year, 5,458 new staff were hired, of whom 1,448 had been interns.



Eduardo Simões

Agreeable working environment

The challenge of assessing the performance of the managers and employees, measuring skills and mapping talent came to a record 8,000 hours of evaluation in 2006.



Eduardo Simões

Sérgio, Cristiane and Paulo
(Business)

Human development

In 2006, the HR area consolidated the practice of evaluating all Bank employees through the Strategic People Planning method (SPP). This method aligns information from all areas and brings together leaders to define strategies in personnel management. It also redesigned its systems of assessing ability and results.

All these efforts to measure skills and talent led to more than 8,000 hours of evaluation over four years. This was a record and allowed the Bank to know the potential and career paths of 10,000 of its employees.

It was also the first year in which the 360-degree assessment program was used under which the leadership and relationship style of managers were analyzed by subordinates and other leaders, with the aim of using the potential of the performance evaluation.

Of the Bank's 3,000 leaders, 900 were evaluated by over 5,000 assessors and the results were above expectations. The average grade was above 4 on a scale of one to five, showing that the

managers are performing in line with expectations.

In the business areas, the HR management department mapped the key positions and created succession charts. It also concluded the mapping of young people with potential in the Bank and identified staff capable of assuming leading positions within the organization.

The Bank bases its performance evaluations and recognition purely on personal merit which includes ability, effort (performance) and identification (alignment) with the institution's aims and values.

The number of merits and promotions made in 2006 prove the Bank's intention of recognizing its team's abilities – 1,136 merits and 1,817 promotions were made. This means that 12% of the staff of over 23,000 employees received some kind of recognition.



Eduardo Simões

José Eduardo
(Releasing Operations)



Davielyn Dourado

Karina and Cristina
(Private Banking)

Working Climate Survey

At the end of 2005, the Bank held a survey of the working environment, the results of which led to more efficient training plans being drawn up in 2006 and, in combination with senior management, collective goals to improve the climate.

This is the case with the HR Communication Program, created to ensure broad planning of communication initiatives.

The results were satisfactory and showed the importance of adopting methods to improve the working climate, including 360-degree evaluation of managers.

In December 2006, a sample survey of 10% of employees to evaluate the initiatives already implemented and direct the next steps showed a big increase in satisfaction and motivation, particularly in the branches.

Organizational Development

Professional Education and Development

The professional education and development of staff is coordinated by the Formation and Development Center (CFD) which focuses on the Bank's strategic objectives to ensure that every employee has skills and good attendance, creates business, is cautious in risk taking and that every leader is good in personnel management.

Any employee can access the Formation Campus, via intranet, and obtain information on classroom and distance programs and find the Individual Development Plan drawn up by his or her manager.

This Campus is the result of a partnership agreed in 2005 in which a number

of distance-learning programs were created or improved by a team of professionals from the Universia portal. This team creates and presents contents and services on the web in Portuguese and Spanish, directed at the academic community. In 2006, the HR area strengthened its relationship with the Portal which also began the process of identifying students for the Bank's intern programs.

In just one year, 78 new training courses were developed, of which 15 were virtual. The Center for Formation held 1,120 training sessions in the classroom in 2006 with 117,391 participations. A total of 1.8 million hours were held at an investment of R\$ 22.1 million. It is also worth mentioning the Continuing Education Program which has been adapted for the commercial network.



Eduardo Simões

Edvaldo (Wealth Management)
and Marcelo (Risks)

The Bank was a pioneer in business specialization and developed a continuous education program aimed at forming an elite of senior level executives.



Eduardo Simões

Gustavo
(Treasury)

Master in Business Management

– The pioneering Master in Business Management program is the Bank's biggest initiative in the specialist business area. The program intends creating an elite sales staff to develop and expand the retail business and is a continuing education program. It was launched in March 2006 and it targets superintendents, general and business managers from the commercial network, particularly in the Business, Preferential and Agribusiness sectors. The program is split into three themed blocs

– View of the Market and Customer, Economy and Finance and Business Management and Tools. It has the weight of an MBA, with classroom and distance lessons, and workplace activities, such as presentations, visits and seminars. During the year, 775 high potential executives from the commercial network took part through 34 groups.

training course to integrate new employees to the working routine. The idea is to give all new Santander Group employees throughout the world the same treatment and access to essential information to carry out their activities. The program is defined at headquarters and is valid for all Group units worldwide.

It is modular and consists of classroom lessons, Internet courses and on-the-job training and aims to provide the new employee with an overview of how the Bank operates and his or her role in the organization. Depending on the new employee's function, the course can have up to five days of classes and content on institutional relations, amongst other topics. The training for commercial network staff is specific to the working routine. Since the program was implemented, 2,382 new employees in Brazil have participated.

One Voice Program – The *Uma Só Voz* (One Voice) Program was created in 2006 as part of the initiatives to strengthen the Santander culture in Brazil. It consists of a three-month



Eduardo Simões

Interchange of employees
within the countries where
the Bank is present

Managing Talents

MBA Summer Jobs

This program is directed to Brazilians studying for an MBA abroad and provides openings to develop projects in Brazil during the holidays, with the possibility of being hired at the end of the course. Twelve such students took part in the program in 2006.

International MBA for Employees

This program to help high-flying employees study for an MBA abroad was launched in 2006. During the second semester, 80 employees were recommended by executives from their respective areas to participate in the selection process for the scheme. From 2007, 10 of these candidates will receive a broad training and accompanying program for the selection process of the university which is most appropriate to the employee's profile. By the end of 2007, five employees are due to be chosen to take the MBA courses at these universities. During the course,

the employee will have a study grant and all the education costs will be paid by the Bank.

Future managers Program

The *Futuros Diretivos* (Future Managers) program is a standing project involving the interchange of employees among the countries where the Santander Group is present. It aims to prepare and form executives to work at international level and compete for senior positions within the Group. It is directed at employees in the 26 to 29 age range who have worked for the Bank for at least two years and have stood out for their performance and leadership qualities. It lasts two to three years and has taken place twice. There are currently 15 foreigners working in Brazil and 20 Brazilians abroad.



*Gilberto
(Insurance)*



*Aprendiz@Sucesso: practical, routine work
combined with technical lessons*



*Trainees are helped by a consultancy
in developing skills*

Eduardo Simões

Eduardo Simões

Deco Rodrigues

Training and Building Skills

New Talents Program (Trainees)

The 19th series of the New Talents program received 15,000 applications for 29 trainee positions to prepare recent university graduates for a career in the Bank. The program combines theoretical and practical training, is split into four modules and lasts 12 months.

In the latest series, the trainees were helped by an external consultancy which worked with the HR department to develop their skills during the whole program and shape the direction of their careers. There are expected to be 12 new vacancies next year.

Aprendiz@Sucesso

The Aprendiz@Sucesso program began in 2003 and allows needy young people aged from 14 to 24 from the medium grade to enter the Bank. It combines practical, routine work with technical lessons which complement the training. In 2006, it attended 111 young people, an increase over 2005 when 96 students were involved.

Institute (ITA-SP), *Poli Cooperativo* polytechnic, Federal University of São Carlos (Ufscar) and the University of Campinas (Unicamp).

The differential of this program is that it provides students with the chance to develop strategically important projects within the Bank and at the end of their studies to come back as employees to help the organization grow.

Intern Program

Santander has the largest number of interns of any bank on the market. Around 3,000 students are selected for the program and there is increasing demand from applicants every year. The 2006 selection process involved new evaluation tools and an advanced vocational test model.

These changes allowed the Bank to identify the qualities of each applicant and evaluate his or her chances of fitting the vacancies more precisely. In 2006, Santander took on almost 1,500 students who had taken part in the Intern Program.

Special Intern Program

Since 2002, Santander has been offering special, short-term internships during holidays to engineering and computer science students to take part in developing specific projects. A total of 400 students have already taken part in the Special Intern Program – aimed at students from the Military Engineering Institute (IME-RJ), Aeronautic Technological



Eduardo Simões

The Bank managed to attend the payroll accounts of the Rio de Janeiro municipal government and the Arcelor company from Minas Gerais in just 11 weeks by operating in an agile, dynamic way.



Eduardo Simões

Silvio
(Cash Management)

Internal Programs

Rio and Arcelor Project

In 2006, Santander won the payroll accounts of public employees in Rio de Janeiro and employees of Arcelor in Minas Gerais. These are strategically important regions for Santander's expansion plans in Brazil and brought 165,000 new accountholders in Rio de Janeiro and 19,000 at Arcelor.

The Bank had only 11 weeks to create the entire infrastructure needed to serve the workers in Rio and Arcelor and did so by dynamic, agile and forceful efforts. Besides setting up sales points, attendance posts and equipment, 841 people needed to be hired in Rio de Janeiro and Minas Gerais in a short period of time.

The HR area altered its traditional recruiting processes and sent a team of 16 managers and career professionals with experience of serving public employees and hired a consultancy to provide around 80 hours of training per employee. The Speaking with *Uma Só Voz* (One Voice) program explaining the Santander Culture to new employees was adapted and customized by the training team

managers so that the new employees could receive all their training as quickly as possible. The Rio and Arcelor program involved 70,368 hours of training and the new employees participated in 22 classroom and distance learning courses.

Opportunity Channel

The Opportunity Channel is an internal mobility program which allows employees to apply for other positions within the Bank and change their operating area.

The intention is to create opportunities for employees to find a position which is more appropriate to their profile and/or acquire more experience by getting to know other departments.

To participate in the program, the employee registers through the HR portal in the intranet where vacancies are posted. The HR area analyses the candidate's profile and the demands of the position and whether the move would be successful. If not, it directs the employees to functions more in line with their profile.



Eduardo Simões

Santander has a diversified, motivated team

Inclusion and Social Promotion

Diversity Appreciation Program

This program was created in 2006 with the aim of the social inclusion and promotion of particular groups, particularly women, Afro-Brazilians and people with deficiencies.

Women

In Brazil, 51% of Santander's workforce is made up of women yet there is a big difference in the number of men and women in executive positions. To increase the number of women in more responsible jobs, Santander in Brazil is taking part in a Group program which intends boosting career opportunities for women within the organization. This global initiative brings together two groups:

- ▣ **TOP 60** – the 60 women with the greatest potential to rise, of whom 16 are Brazilian.
- ▣ **TOP 300** – for middle management positions, of whom 76 are Brazilian.

The process of identifying the Brazilian employees with high potential began in 2006 with the creation of a working group of around 90 employees. This group, with the participation of a specialist consultancy, began a discussion and proposed initiatives to promote women to executive positions within the Bank.

Afro-Brazilians

An intern program was started which will reserve 10% of vacancies from 2007 for young Afro-Brazilians and/or young people from needy backgrounds. The program is part of an ongoing partnership the Bank has developed with the UniPalmares university and the *Afrobrás* NGO. In another initiative with UniPalmares, Santander intends offering students the opportunity to study a discipline in the business development area, as a way of promoting entrepreneurship and income creation. The trainees will also be offered grants for the *¡Oye!* Project on Spanish language and culture directed at public school teachers in São Paulo state in partnership with the *Miguel de Cervantes* Institute.

People with Deficiencies

Santander currently has around 500 employees with some kind of deficiency and intends hiring another 600 by 2010 to increase professional opportunities for this group. The Bank is also taking part in a project with the Brazilian Banking Federation (Febraban) on the professional formation of these people. A number of communication and awareness campaigns will be held in 2007 involving all employees as part of the ongoing process to promote access for people with deficiencies.



Culture and Identity

In July 2006, the Bank launched the Culture and Identity program which aims to reinforce the Santander Culture among its employees. The program is part of a global project to align the Group values – leadership, dynamism, innovation, strength, professional ethics and customer focus – in all countries.

As part of efforts to ensure that this commitment is also closer and present, the Group announced its intention of giving 100 shares to each of its 130,000 employees as part of the celebration marking the Group's 150th anniversary in 2007. Global integration and insertion programs are also being implemented, such as a united intranet for all countries and immersion courses in Spanish for non-native speakers.

Global Insertion

To reinforce the Santander Culture and increase employees' perception that they are part of a globalized company, a corporate intranet is being created in Madrid which will be established in all countries where the Group operates. Brazil should be integrated to the new intranet in September 2007.

The new global intranet will not only provide educational information on Group developments and activities but will also have a special attraction – a worldwide development system which will allow employees to acquire books and have access to on-line courses in Madrid, Venezuela and Mexico.

Another outstanding initiative which will boost efforts to strengthen the Bank's identity is the Santander Group's partnership with the Spanish government's famous school, the

Cervantes Institute. The Universia portal and the Institute signed a cooperation agreement to provide immersion programs in Spanish culture to employees in Brazil and the UK who speak other languages.

The proposal arose from the initiatives directed at Spanish teachers in the basic grade of the São Paulo public school network. The Bank is carrying out a pilot project, based on this experience, with 30 employees which will be extended to 1,000 employees in 2007.

The Group also established a global integration program for staff assuming senior managerial positions. The course takes place in Madrid and reinforces the concept of globalization and the management model Santander has adopted worldwide.

Eduardo Simões



The Group invests in the development and satisfaction of its employees



Eduardo Simões

Quality of life in the working environment



Eduardo Simões

Social space at the CASA1 administration building



Daniel Rosa

Food and drink are easily available

Quality of Life – Você (You) Program

The Você (You) Program, which completes two years in January 2007, is an innovative project by the Bank to promote the quality of life of its employees. It is structured on four pillars – well-being, family, work and social life – and aims to develop a new culture founded on:

- ▣ respect for the individual – to encourage personal and professional satisfaction, based on taking advantage of one's spare time;
- ▣ making the institution more personal – to promote the broadest interchange among employees;
- ▣ changing behavior – to encourage the development of a new culture in the organization, based on aspects involving the quality of life;
- ▣ organizational harmony – to motivate and promote an open relationship between managers and employees; and
- ▣ positive image of the organization – to help the employee feel proud to belong to this Institution.

Well-being

The Quality of Life Program encourages employees to take care of their health and general welfare. To persuade employees to lead a healthy life, the program undertook a number of events in 2006. The highlights were: vaccine campaigns against the cold, anti-smoking and blood donation campaigns; Emotional Health Week; the Healthy Summer Project held skin exams and raised awareness of the importance of preventing skin cancer; the *Você Mulher* (You Woman) Program, held in March, which was women's month, a series of presentations on Weight Watching, to create groups of interested parties; activities in partnership with the *Se Toque* (Examine Yourself) Institute to prevent breast cancer, involving speeches and information on causes and prevention; booklets on respiratory illnesses, encouraging breastfeeding, and hepatitis; and the creation of the Runners and Walkers Group, with guidance from specialists for group training and participation in competitions.

To ensure the psychological well-being of its staff, the human resources management department has a Personal Support Program. This is a phone service which provides personal support in times of tension or stress and can be used by employees and members of their family. The service has attended 4,231 employees since it started.

Every week the Bank holds a guidance course for pregnant employees and their husbands which encourages the women to have pre-natal care.



Family

Four initiatives marked the quality of life initiatives involving employees' families: the annual drawing competition for staff's children, with the participation of more than 400 children; the creation of calendars with the 12 winning drawings which are distributed to all employees (around 25,000 copies); the Open House activities day for employees' children in the Bank administrative center; and the distribution of around 9,000 customized Christmas presents to employees' children.

Work

In the work area, the program held an Internal Prevention of Accidents at Work Week in May for 17,735 employees. Presentations were made to all employees at which they were given tips on posture at work. The first, entitled "Business Etiquette and Personal Marketing" was given by the consultant, Célia Leão, exclusively for the Bank's female staff. Another speech for male staff only covered the theme "Etiquette, Posture and Business Development" and was given by Cláudia Matarazzo, a journalist and specialist in etiquette. The Bank also held presentations by the *Doutores da Alegria* (Happy Doctors) NGO which covered the importance of happiness as a means of creativity and transforming obstacles into opportunities.

Social Life

As we recognize employees who have been outstanding in activities promoted by the Bank, the *Você (You) Program* distributed more than 2,700 cinema and theater tickets to employees and their guests. The following were among the events offered:

- ▣ an exclusive showing of the film *O ano em que meus pais saíram de férias*, (The Year in which My Parents went on Holiday) a Brazilian production sponsored by Santander. It was directed by Cao Hamburger and elected the best film by the popular jury at the Rio de Janeiro Film Festival;
- ▣ an exclusive performance of the play *Bartleby – o escrivão* (Bartleby the Scrivener), directed by Antônio Abujamra and sponsored by Santander;
- ▣ invitations to the play *O marido vai à caça*, (The Husband Goes Hunting) directed and acted by Cacá Rosset, with a pre-show cocktail;
- ▣ invitation to the play *O Fingidor* (The Pretender), directed by Samir Yazbek, with a post-show cocktail;
- ▣ invitations to the play *Richard III*, directed by Jô Soares and acted by Glória Menezes, Denise Fraga and Marco Ricca, with a cocktail.

At the same time, the Bank maintains agreements with leisure and culture companies which give employees discounts and easy access to tickets with the aim of encouraging staff to enjoy their social lives.



Beatriz Leifvère

Exclusive showing of the film *The Year in which My Parents went on Holiday*



Divulgação

Invitations to the play *The Husband Goes Hunting*



CASA 2 administration building (São Paulo)

Eduardo Simões



Corporate Intranet

Eduardo Simões

Internal Communication

The Internal Communication Department's main objective is to produce, monitor and coordinate the Bank's internal publications by electronic and printed means. In 2006, it produced 12 issues of the internal magazine *Idéias* (Ideas), which has a circulation of 25,000 and is distributed to employees and interns. The layout was redesigned in May to bring it into line with the Santander Group's policy of having a publication with, the same visual identity and name in all countries.

The daily electronic journal published on the Bank's intranet was also reformed and renamed *Idéias On-Line*. A total of 245 issues were posted during the year. Other publications which appeared on the intranet were 232 issues of *Santander Hoje* (Santander Today) and 243 issues of *Buenos Días América* (Good Morning America) with news about Santander's achievements and activities throughout the world in the business and commercial areas.

A number of notable internal communication projects took place in 2006.

Technological Integration: 200 items of information (in bulletins and notice boards) on the technological integration project were produced to answer the main questions; 400 communications were sent by e-mail; 80 presentations open to all employees were held in the central administration; four videos on the project were produced and distributed to sales points, with an educational emphasis, seen by more than 1,000 staff from the central administration; reports were published on the internal communication channels which hailed the achievements of the teams which had worked on the project.



To consolidate the single group identity and encourage global insertion, the internal publications were redesigned and adopted the same name and visual identity in all countries.

Good use of corporate e-mail: this project gives employees tips on the correct use of e-mail using the slogan "Clicking conscientiously only depends on us". The campaign reached 27,000 people (employees, interns and outsourced workers in the administrative centers). In the first month of the campaign, the Information Security and Special Occurrences areas registered the lowest ratio of non-conformance in messages.

In another initiative, the Internal Communication Department organized two presentations on the theme "Communication is Power" to discuss the importance of non-verbal communication, expressions and voice in interpersonal communication, with 218 participants.

One of the main projects for 2007 will be to create a center of corporate memory, as part of the activities commemorating 150 years of the Santander Group. The project will research, document and manage historical information about the Bank, rescuing the human value present in its history, with the participation of employees. The area will also adopt new performance indicators to improve the ways in which the results of its work are measured and increase the internal public's satisfaction with the communication channels.

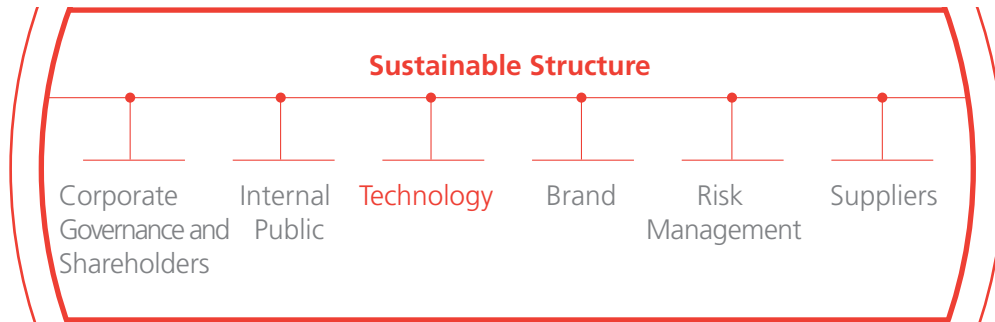


Eduardo Simões

Data security

Eduardo Simões

Conscientious use of e-mail



Eduardo Simões

CASA 2 administration building (São Paulo)

Self-service

The Bank has 12,000 service points and 49,000 ATMs

Equipment linked to the Banco24Horas network

16,924 machines in Brazil



Eduardo Simões

7,440 ATMs strategically located

Facility

7,440 electronic cash dispensers

Flexibility

3,198 Banco24Horas kiosks



Eduardo Simões

Server area

Terminals

21,484 self-service terminals and shared network



TECHNOLOGY

The process of modernizing and integrating the operating systems was concluded in 2006, resulting in a faster, more flexible service for customers.

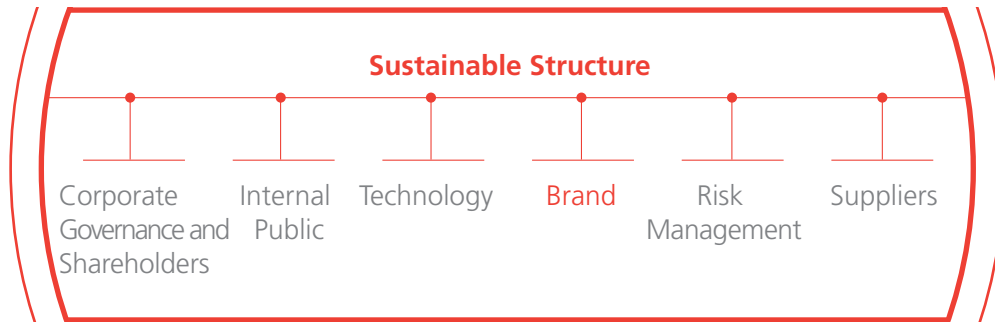
In April 2006, Santander finalized its process of restructuring, modernizing and expanding its operating system. This led to the unification of the processes and procedures, standardization of activities and made the management of the banking network more efficient.

With advanced platforms and the most modern technology, the update integrated all the systems and made customer services faster and more agile. The Bank gained greater flexibility in commercial response and developing products and services which meet the needs of each segment and create value for the Bank and its customers.

The technological improvement represented greater speed in attendance and operating security for customers, at the sales points and the self-service network – the largest in Brazil in terms of proprietary and shared equipment.

Santander customers in Brazil have at their disposal 12,000 service points with 49,000 pieces of equipment. In total there are:

- ▣ 2,026 sales points (branches and service posts) – Own Network;
- ▣ 7,440 electronic cash dispenser (own network);
- ▣ 16,924 pieces of equipment linked to the Banco24Horas network;
- ▣ 3,198 Banco24Horas kiosks; and
- ▣ 21,484 self-service terminals and shared ATMS within the *Rede Verde-Amarela* network (RVA).



Eduardo Simões

Botafoogo branch (Rio de Janeiro)



Eduardo Simões

Brand on branch frontage



João Luiz Musa

Logo highlighted inside Bank offices

Santander

Campaign to launch the brand boosts business

Survey I

Second most recalled bank brand, according to the Synovate consultancy

Survey II

The most recalled advertising of the last five years, according to the *Datafolha* survey

Objective

Campaign featuring football players highlights the Bank's values

Opportunity

Campaigns stress Santander's qualities



SANTANDER BRAND IN BRAZIL

The *Datafolha* institute described the Santander brand campaign featuring the Brazilian football team players as the advertising most people recalled in the last five years in its category.

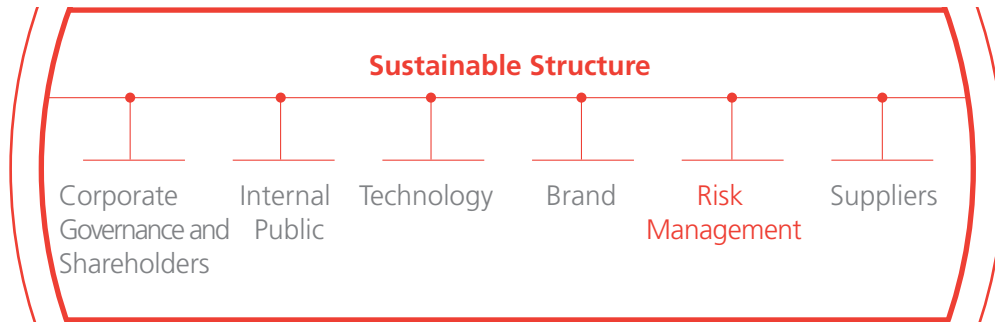
Santander obtained excellent results from its campaign to launch the brand in Brazil in 2006 which boosted business.

After 40 days, the Santander brand campaign was the second most recalled bank campaign in Brazil, according to a survey by the market research company Synovate, published in *Exame* magazine. After 60 days, it was the most recalled over the last five years in the category, according to the *Datafolha* institute.

The aim of the campaign was to endorse the credentials of the Santander and Santander Group brand in Brazil. The Group was elected the best bank in the world in 2005 by the respected international magazine *Euromoney* in its March issue. The campaign centered on the qualities of Ronaldo, Ronaldinho

Gaúcho, Cafu, Kaká, Roberto Carlos and Robinho: innovation, efficiency, creativity, professionalism, agility, strength and leadership, values which show the Bank's sustainable structure and its ability to create value.

In a second stage, the campaign stressed the qualities of the innovative products, such as the *MultiRetorno* fund, *SuperCasa 20* mortgage, and the Platinum and Santander Light cards.



Carlo Ferri

*Prevention and Control
of Operating Risks Week*



Carlo Ferri

Publicizing culture of preventing operating risks



Carlo Ferri

*1,434 Bank employees took
part in the event*

Monitoring

Proprietary risk management models

Advantage I

Resource ensures protection for shareholders' capital

Advantage II

Management ensures sustainable growth

Advantage III

Control allows innovative, high quality products and services to be provided

Technological integration

New tools makes customer service more agile



RISK MANAGEMENT

Proprietary risk management system allows the Bank to monitor its exposure and ensure capital protection, sustainable growth and provide a wide range of products and services.

Santander uses its own risk management models which were developed by the Santander Group and constantly monitor its exposure, with the following aims:

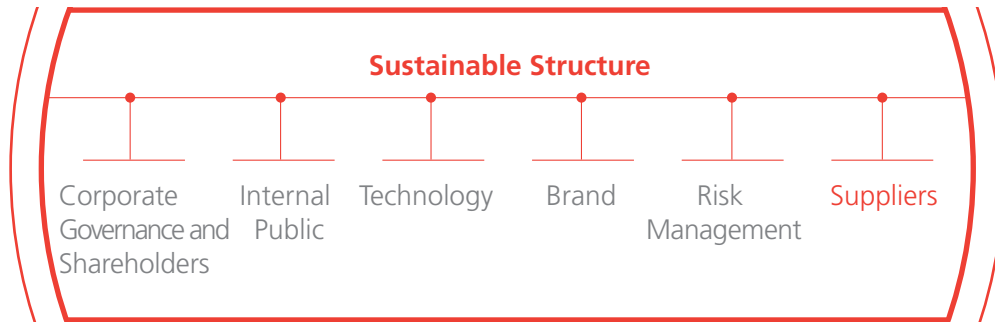
- ensure appropriate protection for its shareholders' capital;
- offer innovative, flexible, quality products and services to its customers; and
- ensure the Bank's sustainable growth.

The methodologies created by the Santander Group follow the strict international standards of the Basle II Accord and bring together its experience as a global bank with the particular features of every region in which it operates. This combination

brings a wide-ranging model which is also appropriate to every type of customer or segment risk.

The modernization and expansion of the Bank's technological complex resulted in new risk measurement tools being implemented. These allowed credit requests to be evaluated within the branch network, thereby speeding up customer service.

A Prevention and Control of Operating Risks Week to publicize and reinforce the culture of preventing operating risks was held in 2006 for the second time. The event covered issues like "Security of Information", "Operating Risks" and "Special Occurrences" and 1,434 employees participated.



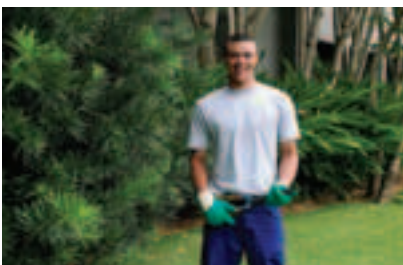
Daniel Rosa

Relationship founded on ethics and transparency



Daniel Rosa

Encouraging social initiatives and respect for human rights



João Luiz Musa

Looking after the gardens at the Bank's Administrative Center

Suppliers

1,030 registered companies

Opportunity

60% of suppliers are small companies

Partnership

30% are medium-sized companies

Distribution

65% of suppliers are from São Paulo state and 15% from Rio de Janeiro and Minas Gerais

Global Purchasing Model

International experience provides support to Santander in Brazil



SUPPLIERS

Santander's relationship with suppliers is founded on the quality, efficiency and social responsibility adopted by the companies, amongst other factors.

Santander's relationship with its suppliers is founded on mutual respect, ethics, transparency and honesty.

The Bank provides equal opportunities in transactions and values suppliers which respect quality, compliance with contracts, efficiency, loyalty, objectivity and social responsibility.

Its purchasing policy encourages social initiatives and respect for human rights, the environment and the quality of life of its workers. To guide its suppliers, the Bank requires a report on the company's activities and carries out visits to check information and documentation. It also requires a declaration in all contracts forbidding the use of child or forced labor.

The Bank currently has 1,030 registered suppliers. Of these, 60% are small companies, 30% are medium sized and only 10% are large. In terms of geographical distribution, 65% of suppliers are in São Paulo, 15% in Rio de Janeiro

and Minas Gerais, 10% in Rio Grande do Sul and 10% in other states.

Purchasing policy

In order to structure its operations with suppliers, Santander uses a Global Purchasing Model, developed with the Santander Group's worldwide experience. This model is subdivided into the following categories: technology and telecommunications, publicity and marketing, external services, supplies and infrastructure. The buying decisions are made by local, regional, national or international teams, according to the amount to be contracted.



COMMITMENT TO SUSTAINABLE DEVELOPMENT



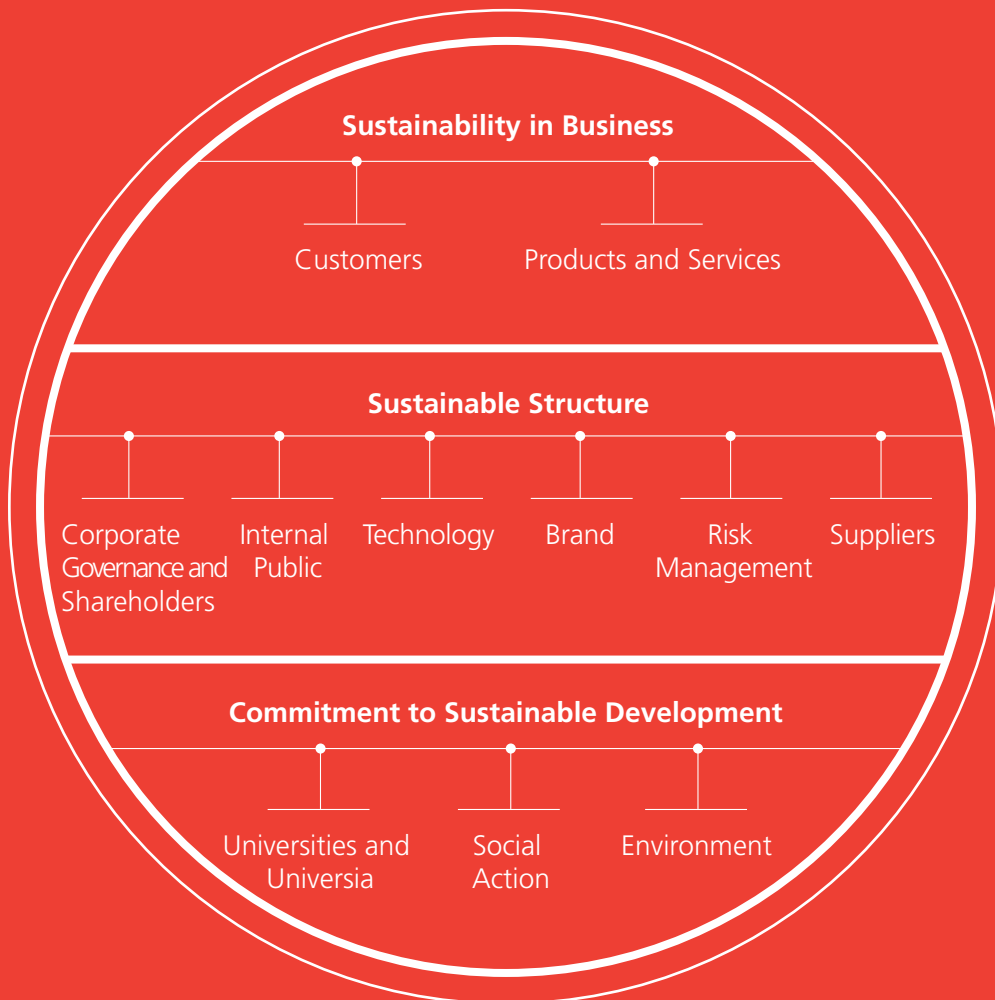
Santander's positioning in the social area is in line with the values adopted by the Santander Group: to support, participate in and actively promote social actions which prioritize innovation, respect for life, ability, partnership, training, the concept of ethics and knowledge transfer, bring about personal and professional growth, the benefits of citizenship and sustainable development of communities.

The Bank concentrates most of its investments in education, particularly higher education and scientific research, but does not restrict its involvement to just making financial donations. A number of employees work on initiatives such as the Santander Universities program. One of this program's pillars is the Universia, a cooperation network involving 985 higher education institutions in Latin America and the Iberian Peninsula and the Miguel de Cervantes Library.

The social initiatives are examined and programmed to have a multiplying effect, promote permanent growth, provide education, professional training and expand the network every year.



SUSTAINABILITY MAP





Sergio Zacchi

Pre-university exam classroom



Nancy Campos

Teachers taking part in the course in Salamanca



Carlos Della Rocca

Team receiving the Santander Banespa Entrepreneurship Prize and the Santander Banespa Science and Innovation Prize

International cooperation

Agreement with 549 universities and research institutions around the world

Universia

985 registered universities and 9.8 million students

Activities

Present in 11 Latin American countries

Brazilian participation

Academic cooperation agreement with 127 universities and a direct line to 1 million students

Investment in Brazil

R\$ 25 million in academic projects and study grants



EDUCATING FOR THE FUTURE

The higher education support program adopted ten years ago transformed Santander into the Bank which provides most support for higher education in the world.

The higher education support program adopted by the Santander Group is completing ten years. During this time the Group has transformed itself into the bank which most supports higher education throughout the world through the Santander University Program. This program is the result of the conviction that education is the driving force for progress and economic and social development.

The Group's initiatives are structured on three pillars:

- cooperation agreements with 549 university institutions and research institutions in Spain, Portugal and Latin America, which bring together more than 8 million students;
- sponsor of the Universia Network, the biggest on-line portal dedicated to the university community in Latin America. This program brings together 985 universities from 11 countries (Spain, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Puerto Rico, Portugal, Venezuela and Uruguay) and 9.8 million students; and
- support for the *Miguel de Cervantes* Virtual Library (www.cervantesvirtual.com). This is an initiative of Santander,

the *Marcelino Botín* Foundation and the University of Alicante, which functions within the *Miguel de Cervantes* Foundation Library, the chairman of which is Mario Vargas Llosa. The library aims to publicize Latin America literature and currently has 23,500 digitalized titles.

These three approaches led to 10,161 grants being provided globally in 2006, to promote study, research and professional experience. The Universia Job Channel made first job opportunities available to 23,000 students. The Group invested 106 million Euros in the social area in 2006, and was also responsible for 380 technological innovation initiatives, nine scientific and technological complexes in three countries, and 17 company incubation projects in five different countries, amongst others.

To manage the diversity of the projects and the size and international reach, in 2006 the Santander Group created a new organization: the Santander University Global Division. The new model is more flexible and efficient and will develop, implement and coordinate the program in various countries in line with the Santander Group's commitment.



Carlos Della Rocca

The rector of USP Suely Vilela and Emilio Botín



Eduardo Simões

Access to the Universia portal



Eduardo Simões

Miguel de Cervantes Virtual Library Portal

Santander Universities

In Brazil, the Santander Universities program has cooperation agreements with 127 universities and forms a direct link to one million students.

The program was created to consolidate the Bank's image as a partner in initiatives which develop, improve and strengthen higher education in Brazil. In 2006, the Santander Universities program invested R\$ 25 million in academic projects and study grants, 47% more than the total volume of resources in 2005, which came to R\$ 17 million. These resources financed two new projects, amongst other initiatives:

- ▣ **The Program to Develop University/ Company Integration Projects**, which brings together students and companies. Its aim is to transfer knowledge and encourage entrepreneurial projects and incubators; and
- ▣ **The International Mobility Program** is the result of agreements with Latin America universities which will make available an initial 305 study grants to allow Brazilian graduates and postgraduates to study for an average of six months in the universities of five countries: Spain, Portugal, Mexico, Chile and Argentina. The program also has special grants for academic areas and university teacher training.

The International Mobility Program benefited 102 people in 2006. Forty-one graduate students and 51 postgraduate students and university teachers received study grants for the

five Latin America countries, which take part in the Santander Universities program. Another 282 international mobility grants are expected to be made in 2007.

Through the domestic study grant program that began in 2005, the Bank will be sponsoring a total of 2,011 partial grants by 2007 to support high performing academic students from needy backgrounds. In 2006 alone, 700 students received these grants and this figure will rise to 811 in 2007.

A series of events and initiatives are programmed for 2007 to commemorate the 150 years of the Santander Group. In the education area, the Group decided to offer 1,000 International Mobility grants to students in the countries which are part of the Santander Universities at an investment cost of US\$ 480,000. With this "commemorative" quota, the Santander Universities Program will begin its interchange program between Portuguese and Brazilian universities. A total of 175 Brazilians will have grants to study in Portugal and another 162 Portuguese students will come to Brazil the following year.

The Bank selected 15 Brazilian universities for this project, which were program partners: three state universities from São Paulo and 12 federal universities from other parts of the country.



In 2006 the Bank implemented two new proposals: the international mobility program and the program to develop university/company integration projects.

The Santander Universities Program maintained various academic and social-cultural projects in the higher education institutes with which it has agreements. It also signed academic cooperation agreements with USP, UNESP and Unicamp, which included national and international study grants in various areas, the creation of a high-tech research center, financial support for junior companies, and held several university congresses. The main points of this partnership include:

USP – The agreements was signed by Emilio Botín, the world chairman of the Santander Group, on a visit to Brazil, in September 2006, and foresees seven actions for the 2007/2010 period.

- ▣ **National study grants:** 600 grants for graduate students with unfavorable social and economic conditions.
- ▣ **Chamber Orchestra – OCAM:** sponsors the activities of the USP Chamber Orchestra.
- ▣ **Santander Room:** 2 rooms with 15 computers each.
- ▣ **Young Lawyer Award:** 20 grants for six months for students who are in the last year of a law course to allow them to complete their final works and R\$ 5,000 for the three best works.
- ▣ **International mobility grant program:** 90 study grants (45 for graduates and 45 for postgraduates) to allow students to study for six months in Latin America universities.
- ▣ **Latin America studies in academic departments:** the creation of an academic department or area which will house the research and teaching work related to the cultural, historical and social aspects of the Spanish-speaking peoples.
- ▣ **Luso-Brazilian study grants:** ten grants for graduate students to study at Portuguese universities.
- ▣ **Scientific initiation grants:** 150 grants annually.



Carlos Della Rocca

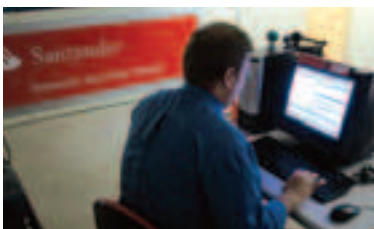
Gabriel Jaramillo and rectors



Santander room in UNESP



Partnership between Santander and UNESP



Digital inclusion room at UNESP

UNESP – The partnership with UNESP began in 2005 and will extend until 2009. It includes nine initiatives on various fronts.

- ▣ **Ox Genome:** creation of a high technology research center to study the ox genome.
- ▣ **Education grants:** 389 grants for graduate students.
- ▣ **Junior companies:** financial support to develop 31 junior companies established in the universities.
- ▣ **University extension congress:** a biannual event to discuss, register, evaluate and define new ways ahead for the area.
- ▣ **Mobility grants for university teachers:** post-doctorate grants for UNESP teachers in foreign universities, in all areas of knowledge for a period of three months for senior researchers and a year for a junior researcher.
- ▣ **Reform of student lodgings:** financial support to maintain and improve the lodgings provided by UNESP for its students.
- ▣ **Training teachers:** training teachers to meet the demands of the public school network in São Paulo state.
- ▣ **Luso-Brazilian grants:** ten grants for graduate students to study in Portuguese universities in 2007.
- ▣ **Cultural activities:** financial support for training, formation, cultural, leisure and integration events, involving students, employees and university teachers.



Universities and companies
get together

Carlos Della Rocca

UNICAMP – The partnership with Unicamp started in 2003 and foresees initiatives concentrated on study grants for Brazil and abroad for students and university teachers.

- ▣ **Latin America study areas:** an agreement signed in 2003 to last until 2010 foresees the annual concession of study grants for teachers at Unicamp to interchange with Spanish and Argentinean universities.
- ▣ **Study grants in Brazil:** 230 study grants for graduate students from unfavorable social and economic backgrounds with a good academic performance, distributed in 2005, 2006 and 2007.
- ▣ **Mobile grant program:** 40 grants (20 graduate and 20 postgraduate) for students to spend six months studying in Latin America universities for a period of two years.
- ▣ **Luso-Brazilian grants:** ten grants for graduate students to study in Portuguese universities in 2007.

Universia and Partner Universities Representation



12% 245 partner
institutions

88% non-partner
institutions



54% 2.2 million represented
by partner institutions

46% 1.9 million represented
by non-partner institutions

Total institutions: 2,013*

Total university collective: 4.1 million*

The partner universities represent
12% of all institutions in Brazil and reach
54% of the total Brazilian academic community

*Source: INEP 2004



Eduardo Simões

The Salamanca Cultural Bridge Program which sponsors intensive courses in Spanish culture and language for teachers from the public school network is being expanded.

In line with its desire to attend the academic community, the Bank is forming close links with students from higher education institutions. Since 2004, the Santander University program has provided specialist managers to attend almost 150,000 customers, offering them special conditions for their current account, cards, saving account with a minimum deposit of R\$ 20 a month for an electronic pocket money, along with a line of personal credit at rates below the market average.

The Bank's main aim is to allow the students to have their own bank account, learn to organize their finances and form a relationship with a financial institution. One of the tools to achieve this is the exclusive portal with content which has been developed by Universia and brings financial guidance using the language of young people. The packages for university clients includes advantages such as:

- ▣ lower bank charges and exemption from charges in the first three months after the opening of the account;
- ▣ special check with rates which are well below the market average (0.5% a month) and without any need to prove income;
- ▣ lower annual charges for credit cards;
- ▣ financial guidance service;
- ▣ unlimited number of free withdrawals from automatic cash machines in the Santander network;
- ▣ two to four free withdrawals from the 24Horas network a month;
- ▣ maintenance of these benefits for a further two years after the conclusion of the course.

Santander also offers the Academic Identification Card free of charge to students, teachers and employees of the institutions with which it has agreements. More than 357,000 university cards have already been produced.

Santander gives priority to supporting the university public.



Nancy Campos

Participants in the Cultural Bridge Program



Nancy Campos

Encouraging exchange of professional experience

Cultural Bridge – Salamanca Program

In 2006 Santander sponsored the interchange of teachers from the public school network to take part in an intensive Spanish language and cultural course at the University of Salamanca, in Spain. This is the third year the Bank has done so. This program, carried out in partnership with the education Secretariat of São Paulo State, allowed 30 teachers to spend 30 days at the university during the course and receive financial help.

For 2007, the Bank has reached an agreement for three years with the Rio de Janeiro municipal government to send 10 teachers from the state school network to Salamanca, in a program similar to the one established with São Paulo state. To encourage the international expansion of the university, Santander also help train teachers. The partnership between the Bank and the University for the Development of the State and Region of Pantanal, in Campo Grande, allowed seven teachers from the largest private university in Mato Grosso do Sul to carry out postgraduate course at the University of Salamanca.



Camilla Butcher

Pupils taking part in the Foundation Project (IS MART).

Since its creation, the Santander University Program has benefited 50,000 students, teachers and communities through the national and international study grants project as well as initiatives to provide cultural and academic support. These range from the restoration of historic buildings to digitalizing library and museum collections. Some of the most outstanding projects in 2006 were:

▣ Cora Health Project

The Santander University Program has helped the Cora Health Project program since 2005. This program improves attendance at the university hospital at USP by scheduling consultations by telephone for patients from the public health system. Due to its social importance, the project has the potential to be used throughout the entire health network and improve resources significantly. Since the Cora Health Project was installed, the absence rate of patients has fallen from 30% to 8% and the next step is to undertake the scheduling of exams by telephone and the accompaniment of chronic patients.

▣ Unisinos Grant Program

The Unisinos/Santander Universities Grant Program presented 10 students from 108 contestants with study grants to begin postgraduate courses.

▣ Restoring a historical building in Pelotas

A project begun in 2006 to restore a historical building in the center of Pelotas, which belonged to the Assumpção family and was the setting for important meetings during the period when Brazilian republic was being set up. The building dates from the 19th century and was acquired and restored by the Santander Universities Program in partnership with the Federal University of Pelotas. It will host the University's Tourism Course and the Center for European Studies. The project also foresees future exhibitions of contemporary art, particularly Spanish art.

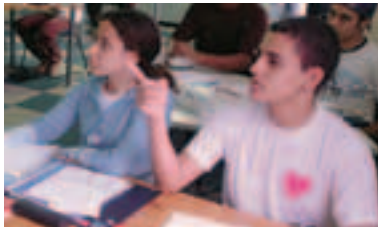
▣ USP Book

In line with Santander's policy of contributing to issues of educational importance, the Santander University Program, in partnership with the Universia, also sponsored the launch of the book *USP e seus Reitores* (USP and its Rectors) held at the São Paulo Museum of Modern Art (MAM).



Students participating in the pre-university entrance course project

The pre-university preparation course project prepares young people from the outskirts of São Paulo to apply for places in universities on an equal basis with those from the best courses and schools.



Young people from the pre-university entrance course taking an active part in lessons

Pre-university course

Since 2005, the Bank has been supporting the Pre-University Course project in partnership with *Cidade Escola Aprendiz* (City School Apprentice) NGO, the Administration Institute Foundation (FIA) of USP and JP Morgan. In 2006, 30 young underprivileged people from the outskirts of São Paulo were chosen to take part in the "marathon" exam course.

The students received vocational guidance, psychological support, transport vouchers, educational material, a study grant, and took part in cultural activities. The Bank and JP Morgan were responsible for the costs of hiring FIA teachers to give the lessons, renting the classroom, purchasing equipment, furniture, study material and providing the study grants for students, along with transport and meals.

By providing conditions for underprivileged young people to contest university places on the same level as students from better schools and courses, the program is complying with its social and academic role of increasing the students' knowledge, raising their self esteem and expanding their vision of the world and life.

As a result, the pre-university course fits in with Santander's objectives of investing in initiatives to ensure that even more students from low-income backgrounds have access to a university education. Of the participants in 2006, 19 were approved at public universities, an approval rate of 65%. Another 30 young people were chosen in 2007.

Another initiative the Bank supported in 2006 was the Foundation Project, in partnership with the *Maria Telles* Social Institute (Ismart). This project aims to encourage the academic development of highly talented young people from low-income backgrounds by providing them with access to quality education after completing the basic grade. The courses are provided outside the school timetable and the most successful students receive grants to study in better schools with the aim of gaining an university education.



Signing the Project
¡Oye! contract

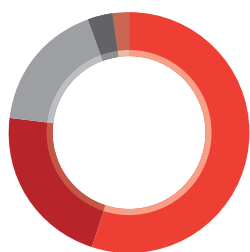
Carlos Della Rocca



Daniel Rosa

Entry to the Universia headquarters (São Paulo)

Profile of Universia Portal users



55% University students

22% Pre-university students

17,5% Postgraduates

3,5% University teachers

2% Managers

Universia

Universia is a university cooperation network, which brings together 985 higher education institutions in Latin America and the Iberian Peninsula. Universia operates on three strategic bases: developing a knowledge-based society, supporting the relationship between the university and companies, and strengthening mobility and international cooperation.

The network brings together approximately 78% of the academic community, totaling 9.8 million students (500,000 more than in 2005) and 700,000 teachers. It also includes 92% of Latin American scientific research production.

The main element integrating the network is the Universia portal, which develops and provides free content and services for the academic community in Portuguese and Spanish. The Portal is present in 11 countries: Spain, Argentina, Brazil, Chile, Colombia,

Mexico, Peru, Puerto Rico, Portugal, Venezuela and Uruguay.

The information available on the Universia portal is used by pre-university students, university students, postgraduates, university teachers, researchers and managers of institutions of higher learning. Besides the content, other important services are also offered to the university public, such as internships, training programs, on-line courses, study grants, interchange, e-mail, and virtual classrooms.

Strategic alliances with international partners such as the MIT (Massachusetts Institute of Technology) and Wharton (University of Pennsylvania) give the Universia portal access to educational materials, publications and updated content of the courses of these institutions in Portuguese and Spanish.



Universia Brasil

Universia was launched in Brazil in 2002 and by the end of 2006 had a partnership of 245 universities, 1.8 million registered users and an average 900,000 visitors a month (source: Nielsen//NetRatings). Of all the users registered in the Universia Brasil portal (www.universia.com.br), 55% are university students, 22% pre-university students, 17.5% postgraduates, 3.5% university teachers and 2% managers.

In 2006, the Portal underwent an editorial and visual redesign to segment the content in different channels and user services. The new features include: developing and making available junior company guides and company incubators; the establishment of a partnership with the Brazilian Service to Support Small Companies (Sebrae-SP) to disclose the information; and setting up a system

to publicize openings for interns and trainees, public contests and contests for teachers in public institutions.

A highlights of the content part of the Portal was the creation of the "Universia Collection Volume I – Mobility and Going International", a gathering of special reports published on a CD. The first volume brought together material on the Treaty of Bologna and the Chinese Revolution in Higher Education. The material was distributed to partner universities of Universia Brasil.

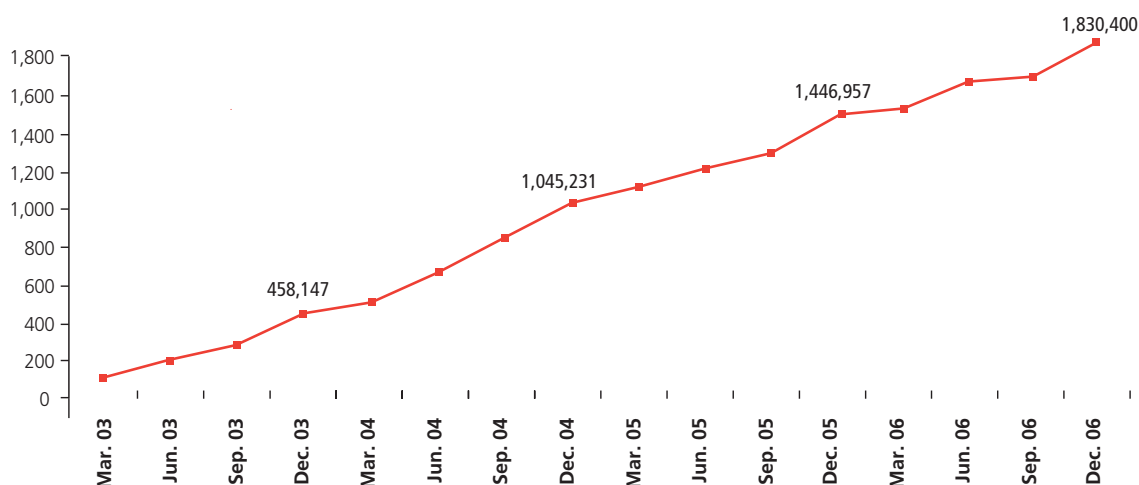
All these measures led the Universia Portal to receive the iBEST prize by popular vote in the educational and training category for the third consecutive year. This prize is the most important in the country and recognizes the excellent services the portal provides the students with, both for its content as well as design and navigability.

Besides the Portal, Universia Brasil works on other projects directed at the academic community which consolidate its relationship with the universities and integrates the academic world with the company.

¡Oye! Project

In partnership with Santander, the state secretariat for education in São Paulo, the government of São Paulo and the *Cervantes* Institute, Universia launched the *¡Oye!* Project. This is an on-line course in Spanish offered free of charge to teachers in the public education network, using the *Cervantes* Institute method. The initiative aims to benefit 20,000 teachers by 2008.

Registered Users





Carlos Della Rocca

China Education Exhibition 2006



Arquivo Pessoal

Fabio Engelmann, winner of the Santander Banespa Scientific Innovation Incentive Prize



Carlos Della Rocca

Participants in the Santander Banespa Award

Awards

Universia develops and coordinates the Santander Banespa Science and Innovation Entrepreneurship prizes, sponsored by Santander. This event was held for the second time in 2006 and received 1,085 applications from 181 partner universities of Universia Brasil and Santander in 21 states. Of the projects considered, 840 related to the entrepreneur prize and 245 to scientific research.

In a ceremony at the Bandeirantes Palace, the office of the state governor, in São Paulo on November 29, seven prizes were presented from the 36 final projects. The Santander Banespa Entrepreneurship Prize was presented to three students who presented projects in the areas of industry, services and technology. The Santander Banespa Science and Innovation Prize was awarded to four doctorate researchers working on projects in industry, services, technology and social responsibility.

The high level of the projects and the qualification of the commission which chose the winners, made up of the best specialists in Brazil in scientific and entrepreneurial activities, attracted the attention of the Federation of Industries of São Paulo State (Fiesp). Based on an evaluation of the projects presented over the two years of the event's existence, Fiesp will evaluate the possibility of including these initiatives in its incubator model. In 2007, the intention is to extend the partnership to the trade federations of other states.

Digital inclusion rooms

Universia has also developed and managed digital inclusion rooms

called Santander Rooms sponsored by the Bank. Each room has around 20 computers, with access to the Internet, as well as all the accessories and furniture and is used by students, teachers and employees of the university. In 2006, the Portal handed over five rooms at Unisul and the UNESP units of Marília, Presidente Prudente, Guaratinguetá and the rector area in São Paulo.

Universia Initiatives

To discuss the application of technologies in generating content for digital TV and its impact on communication and distance learning, Universia Brasil and the Social Communication Area of the University of São Paulo held a seminar on "Impacts and Tendencies of Digital TV in Brazil". The event was transmitted in real time by the Portal and had around 2,500 accesses.

Another initiative undertaken in partnership with USP Was the "Investigation Meeting", which brought together 15 rectors from universities in Latin America for discussions on some of the main themes related to Latin American scientific research. The intention is to promote debates on common problems facing the universities and produce a document, based on the discussions, which defines practical measures to facilitate joint research and international cooperation.

To reinforce the relationship between the universities and the company, Universia held the "University and Company Meeting". This event brought together important personalities from the market and the academic world to deal with issues related to the entrepreneurship and the practice



of academic and scientific research world. The debate involved 70 people, including rectors, vice-rectors, executives and representatives of Brazilian organizations.

Another two important events were seminars for coordinators of courses of Brazilian institutions, held in São Paulo and Recife. These courses marked Universia's entry into a new phase in which the needs of teachers are met in a more efficient way and it gained a greater interaction with this group. Around 300 teachers from 40 universities of the Higher Study Institute (IES), from different towns in the South East, North and Northeast regions of Brazil were present. The initiative resulted in the creation of a new integration space with the other institutions and an on-line community to answer questions on education management by a specialist consultant in education.

International relations

The Universia Brasil network participated in important events on education held abroad: The First Meeting on Responsibility for International Relations and Cooperation of the Universities of the Mercosul (Chile, Bolivia and Venezuela) and the First Meeting of University Networks and Council of Rectors of Latin America and the Caribbean. The aim is to present issues of international importance for discussion within the Brazilian context and inform Brazilian society about what is happening abroad and, therefore, add value to the educational system. Besides this, the Universia consolidated its participation in various Brazilian events organized by educational bodies such as ABRUC (Brazilian Association of Community Universities), CRUB (Council of Brazilian

University Rectors), ForGRAD (National Forum for of Pro Rectors of Graduation of Brazilian Universities) and SBPC (Brazilian Society for Scientific Progress), amongst others.

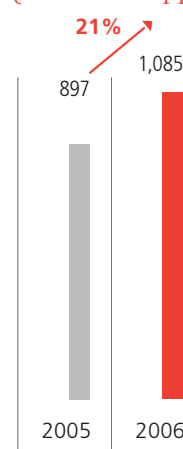
Universia participated in the "China Education Exhibition 2006", the first international fair in Latin America on education in China, which occurred in São Paulo. The event was organized by the Education Council of China (a body of the Education Minister) and held by the Brazil-China Economic Development Chamber (CBCDE). It was sponsored by Santander and 82 Brazilian academic authorities and representatives of 32 Chinese education institutions took part. Santander and Universia Brasil invited their institutional partners to take part and arranged contacts between the university members of the IES and Chinese universities. The Portal published a special content with coverage of the seminars and the discussion panels, along with information on opportunities for interchange between Brazil and China. To strengthen the mobility and international agreements, Universia Brasil signed an agreement during the event with three Chinese institutions: Jiamusi University, Harbin Normal University and Tianjin Association for Science and Technology.

To give continuity to its policy of focus on international partnerships Universia Brasil negotiated two study grants — provided by the National Cancer Institute (NCI) — to doctors of Unifesp (the Federal University of São Paulo) to undergo a five-week course on the latest research in cancer prevention at the NCI in Rockville, Maryland, in the United States. The aim of the course is to boost the formation of future professionals in medicine in cancer research.

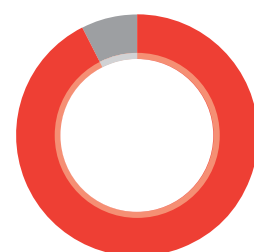


Universia team at iBEST Prize presentation ceremony

Santander Banespa Entrepreneurship Prize and the Santander Banespa Science and Innovation Prize (number of applications)

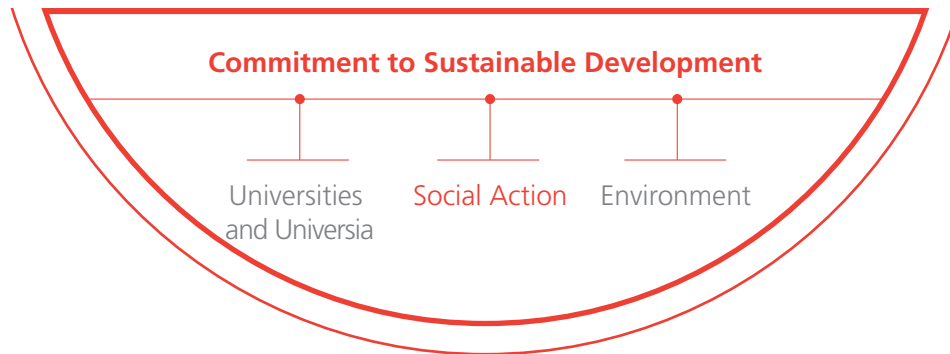


Project profiles



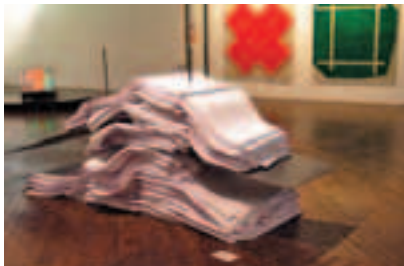
77,4% Projects directed at entrepreneurship

22,6% Projects directed at scientific research



Sergio Zacchi

Children playing with toys in the
Cidade Júlia district (São Paulo)



Manoel Veiga

Paralela Exhibition 2006



Sergio Zacchi

Children benefit from the Cirandar Association
Multiply Project

Investment

Around R\$ 46 million invested in social projects

Santander Cultural Center

The center received more than 450,000 visitors in 2006

Rediscovering the Center of São Paulo

Over 3,500 children have taken part in the Program

Encouraging development

Literacy Solidarity Program reached 1,500 people in Manari (PE)

Home Bakeries Project

More than 22,000 people have benefited from the program



SOCIAL ACTION

Santander supports projects which bring real benefits to society, improve the quality of life and promote respect for people and citizenship.

Santander is constantly investing in social initiatives to help improve the quality of life of people and communities. The Bank supports structured, efficient projects which focus on respecting people and human rights and bring real benefits to the communities. These partnerships are developed with public and private bodies, employees, NGOs and communities.

This allows us to reiterate our commitment to promoting sustainable growth and social inclusion. Santander's activities are marked by ethics and transparency and the Bank continuously monitors the results of the activities in which it takes part to ensure their effectiveness.

Government and Society: Union of Strengths

Santander supports programs in partnership with public bodies (municipal, state and federal governments), aligned to the Group's commitment to work for the sustainable development of the countries where it operates.

The Bank also participates in social projects implemented by public policies in initiatives to strengthen the controlling mechanisms of the financial system, improve levels of efficiency and market confidence, and check strategies to prevent money laundering, among other actions.



The Home Bakeries Project improves nutrition, makes school meals more nourishing, trains the workforce and creates jobs for needy communities.

The **São Paulo Trusts Program** is one of the Bank's initiatives made in partnership with the São Paulo Municipal Government. The aim is to publicize the use of micro-credit for groups which are outside the banking system through the Popular Solidarity Credit scheme. Santander makes resources available and is a member of the organization's consultative council. At the end of 2006, it had 3,737 active customers with a rate of default below 0.80%. The customer portfolio is well balanced, with 48.85% women and 51.15% men. During the year, 11,797 loans totaling R\$ 15.5 million were granted, equivalent to an average of R\$ 1,316 per customer.

In partnership with the Solidarity Social Fund of São Paulo state (Fussesp) Santander develops initiatives to train educators through the **Padarias Artesanais (Home Bakeries)** Project directed at the needy population. The aim is to improve the quantity and

quality of daily food, train professional labor, make school meals more nourishing and offer ways to create income and employment. Since 2001, the Bank has donated more than 3,000 kits – 500 in 2006 – made up of a gas oven, gas container, beater, liquefier, mechanical scales and aluminum baking trays.

The partnership has already benefited 645 municipalities, more than 500 state schools, units of the Juvenile Detention Centers (FEBEM) and prisons, which maintain professional training activities, as well as hundreds of social entities.

In 2006, more than 2,000 people were trained in courses on the Home Bakeries and the use of soya in home cooking. Over 22,000 people have taken part in classes in practical baking since the project started.



Home Bakeries Project - more than 2,000 people were trained in courses in 2006

Camila Butcher



Partnerships with society

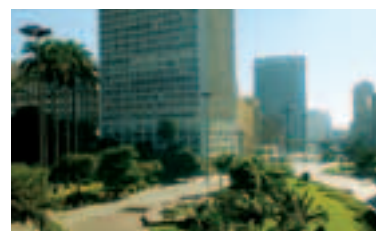
In its social initiatives Santander acts as an active partner in important initiatives or as a member of outstanding voluntary organizations – institutes, foundations, NGOs and associations – to help human development and the reduction of social inequality. These initiatives include:

- ▣ **Pátio do Colégio/Boa Vista District Local Action** – This NGO was created in 1997 and operates in the Pátio do Colégio and Largo de São Bento area of downtown São Paulo in projects aiming at recycling waste, conservation, cleaning the pavements and increasing the security in the area.
- ▣ **Paulista Viva Association** – This association was created by companies which wanted to preserve one of the main symbols of the city of São Paulo – Avenida Paulista. It has been recognized as the promoter of human rights by the Justice and Citizens Defense Secretariat of the São Paulo state government since 2004.
- ▣ **Long Live the Center Association** – This association was created in 1991 and brings together companies and social organizations to transform the downtown area of São Paulo into a strong, efficient metropolis and aims to help achieve an economic and social balance in the city.
- ▣ **Association to Respect and Promote Exceptional People** – This association, known as AVAPE, promotes the social inclusion of people with deficiencies and develops programs which benefit around 3,500 patients. It carries out around 2.2 million attendance services a year, of which 93% are free.
- ▣ **Everyone Committed to Education** – This is a multi-sector alliance which aims to help improve the rights of children and young people to receive high quality basic education by 2022 when Brazil will mark 200 years of independence.
- ▣ **Abrinq Foundation** – An organization aimed at promoting the defense of the rights and the exercise of citizenship by children and adolescents.
- ▣ **Akatu Institute** – A São Paulo body which publicizes information on consumer awareness, the importance of controlling natural resources and recycling, and using products and services in a way which respects the environment.
- ▣ **Ethos Institute** – This São Paulo institute coordinates and directs social responsibility initiatives to organize and make companies aware of how to manage their businesses in a socially responsible way.



Camila Butcher

Participants in the Home Bakeries Project.



João Luiz Musa

The Vale do Anhangabaú area of São Paulo benefited from the Long Live the Center project



Fábio Braga

Children taking part in projects promoted by Avape



Arquivo Banco na Escola

*Training teachers in the Bank
in the School project*

The Bank is one of the founders of the National Movement for Citizenship and Solidarity and promotes initiatives which meet the eight Millennium Goals.



Arquivo Unisul

*Participants in the Onion Cultivation project
promoted by the Solidaria University*

Millennium Goals

Santander is one of the founders of the National Movement for Citizenship and Solidarity, along with the United Nations Development Program, foundations and companies, and supported the third National Week for Citizenship and Solidarity held on August 7-16, 2006. It also sponsored the closing event for the participants in the seminar: "The Challenge of the Objectives of the Millennium Goals in Brazil". This was an occasion to consider and discuss practices which have received awards and how to create initiatives to achieve the goals.

In 2006, the Bank also undertook various initiatives, such as sending a newsletter presenting the Millennium Goals to 100,000 clients. It also made available information on the current situation of each one of the goals through the Internet and gave tips on how each person could collaborate.

The Bank is in total agreement with the Millennium Goals and has set up initiatives directed at each one of the goals which are presented in detail in this report. The following table shows some of them.



Eight Millennium Development Goals and Santander initiatives in Brazil:



Eradicate extreme poverty and hunger

- *Padarias Artesanais* (Home Bakeries) Program in partnership with the Social Solidarity Fund of São Paulo State – FUSSESP.
- Various projects held in the town of Manari.



Achieve universal primary education

- Rediscovering the Center of São Paulo program in partnership with the *Abrinq* Foundation and the Sé district administration.
- Literacy program for young people and adults in Manari (PE) in partnership with the Literacy Solidarity organization.



Promote gender equality and empower women

- Third Millennium Association Walk with proceeds going to the *Multiplica* Project.
- Internal Bank program to appreciate diversity.



Reduce child mortality

- Program to Combat Child Malnutrition in Manari (PE), with the *Pastoral da Criança* child welfare organization.
- Manari Training Project for Community and Health Leaders
- Internal Bank program to encourage breastfeeding.



Improve maternal health

- Young Partners Project with the *Lua Nova* Association.
- Internal Guidance Course on Pregnancy.



Combat HIV/Aids, malaria and other diseases

- Partnership with the *Se Toque* (Examine Yourself) Institute for the Life Necklace Campaign to prevent breast cancer.



Ensure environmental stability

- Internal programs to reduce consumption of water and electrical energy.
- Selective collection program.
- *Campo Limpo* is Green project with the *Arrastão* NGO.



Develop a global partnership for development

- Sustainable Pink Shrimp Cultivation project with the *Universidade Solidária* (Solidarity University).
- Sustainable Onion Cultivation project with the *Universidade Solidária* (Solidarity University).



Camila Butcher

Children taking part in the Rediscovering the Center of São Paulo project



Arquivo Unisol

Sustainable Pink Shrimp Cultivation project carried out with the Universidade Solidária (Solidarity University)



Sergio Zacchi

Girl benefiting from the Cirandar Association projects

Social investment: commitment to Brazil

In its social investment initiatives, Santander acts in partnership to develop innovative projects which bring real benefits to communities, promote opportunities for growth and social inclusion, encourage citizenship and education, access to culture, combat drugs, violence and child malnutrition, support sport and improve the quality of life.

Partners in Action Program

The projects within the Partners in Action Program are aimed at the social development of children, adolescents and university students by supporting educational activities. These activities are chosen on a semester basis and consider the scope and effectiveness of the proposal, the innovative, positive impact it can bring to the beneficiary group, whether it can be repeated in other communities and the prospects of its sustainability. Three projects were selected in the first semester of 2006.

The Lua Nova Association (New Moon) in Sorocaba (SP) is aiming to help adolescent mothers and their children who are at risk become part of society. Within this project, the Bank supports the **Young Partners** program to train, under the supervision of social workers, a network of secondary school and university students to act in various communities and help pregnant adolescents and mothers with babies to obtain basic rights, such as health, education and work. The project not

only trains the students but holds meetings with the municipal health and education departments to discuss specific cases. The project lasts 12 months and has already attended 300 people; it will continue in 2007. Children, adolescents and young people from the eastern regions of metropolitan São Paulo also received help from Santander through its partnership with the *Cirandar* Association, a grouping of 45 social organizations. The Association holds free courses for teachers, educators, directors and support teams (cooks, kitchen assistants, cleaners and nurses) from organizations which work with children and adolescents. It also provides advice to associate organizations on fund-raising projects. The Bank raises resources for the **Multiplicar Project** to improve the education and management quality of the groups supported by *Cirandar*. More than 180 representatives of NGOs took part and the project indirectly benefited 11,000 children and young people.

Santander acted in partnership with the Brazilian Institute for Community Research and Support (IBEAC) in São Paulo in expanding its **Ativa-mente Community Libraries Project**. This is part of a human rights program in the Cidade Tiradentes and Jardim Savério districts. These libraries are run by young people and provide access to knowledge, encourage reading and publicize information about human rights. Around 200 young people and 60 adults in the education and health areas, as well as the general community, benefit from the libraries.



Avape promotes projects for children

Santander forms partnership to develop innovative projects which bring opportunities for growth and social inclusion.

Other initiatives were chosen for the Partners in Action program in the second semester and will be developed in 2007.

▣ Training Project for University Students by the Children's Rights News Agency

The Children's Rights News Agency (ANDI) was created in 1993 to encourage the creation of a culture which gives priority to and supports the defense of the rights of children and adolescents through the means of communication. The Training Project for University Students, which Santander is supporting in 2007, aims to help the professional formation of students (particularly those studying social communication) to cover issues affecting the human rights of children and adolescents, strengthen the link between the students of the Andi network in Brazil and promote their integration. Events will include workshops, classroom and virtual debates, the disclosure of information and content of the Child and Adolescent Act, as well as a course of photo reporting. The project lasts 12 months and will involve 500 young people aged from 17 to 25, university students and trainees.

▣ Interdisciplinary Attendance Program

The Association to Appreciate and Promote Exceptional People (AVAPE) is an organization in Santo André (SP) which is a pioneer in the social inclusion and attendance of local people with all kinds of deficiencies (mental, physical, hearing, visual and multiple). The project chosen for 2007 is the Interdisciplinary Attendance Program which will take place in a non-clinical environment. It will look after underprivileged children and adolescents, with or without deficiencies, who have difficulty in adapting to school, learning and social behavior. The attendance team includes psychologists, teachers, medical specialists and social workers. The AVAPE association was founded in 1982 by employees of Volkswagen do Brasil.

▣ The Associations Network Peace Project of the *Sou da Paz* Institute

The *Sou da Paz* (Peace) Institute of São Paulo was founded in 1999 and aims to reduce violence by bringing about public security and violence prevention policies which are efficient and based on democracy, social justice and human rights. Santander will cooperate with the Association's Network Peace Project

in 2007 to create and strengthen a network of student associations. The intention is to encourage the members practice citizenship and help the associations' actions at their schools and in neighboring communities to reduce violence in schools and communities in general.

▣ The *Seara Bendita* Organization Community Library Project

Santander will help the *Seara Bendita* Library Project, which is being developed in 2007, and is aimed at creating an educational and cultural center for the community in the Cidade Ademar district of São Paulo.

The aim is to help around 700 children and young people who take part in the activities of the *Seara Bendita* Organization, which was founded in 1951. These activities will also happen at the weekend and provide access to the books and magazines. The library will also have computers linked to the Internet for consultation and research.

In 2007, the Bank is planning to increase the number of projects chosen to attend 10 units, more than the seven initial proposals made in the 2006 Process.



Sergio Zacchi

Youngsters who participate in the graffiti workshop promoted by the Ibeac

Encouraging development

Santander plays an active part in projects which improve people's quality of life and promote their social inclusion and opportunities for growth. The social activities carried out in the town of **Manari**, in the interior of Pernambuco state, have produced substantial progress in the lives of the local people and are a good example of this aim.

The town has the lowest Human Development Index in Brazil, due to grave problems such as a lack of drinking water, malnutrition, illiteracy, unemployment and alcoholism. The Bank believes that structured, planned activities involving a network of partners could alter this picture, and in 2003 it began a series of social initiatives. It started with a literacy project for adolescents over 15 and adults, coordinated by the **Solidarity Literacy** Program, which has formed five classes and attended 1,500 people by the end of 2006.

In the health area, the Bank has worked in partnership with the **Pastoral da Criança**, child welfare organization since 2004 to promote preventive actions to combat malnutrition and the high level of child mortality – 109.67 per 1,000 inhabitants. The Bank has raised resources to reform a community kitchen and buy the ingredients to prepare a food complement to help combat malnutrition. Publicizing concepts of hygiene and basic

sanitation and the high nutritional value of the food supplement practically reduced the mortality rate of the assisted children in Manari to zero. Besides combating malnutrition, the project also aims to train health and community leaders to accompany and advise families.

Santander invited the mayor of Manari to sign a protocol of intention within the Program directed at Municipal Governors by the *Abrinq* Foundation. This Program will accompany the mayor's mandate from 2005 to 2008 and help guarantee the rights of children and adolescents.

In 2007 the Bank will maintain its support for the activities of the Pastoral da Criança organization, which looks after around 1,000 children aged up to six, and the Solidarity Literacy Program. It also intends to select a partner in the region to work to improve conditions for generating income in Manari (PE).

The **Good Neighbor Project – School Maria Petrolina** directly benefited 510 elementary, junior high and high school pupils and 1,900 indirectly, along with 90 teachers at the *Maria Petrolina* State School in the Santo Amaro district of São Paulo, next to the Bank headquarters. This project was conceived and undertaken by Santander in partnership with the school itself. It promoted activities such as a reform of the sports courts, modernized the Information Technology room, held presentations,



workshops and courses on topics such as Drugs Prevention, Quality of Life, Speech Therapy and Taking Care of the Voice, for teachers.

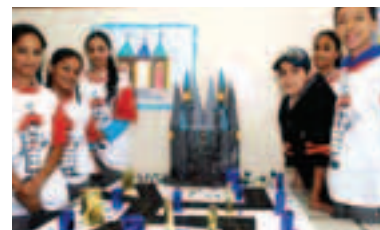
The program also brought the Volleyball Clinic Project to the students, allowed members of the school to take part in cultural events sponsored by the Bank and took students on a supervised visit to the center of São Paulo as part of the Rediscovering the Center of São Paulo Project. It has also implemented a selective collection of waste project, to be concluded in 2007, which involved the whole school, including infrastructure, training and logistical support.

Since 2004 the Bank has been supporting the Comunitas Organization, whose president is Ruth Cardoso. The aim of this organization is to produce and publicize knowledge, proposals and action tools to strengthen and expand a new view of development as an investment in human and social capital. The project is also involved in producing knowledge in the areas of social investment and business sustainability, promoting the exchange of experience in social projects, and spreading technologies to the widest social networks.

The **Solidarity Institute of Jundiá** received investments from the Bank to provide free courses which promote social responsibility, professional training, and recovery of self-esteem, the appreciation of

potential, and income generation. In the first semester, more than 571 hours of training were held, and benefited 2,393 people. Professional courses were held in manicure and pedicure, beauty treatment, cooking, telemarketing, company logistics, mechanical design, fork-lift truck operating, and storage, amongst other trades.

The Bank also helps sustainable development through initiatives which add value to production, strengthen family agriculture and keep farm workers in the countryside. In partnership with the *Universidade Solidária* (Solidarity University), the Bank has been supporting the **Sustainable Pink Shrimp Cultivation** project in the towns of Rio Grande and Tramandai, in Rio Grande do Sul State, since 2004, and the **Family Agriculture Project – The Path to Sustainable Development** in São José do Norte, also in Rio Grande do Sul. The project promotes the development of local production and helps nearly 280 families.



Deco Rodrigues

Pupils from the Maria Petrolina School taking part in the Rediscovering the Center of São Paulo Project



Arquivo Unisol

The Pink Shrimp Sustainable Cultivation project involves the community of Rio Grande and Tramandai



Eduardo Simões

Santander holds Volleyball Clinics at schools



Eduardo Simões

Presentations publicize the Viva Volley Project

Sport

Santander maintains the tradition it inherited from Banespa of involvement in sporting activities. This is particularly the case of masculine volleyball, which has already led to players being chosen for the Brazilian National Team. This has helped make Brazil one of the strongest countries in this sport and led to victories in the Olympic and World championships. As the team constantly needs to replenish itself by training new players, the Bank helps to find future stars through the **Volleyball Project**.

The trials are the entry point for players to begin their career. They take part in the city and region of São Paulo but are open to players from all Brazilian states. In 2006, the project benefited 45 people, aged from 15 to 19, who received the backing required for full sporting development, including accommodation, food, school, medical and dental assistance, and help with expenses, along with a professional working contract.

The project also presents the model in the schools, through the **Volleyball Clinics**. In 2006, nine clinics were held, three of which were at the **Viva Volley Project Centers**, of the Brazilian Volleyball Confederation, for needy children, and six at municipal and state schools. Around 3,200 adolescents took part. The members of the training committee also hold presentations to publicize the project to university students and organizations which take part in social projects.



Children playing in Brinquedoteca (play area) in the Cidade Júlia district (São Paulo)

Sergio Zacchi

The First Play Area Meeting helped give researchers and health professionals access to studies on ways of making hospital stays more personal.

Health and Diversity

The social actions which receive support and partnership from Santander are focused on the welfare, growth and respect for people. To facilitate access of health professionals and researchers to studies on making **hospitalization more personal**, the Bank supported the first **Brinquedotecas (Play Areas) Meeting**, aimed at bringing together the Play Areas of the São Paulo Municipal Health Secretariat and encouraging interaction and exchange of experience. The event included the announcement of prizes for innovative actions in 10 **Brinquedotecas (Play Areas)**. The first five winners received a 20-inch television and DVD player and the others a stereo system. The encounter involved 185 people from all the 62 **Brinquedotecas (Play Areas)** within the Municipal Health Secretariat, 38 of which are supported by the Bank and 24 by various partners.

In 2006, all 62 units received donations of new toys and stationery

material to help their activities. The project was included among the three initiatives selected for the fifth LIF Prize in the health category, promoted by the France-Brazil Chamber of Commerce, in recognition of the program to personalize hospitalization.

Another initiative the Bank undertook was to support the **Partnership against Drugs Association** which aims to inform the population about the risks and results of drugs usage, through educational campaigns of a preventive nature. In 2006, Santander sponsored the publication of 10,000 copies of the **Crescendo sem Drogas (Growing without Drugs) guide**.

This was distributed in municipal and state schools and among community organizations and bodies which look after children and adolescents. The Bank has been supporting such activities since 2002.

Bringing happiness to children in hospital and their families is the mission of the **Doutores da Alegria (Happy Doctors)** NGO which carries out 50,000 visits a year to

children in hospitals in São Paulo, Rio de Janeiro and Recife. For the second year, Santander made a contribution of part of the sales of the capitalization product called **Din Din Natal da Alegria (Christmas Din Din Happiness)**, as well as helping publicize the work done by the **Doutores da Alegria (Happy Doctors)**.

The Bank's commitment to respect people with deficiencies is achieved through a wide-ranging project to bring access to education through a partnership agreement with the **Dorina Nowill Foundation** for the Blind. The foundation was created in 1946 by Dorina de Gouvea Nowill, a teacher who had been blind since the age of 17, and had difficulty finding **books in Braille**. The Bank and the Foundation worked jointly on a project approved by the Partners in Action Program and distributed 1,500 books in Braille to bodies all over Brazil, in 2005 and in 2006.



Camila Butcher

Little girl taking part in the José Eduardo Cavichio Home for the Support of the Child with Cancer Program



Manoel Veiga

Work on display at the Paralela 2006 Exhibition



Fernando Gomes

Exhibition at the Santander Cultural center

The publication in Braille of the books *As mentiras que os homens contam* (The Lies Men Tell), by Erico Veríssimo and *A montanha encantada* (The Enchanted Mountain), by Maria Jose Dupre, benefited about 6,200 blind people. This initiative turned the organization into the largest printer of material in Braille in Latin America.

The Bank has continued to help the **José Eduardo Cavichio Home** for the Support of the Child with Cancer of Taboão da Serra, on the outskirts of São Paulo. This home hosts underprivileged children and adolescents who have cancer and helps with their treatment in São Paulo hospitals. The home received computers provided with adapted screens and school material. In another initiative, Santander helped to modernize the library and video-library collection of the New Life Association of São Leopoldo, in Rio Grande do Sul, in the **Preparing Tomorrow Program**. Both projects were approved by the Partners in Action Program in 2005 and continued in 2006.

The **Se Toque (Examine Yourself) Institute** is a NGO founded in 2005, to support, create and develop social inclusion, social-cultural and environmental sustainability projects, focused on the family. In partnership with the Institute, Santander promoted a prevention campaign of breast cancer in 2006. To bring about the **Necklace for Life Campaign**, the Bank donated 10,000 necklaces to

be distributed among pupils of the municipal schools of São Paulo.

The necklace, created by Mônica Serra, executive director of the Institute's volunteers, is made with synthetic pearls which come in several sizes and represent the different degrees of growth of the nodules in the breast (discovered through the self-examination) and the chances of curing the illness. The aim of the action is to transform children and adolescents into agents to change habits and prevent the illness within the family.

A prevention campaign was held from October 23-November 16 for Bank employee on the theme of "Examine Yourself, Breast Cancer Only Kills if You Let It". The campaign included a speech by gynecologist Dr. José Aristodemo Pinotti, the distribution of booklets containing information on preventing the disease. The project was also publicized in the Bank's internal magazine *Idéias* (Ideas) and the intranet. The Bank also mobilized employees for a donation campaign to the Institute, with the aim of expanding the distribution of the necklaces in the public school network of São Paulo. Santander has also made all the campaign communication material available to companies interested in developing similar campaigns.



Culture

The Bank is an important participant in the cultural area and celebrated the fifth anniversary of the Santander Cultural Center by confirming its commitment to spreading knowledge and integration through culture. The Santander Cultural Area in Porto Alegre, in Rio Grande do Sul state, was visited by two million people between 2001 and 2006. There were 451,541 visits in 2006, a daily average of 1,324 people.

The **WE ARE – Brazilian Popular Creation** Exhibition, was opened in August, the month in which the Santander Cultural Center was opened. It was conceived particularly for the celebration and had 2,500 visitors. To mark the fifth anniversary, a publication called Santander Cultural Center 2001–2006 was launched during the Cultural Management Forum – Culture, Communication, Citizenship, in Porto Alegre.

Santander's commitment to culture led to the award of the 2006 Gaúcha Culture Trophy, from the Government of Rio Grande do Sul State. It also received the Sul Nacional and Livros (South National and Books) prize from the Rede Pampa de Comunicação e Nacional Supermercados companies as well as tributes from public and private institutions. It also strengthened its cultural incentive actions and increased the number of partnerships from 226 in 2005 to 1,314 in 2006, and the partners, from 173 to 497.

The Santander Cultural Center staged 118 musical events, attended by 8,650 people. The Cinema area organized 843 activities in the year which attracted 21,164 people. There were 922 initiatives involving discussion programs on art and community initiatives which attracted 42,050 people.

During the year, 80,986 students and 7,873 teachers from 2,312 teaching institutions visited the Santander Cultural center through the **Educational Action** Program.

Brazil's national cinema production is also supported by Santander, through its **Program to Support the Cinema of São Paulo**. This is carried out in partnership with the State Secretary of Culture and supports the production, creation, sale and distribution of films on the commercial circuit. One of the works the Bank supported was the award-winning *O ano em que meus pai saíram de férias* (The Year My Parents Went on Vacation), by Cao Hamburger, acclaimed as one of the best Brazilian movies in 2006. The Bank also supported the cartoon *Wood & Stock: sexo, orégano and rock'n'roll*, (Wood & Stock: sex, oregano and rock'n'roll) by Otto Guerra, which won an award at the Animamundi 2006 festival and the Cordoba Cartoon Festival in Spain.

To encourage reading and cultural memory, the Bank has initiatives, such as the **Santander Museum and**

Library. This is located in one of the best-known landmarks in São Paulo, the **Banespa Tower**, in the old center. The Museum was created in 1965 and brings together historical documents of the Bank, and works of important Brazilian artists, such as Portinari, Di Cavalcanti, Tomie Ohtake and Manabu Mabe. The library, which marked 58 years in 2006, preserves the official memory of São Paulo, with the collection of all editions of the Official Daily Newspaper of the State of São Paulo. The 35th floor at the top of the Banespa Tower building is one of the most popular tourist spots places in São Paulo and presents one of the most spectacular views of the city. Around 200,000 people visited the Tower in 2006. At the same time, the entrance hall hosted a number of exhibits of Brazilian and foreign artists in 2006. It is open to visitors from Monday to Friday, from 10am to 5pm, free of charge.

Santander is also active in the theater. In 2006, the Bank sponsored four plays on the commercial circuit. One of the highlights was **Richard III**, directed by Jô Soares, which had a great reception from both critics and public, making the Santander brand recognized as a great promoter of the scenic arts.



Participants in the Storytellers project

Fundação Palavra Mágica

Santander is committed to ensuring the rights of children and adolescents and has already helped more than 10,000 children and young people.



Program brings older people and children closer through reading

Fundação Palavra Mágica

Older people

Respect for history and the preservation of memories are important in terms of citizenship.

Santander recognizes the experience of older people and supports initiatives which raise their self-esteem. The Bank is a partner with the *Palavra Mágica* (Magic Word) Foundation in the Our History program which trains groups of older people in Ribeirão Preto (SP) to encourage reading among young children in the public school network and tell them stories about the town. The program includes an artistic and literary production day on which the children from the first and second grades are encouraged to draw while the third and fourth grade children write. The best works appear in a book called *Histórias da gente* (Our Stories) published at the end of each edition of the program. The project started in 2003 with the Bank's support and brings older people and children together to encourage reading.

In 2006, 900 children benefited.

Santander will support the fifth series of Our History in 2007 with the participation of 1,200 children.

On the Day of the Older Person, on September 27, Santander supported a commemorative event at the Bатуíra home in São Paulo, called the Music-Age Program, which cheered up the 31 people who live there. The main attractions were a play called *Cada uma que me aparece*, (Everyone Who Appears to Me) performed by the *70 Vezes para Rir* group and the presentation of the folk group *Isaías e os seus Chorões*. Stretching and relaxation exercises were also held.



Childhood and adolescence

Santander is committed to safeguarding the rights of children and adolescents, shown in the support it gives to the Municipal Council for the Rights of the Child and Adolescent (CMDCA) in various locations in Brazil. For the fourth time, the Bank directed 1% of its income tax in 2006 to the **Funds for the Rights of the Child and Adolescent**, administered by these Councils. These initiatives benefit over 10,000 children and young people and began in 2003. They cover a number of towns and cities, with priority given to the states of São Paulo and the southern region. The program to direct the resources is supported by the *Abrinq* Foundation, the main body which specializes in issues related to children and adolescents in Brazil.

One of the initiatives which arose from the Bank's resource direction was the **Involve Project**, which trained professionals involved with the System to Ensure the Rights of the Child and Adolescent in São Paulo state to apply the Child and Adolescent Act (ECA). The professionals who work in this area include educators, health workers, lawyers, police, rights counselors, children's judges and public prosecutors and defenders. In 2006, a partnership project coordinated by the São Paulo Social Network (formed by the private sector, government and social organizations) and the State Council for the Rights of the Child and Adolescent involved more than 14,000 leaders in 300 towns in the state. This number is expected to increase in 2007.

In **Caçador** (SC), the initiative involved the Municipal Council for the Rights of the Child and Adolescent (CMDCA) and the Association of Parents and Friends of the Deaf (APAS) which established a program to test the hearing of newborn babies. The test is now used in the town's public hospitals, benefiting all children born there. Another example of these partnership occurred in **Palmas** (PR) where a play area was built and an exercise room to encourage the mobility of 160 people (including children and adults) with mental and other deficiencies.

In order to expand its activities in this area, the Bank developed a campaign at the end of 2006 to make employees aware that they can also have some of their income tax directed to these funds. The campaign was developed as most people do not know that Individuals can also contribute to this cause – making use of a fiscal benefit. By so doing, they can offer better conditions of life for children and young people from underprivileged backgrounds.



Fundação Palavra Mágica

Distribution of collections of the Our Stories Program



Internal campaign directed at the Child and Adolescent Funds



Projects for 2007

Five projects supported by the Bank will be developed in 2007.

▣ Involvement Project of the São Paulo Social Network

The Bank has been supporting this Project since 2004. It helped with the pilot phase in 2005 and the expansion phase in 2006 when the project involved more than 14,000 people, a number that should increase in 2007. The Project is a partnership with the São Paulo Social Network (an association between the business sector and voluntary and governmental bodies) and the State Council for the Rights of the Child and Adolescent (Condeca). It was created with the goal of training all the professionals involved in the System Guaranteeing the Rights of the Child and Adolescent in São Paulo State, to apply the Child and Adolescent Act (ECA).

▣ Project in partnership with the APAE Organization in Francisco Morato (SP)

The Bank supported this project in 2006, in partnership with the CMDCA and the APAE Organization in Francisco Morato (SP), to look after children, aged under five with deficiencies, through music therapy and neural-pediatric methods. These are important initiatives in treating serious cases of deficiency and should look after 58 children and their families.

▣ Project in partnership with the Pastoral da Criança child welfare association in Manari (PE)

Since 2003, the Bank has been involved in developing projects to promote the growth, social inclusion and improvement of the quality of life of the people of the town of Manari, in the interior of Pernambuco state. Manari is the town with the lowest Human Development Index in Brazil. Santander supports preventive health actions which have been developed since 2004 with the Pastoral da Criança child welfare association in Manari. The initiatives include publicizing concepts of hygiene and basic sanitation concepts, as well as the preparation and distribution of a multi-mixture food formula, which reduced the infant mortality index to almost zero among the 1,000 children who have been assisted by the Pastoral. The Bank will continue to support these activities and the Solidarity Literacy Program in 2007. It is also planning to select a partner in the region to develop initiatives to create income in the town.

▣ Project in partnership with the "Óia Eu", Center for Support and Social Transformation in Ferraz de Vasconcelos (SP)

This initiative was proposed by the Municipal Council for the Rights of the Child and Adolescent (CMDCA) and the "Óia Eu", Center for Support and Social Transformation to map child labor (generally informal commerce) in the town's train stations. The intention is to look after around 30 children and young people, through educational actions, in an area provided by the Town Hall and to raise the awareness of the families to avoid this practice.

▣ Project in partnership with the Association to Help the Child and Adolescent in Caxias do Sul (RS)

The Total Protection Program in Caxias do Sul, in Rio Grande do Sul State, has registered various cases of children from the Canyon district working at traffic lights for money. As the Cultural Center maintained by the Association has achieved good results with the children and adolescents of the neighboring district of Reolon, the project aims to extend its actions to the Canyon district. It is looking after around 180 to 200 young needy people from low-income families who live in public housing lots or as squatters and earn money at the traffic lights in both neighborhoods.



Other social initiatives

Santander also supported and participated in other initiatives in 2006, including the following.

Project/Institution	Location	Description	Initiative
Zero Hunger Action	Nationwide	Efficient Management of School Lunch Project.	Santander has supported the initiatives of this body since 2004.
Estadão Course for Young Journalists	São Paulo (SP)	Intensive journalism course organized by the <i>O Estado de S. Paulo</i> Newspaper.	Santander has sponsored this initiative for the second year, helping 31 graduating or newly-graduated students in Journalism.
The Brazilian Institute of Human Development	São Paulo (SP)	To help the social inclusion of children and young people from the outskirts of São Paulo, through the Judo Project.	Donation of 543 mats and 400 outfits to support workshops in educational areas of the São Paulo City Government.
Sixth Ethos Journalism Prize	Nationwide	This event is coordinated by the <i>Ethos</i> Institute and recognizes the best works published on social responsibility and sustainability.	Santander has supported the initiative for the fourth year.
Rediscovering the Center of São Paulo	São Paulo (SP)	To present historic and cultural areas of the city to children aged from 7 to 14 from low-income groups.	The program has allowed more than 3,300 children cared for by social organizations helped by the <i>Abrinq</i> Foundation and public schools from the Se district in São Paulo to visit the center since 2003.
Rediscovering Paulista Avenue	São Paulo (SP)	This is an extension of the Rediscovering the Center Project and gives children aged from 7 to 14 from low-income families the chance to visit the main financial center of the city.	In two years, it has looked after 360 children from the <i>Abrinq</i> Foundation social entities and public schools in the Se district.
Saerg	Guanacés (CE)	The Society for Assistance and Rural Education of Guanacés promotes educational, cultural and health initiatives.	This support has benefited more than 200 children and adolescents.
Civil Defense	São Paulo (SP)	Provides help to families affected by floods in the summertime.	Donation of three tons of emergency food.
The Child Prize	São Paulo (SP)	Organized by the <i>Abrinq</i> Foundation, the prize aims to recognize, appreciate and publicize events related to the defense of the rights of children aged up to six.	Santander was one of the sponsors of the 2006 Edition.
Third Stop and Think Seminar	Porto Alegre (RS)	Carried out by the <i>Parceiros Voluntários</i> (Volunteer Partners) NGO of Porto Alegre, created in 1997 by the business community of Rio Grande do Sul.	Santander was one of the sponsors of this initiative, which attracted around 1,400 people including teachers, students, high school teachers, business and voluntary sector leaders, opinion formers, volunteers and members of the community.
Christmas Lights	São Paulo (SP)	The program aims to show children and adolescents in care the Christmas lights of the city of São Paulo through organized walks. The visits occurred between December 12 and 15.	Around 250 children aged from 14 to 17 who live in 11 homes run by the São Paulo City government visited various public areas at Christmas, ending at the Banespa Tower where they took part in a Christmas party.



Participants in the Multiplicar Project of the Cirandar Association

Sergio Zacchi



Mother and daughter take part in the Bank in School Program

Acervo Banco na Escola

Voluntary Work

Santander encourages voluntary work by its employees, helps with many of the projects and uses its experience to publicize solidarity initiatives. This approach is designed to increase social initiatives and encourage employees to participate in the fight for a better and fairer Brazil for everyone.

The **Volunteer of the Year Award** was created in 2003 to encourage and recognize the engagement and efforts of its staff in voluntary activities. At the fourth event, held in 2006, five employees were awarded a trophy and a financial donation was paid into the bank account of the voluntary organization in which he or she works. The presentation ceremony traditionally occurs during the Thanksgiving Service within the Bank's premises on December 5, on International Volunteer Day.

The **Bank in the School Program**, in which Santander has participated since 2003, is an initiative of the

Social Alliance for Education created by another six financial institutions and aims to improve the quality of education of the public schools in São Paulo. In this project, employees teach educators, directors and the general school community how to play a productive role in school and to deal with budget and management issues. More than 750 schools have benefited, 234 in 2006 alone.

Within the Bank, employees have created and support three NGOs to promote solidarity actions in São Paulo: the **Betinho Committee of Santander Banespa Employees**, which supports cultural, educational, social and health programs and takes part in social and economical development programs; the **Banespa Social Assistance Association**, which passes on financial resources to social organizations which look after children, adolescents and people with deficiencies, in educational, health, social assistance, cultural, leisure and sports projects; and the **Association of Banespa Parents of Exceptional People**



(ABAS), which works for the social inclusion of people with deficiencies and provides services in the medical and educational areas. Santander helps this body, which has 400 registered employees, with the amounts obtained from the Selective Waste Collection Program from the Administrative Centers in São Paulo.

The Bank also supports two organizations which promote voluntary actions: the *Parceiros Voluntários (Volunteer Partners) NGO* in Porto Alegre (RS) and the *Voluntários em Ação (Volunteers in Action) Institute* in Florianópolis (SC).

In order to increase the scope of voluntary initiatives, Santander encourages its employees to take part in campaigns which are supported or promoted by the Bank. These include: the *GRAAC Running and Walking Campaign of the Support Group for the Child and Adolescent with Cancer*; the *Third Millennium Association Solidarity Walk*, which

works with training and income generation of women and children of excluded communities; the *McDia Feliz Campaign*; the traditional *Blanket Campaign* and the *Make a Child Smile This Christmas* campaign to help protect children and adolescents from needy backgrounds.

In 2006, the voluntary projects developed or supported by Santander were also featured in a publication with a circulation of 1,000 copies. This publication is divided in three broad areas: the Bank in School Program, the Internal Voluntary Program and the External Voluntary Program. It will be distributed to all the Bank's volunteer employees and the NGOs which work in this area.

Santander encourages its employees to take part in voluntary activities, helps with projects and promotes an active role in social initiatives and awards the best ones.



Paulo Uras Neto

Child benefiting from the Make a Child Smile This Christmas Campaign



Deco Rodrigues

Winners of the Support Group for the Child and Adolescent with Cancer Race



Daniel Rosa

Selective waste at the administrative buildings



Acervo Arrastão

Children learn to look after green areas in their district



Acervo Arrastão

Recycling plastic

Respect for the environment

New equipment prevents waste

Eco-efficiency

Publicized among more than 12,000 employees

Recycling paper

Resources from the campaign go to social organizations

Campaign

Publicity includes traveling exhibition and kits for employees

Environmental project

Program helps 240 children and adolescents



ENVIRONMENT

The Bank supports projects which publicize respect for nature and carries out internal measures to encourage the rational use and the protection of the environment.

Santander adopts internal measures to promote the responsible use of natural resources and supports projects which encourage and publicize respect for nature, look after natural resources and preserve the environment. It puts this approach into practice by preserving, maintaining and revitalizing the gardens in its administrative centers and sales points.

The Bank also encourages suppliers, partners and customers to undertake actions to protect the environment and reduce energy and water consumption in the companies.

In 2006, the Bank continued the reform and modernization of its branch network, giving priority to equipment which avoids waste. Its administrative centers are equipped to use energy rationally through presence sensors in the offices and timers at parking lots along with practices such as the constant maintenance of equipment and the adoption of timetables to switch off the air conditioning, elevators and lighting in the administrative centers.

Eco-efficiency

This project was developed in partnership with the Social Responsibility and Executive Administration Departments and encourages Bank employees to dispose of waste in the appropriate containers for selective collection.

The Internal Communication Department explained the initiative to more than 12,000 people employed at the Santander administrative centers in São Paulo, Porto Alegre and Rio de Janeiro, showing the importance of recycling and the positive chain reaction created by this process.



Camila Butcher

The Campo Limpo District is Green Project teaches the importance of recycling

The selective waste collection project raises the awareness of employees and donates the value of the collected material to social organizations.

To raise the awareness of employees about the campaign, the communication emphasized the fact that the funds raised from the collected paper were transferred to voluntary institutes. These included the Association of Banespa Parents of Exceptional People in São Paulo and the *Rubem Berta* Foundation in Rio Grande do Sul. The following means were used to publicize this initiative.

- ▣ A kit was distributed to employees with working material and a keepsake to be used at home, a litter basket for each work station, a leaflet explaining the selective collection and its implications for savings and nature, a notepad and a box of scrap paper, plastic bags to separate the waste at home and a letter stating Santander's position in relation to the issue. All the communication material was printed on recycled paper.

illustrated banners showing the processes for recycling paper, metal, glass, plastic and organic waste.

- ▣ Badges and notices for the cleaning team, calling attention to the campaign and presenting consultative information. This initiative was directed at outsourced staff involved in selective collection and aimed to convey the sense of partnership between the companies.

The event was also publicized on the intranet – with headlines directing employees to articles on the issue and an interactive game on selective collection.

The members of the cleaning team also underwent training on the handling and correct disposal of the waste.

- ▣ A traveling exhibition in the administrative centers, with



Social Project

Santander believes it is important to publicize the culture of preserving the environment. To do so, it selected the **Campo Limpo District is Green** Project of the *Arrastão* NGO in 2005 and developed it in 2006.

The project involved 240 children and adolescents aged between seven and 14 from the Campo Limpo district in São Paulo. They took part in workshops from Monday to Saturday on environmental issues such as the importance of recycling and reusing, pollution and waste, and also learned to make toys from recycled material. The *Arrastão* NGO also held presentations in public schools in the Taboão da Serra region of São Paulo, which brought together more than 300 teachers to be multiplying agents and encourage the exchange of information between children and young people. The children were chosen by the Partners in Action Program, which is involved in social projects aimed at the education of children, adolescents and university students from needy backgrounds.

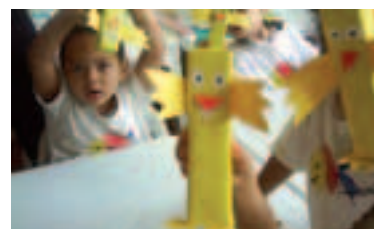
Environmental Indicators

Year	Electrical energy (kWh)	Water (m ³)	Solid Waste (t)	Paper (reams)
2004	163,890,000	382,000	507.4	903,426
2005	158,994,749	481,089	426.0	565,015
2006	162,840,241	385,006	354.2	630,696



Acervo Arrastão

Children take part in tree planting organized by the Arrastão NGO



Acervo Arrastão

Play workshop promoted by the Arrastão NGO



INDICATORS

SANTANDER WORLDWIDE

Sustainability at Santander in figures

Results

Million euros	2006	2005	Var. (%)	2004
Ordinary margin**	22,615	19,333	17.0	13,999
Net income attributed to the Group (ordinary)	6,582	5,212	26.3	3,606
Net income attributed to the Group	7,596	6,220	22.1	3,606

Balance

Million euros	2006	2005		2004
Reserves	32,595	29,098	12.0	27,215
Own resources (computed to BIS ratio)	59,776	53,426	11.9	44,360
Total assets	833,873	809,107	3.1	664,486
Assets under management	743,543	680,887	9.2	595,380

Activity

	2006	2005	2004
Number of customers (million)*	68.8	66.08	60.5
Number of shareholders (million)	2.31	2.44	2.68
Number of employees**	129,749	125,367	128,985
Number of offices	10,852	10,201	9,973
Number of credit and debit cards ('000)	54.90	48.93	44.96

Main performance indicators %

	2006	2005	2004
ROE	21.39	19.86	19.74
Efficiency ratio**	48.53	52.82	52.76
BIS ratio	12.49	12.94	13.01
Net earnings per share (euros)	1.2157	0.9967	0.7284

Other indicators of value creation

Million euros	2006	2005	2004
Direct economic value created	25,858	22,478	15,366
Retained economic value	9,120	8,244	1,698
Distributed economic value	16,739	14,234	13,669
Dividends	3,256	2,605	1,837
Suppliers and other administration expenses	4,156	3,868	2,548
Income tax and others	2,294	1,275	526
Wages	6,045	5,676	4,296
Investment in corporate social responsibility	106	92	84

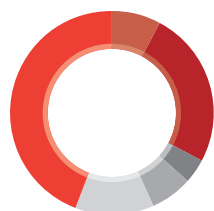
*Total number of customers adjusted to the period of the current year of the Group.

**The figures for 2005 and 2004 differ from those presented in the previous year because of the sales the Group made of its participations in some companies, including Imobiliária Urbis S. A. and the insurance business of Abbey, as described in the annual report of the Group, pages 202-203.



A Bank diversified by geography and business

Distribution of profits before tax by business area



14%	Wholesale Bank
45%	Retail Continental Europe
7%	Asset Management and Insurance
12%	Retail UK
22%	Retail Latin America
79%	Retail Bank

Distribution of attributed benefit by geographical area



51%	Continental Europe
22%	Santander Network
9%	Banesto
8%	Santander Consumer Finance
6%	Portugal
34%	Latin America
11%	Brazil
8%	Mexico
7%	Chile
15%	UK (Abbey)

Santander is the leading bank in the Euro Zone



Santander is the leading bank in the Euro Zone in terms of market value and leader in the retail banking sector. It is present in 12 countries in Continental Europe and benefits from a highly efficient business model with recurring revenue generation and tightly controlled costs.

Santander leads the commercial and private bank sectors in Spain, is the second private bank in terms of return in Portugal and has a high share of consumer lending in Spain, Portugal, Germany and Italy.

Branches (number)	5,772
Employees (number)	44,216
Loans*	271,687
Assets under management*	301,238
Ordinary benefit attributed to the Group*	3,471

* Million euros



Abbey moves forward in its transformation to a universal retail banking



Branches (number)	712
Employees (number)	17,146
Loans*	190,512
Assets under Management*	205,860
Benefit attributed to the Group*	1,003

* Million euros

Abbey is the second-largest mortgage bank in the UK and is growing fast in other segments, such as current accounts. The 2006 results were in line with the three-year plan to cut costs, increase revenues and the commercial re-launch. Key drivers were the launch of new products to individual customers and small and medium-sized companies, strengthening the commercial network, new corporate image and the change to the technological platform which began in 2006. The effects of this strategy will bring a strong improvement in efficiency and return.



Santander has the largest credit franchise in Latin America



Branches (number)	4,368
Employees (number)	66,889
Loans*	60,172
Assets under Management*	141,381
Benefit attributed to the Group*	2,287

* Million euros

Santander is present in eight countries in Latin America and holds leading positions in Brazil, Mexico and Chile. It is developing an active role in the growing demand for banking services in the region which reflects a big increase in its customer activities. In 2006, there was strong growth in the small and medium-sized businesses sectors and also in savings and investments, cards and consumer loans. In 2006, Santander entered the American market with the acquisition of 24.89% of Sovereign Bancorp and the purchase of 90% of the automobile finance house Drive Financial.



IBASE – ANNUAL SOCIAL REPORT 2006

SANTANDER IN BRAZIL

1 – Basis of Calculation	2006 Amount ('000 Reais)	2005 Amount ('000 Reais)
Net Revenues (NR)	5,435,043	5,664,087
Operating Result (OR)	1,641,484	2,502,703
Gross Payroll (GP)	2,058,999	1,934,736

2 – Internal Social Indicators	2006			2005		
	Amount ('000)	As % of GP	As % of NR	Amount ('000)	As % of GP	As % of NR
Food	149,950	7.14%	2.70%	119,180	6.16%	2.10%
Mandatory payroll taxes	346,470	16.83%	6.37%	347,049	17.94%	6.13%
Private pension plans	31,353	1.52%	0.58%	39,560	2.04%	0.70%
Health	62,260	3.02%	1.15%	72,960	3.77%	1.29%
Safety and medicine in the workplace	517	0.03%	0.01%	2,510	0.13%	0.04%
Education	0	0.00%	0.00%	1,218	0.06%	0.02%
Culture	0	0.00%	0.00%	0	0.00%	0.00%
Training and professional development	22,258	1.08%	0.41%	23,438	1.21%	0.41%
Child care facilities	7,169	0.35%	0.13%	6,815	0.35%	0.12%
Profit/results sharing	78,856	3.83%	1.45%	96,044	4.96%	1.70%
Others	53,349	2.59%	0.98%	22,479	1.16%	0.40%
Total – internal social indicators	749,182	36.39%	13.78%	731,253	37.80%	12.91%

3 – External Social Indicators	Amount ('000)	As % of OR	As % of NR	Amount ('000)	As % of OR	As % of NR
Education	30,431	1.85%	0.56%	24,755	0.99%	0.44%
Culture	7,462	0.45%	0.14%	8,093	0.32%	0.14%
Health and sanitation	705	0.04%	0.01%	335	0.01%	0.01%
Sport	857	0.05%	0.02%	862	0.03%	0.02%
Combating hunger and food safety	444	0.03%	0.01%	52	0.00%	0.00%
Others	6,046	0.37%	0.11%	8,979	0.36%	0.16%
Total contributions to society	45,945	2.80%	0.85%	43,075	1.72%	0.76%
Taxes (excluding payroll taxes)	738,265	44.98%	13.58%	783,179	31.29%	13.83%
Total – External Social Indicators	784,210	47.77%	14.43%	826,254	33.01%	14.59%

4 – Environmental Indicators	Amount ('000)	As % of OR	As % of NR	Amount ('000)	As % of OR	As % of NR
Investments related to production/company operations	251,080	15.30%	4.62%	144,109	5.76%	2.54%
Investments in programs and/or external projects	7,260	0.44%	0.13%	16,542	0.66%	0.29%
Total investments in the environment	258,340	15.74%	4.75%	160,651	6.42%	2.84%
With relation to the setting of annual targets to minimize waste, consumption in general in production/operations and increase the efficient use of natural resources, the company	() has no target () complies from 0 to 50% () complies from 51 to 75% (x) complies from 76 to 100%			() has no target () complies from 0 to 50% () complies from 51 to 75% (x) complies from 76 to 100%		



5 – Employee Indicators	2006	2005
Nº of employees at the end of the period	23,355	22,411
Nº of employees hired during the period	5,458	3,800
Nº of outsourced employees	7,848	7,867
Nº of interns	3,298	3,455
Nº of employees above 45 years of age	4,661	4,830
Nº of female employees	12,260	11,453
% of management positions occupied by women	32.55%	27.86%
Nº of Afro-Brazilian employees	1,326	0
% of management positions occupied by Afro-Brazilians	2.82%	NA
Nº disabled employees or with special needs	508	465

6 – Information on corporate citizenship	2006	Goals 2007
Relation between the highest and lowest remuneration in the company	29	NA
Total number of accidents at work	160	NA
Company-sponsored social and environmental projects were decided by:	() top-level executives (x) top-level executives and mid-level management () all employees	() top-level executives (x) top-level executives and mid-level management () all employees
Safety and health standards in the workplace were set by:	(x) top-level executives and mid-level management () all employees	(x) top-level executives and mid-level management () all employees plus Cipa safety committee
With respect to labor union freedom, collective bargaining rights and in-house employee representation, the company:	() does not become involved (x) adheres to ILO standards	() will not become involved (x) will adhere to ILO standards (x) will encourage adherence to ILO standards
The company pension plan covers:	() top-level executives () top-level executives and mid-level management (x) all employees	() top-level executives () top-level executives and mid-level management () all employees
The profit/results sharing program covers:	() top-level executives () top-level executives and mid-level management (x) all employees	() top-level executives () top-level executives and mid-level management (x) all employees
In the selection of suppliers, the same standards of ethics and social and environmental responsibility adopted by the company:	() are not taken into consideration (x) are suggested () are required	() will not be taken into consideration (x) will be suggested () will be required
With relation to volunteer work by employees, the company:	() does not become involved () supports (x) organizes and encourages	() will not become involved () will support (x) will organize and encourage
Total number of complaints and criticism from consumers:	Within the company 94.0% At Procon 2.0% In Court 4.0%	Within the company 96.0% At Procon 1.0% In Court 3.0%
% of complaints and criticism attended or resolved:	Within the company 96.0% At Procon 90.0% In Court NA	Within the company 97.0% At Procon 90.0% In Court NA
Total value to be distributed (R\$ '000):	In 2006: 4,387,754	In 2005: 4,897,366
Distribution of Added Value (DAV):	23.04% government 15.40% shareholders 44.52% employees 3.72% third parties 13.31% retained	21.53% government 28.85% shareholders 42.85% employees 0.0% third parties 6.77% retained

7 – Other information

The private pension plan does not include all the employees of the organization.



GLOBAL COMPACT, MILLENNIUM GOALS, GRI AND ETHOS INDICATORS

Indicator	GRI 3	Global Compact
EC 1	Direct economic value created and distributed, including revenues, operating costs, employee remuneration, donations and other investments in the community, accumulated profits and payments to providers of capital and governments.	
EC 5	Variation of the proportion of costs with local suppliers in large operating units.	
EC 6	Policies, practices and proportion of costs with local suppliers in large operating units.	Prevent violations of human rights. Abolish forced labor. Abolish child labor.
EN 3	Direct energy consumption described by primary source.	Support a preventive approach to environmental challenges. Promote environmental responsibility. Encourage technologies which do not damage the environment.
EN 5	Energy saved and improvements in conservation and efficiency.	Support a preventive approach to environmental challenges. Promote environmental responsibility. Encourage technologies which do not damage the environment.
EN 7	Initiatives to reduce indirect energy consumption and the reductions obtained.	Support a preventive approach to environmental challenges. Promote environmental responsibility. Encourage technologies which do not damage the environment.
EN 8	Total amount of water retained by source.	Support a preventive approach to environmental challenges Promote environmental responsibility Encourage technologies which do not damage the environment



Millennium Goals	Ethos Indicators	Pages
Eradicate extreme poverty and hunger	Policy on remuneration, benefits and careers. Commitment to professional development and employability. Managing the impact of the company on the surrounding community. Relations with local organizations. Financing social action. Company involvement in social action.	8; 11; 23; 24; 25; 74; 80; 81; 100 and 101
	Managing the impact of the company on the surrounding community. Relations with local organizations. Leadership and social influence. Supporting the development of suppliers.	55
	Managing the impact of the company on the surrounding community. Relations with local organizations. Leadership and social influence. Supporting the development of suppliers.	55
Ensure environmental sustainability.	Managing the impact on the environment and the life cycle of the products and services.	95
Ensure environmental sustainability.		95
Ensure environmental sustainability.	Managing the impact on the environment and the life cycle of the products and services.	93
Ensure environmental sustainability.	Managing the impact on the environment and the life cycle of the products and services.	93 and 95



Indicator	GRI 3	Global Compact
EN 22	Total weight of waste by type and method of disposal.	Support a preventive approach to environmental challenges. Promote environmental responsibility Encourage technologies which do not damage the environment.
EN 26	Initiatives to mitigate the environmental impacts of products and services and the extension of the reduction of these impacts.	Support a preventive approach to environmental challenges. Promote environmental responsibility. Encourage technologies which do not damage the environment.
LA 1	Total number of workers by type of employment, work contract and region.	
LA 3	Benefits provided to full-time employees which are not offered to temporary employees or those who work half-time, described by the main operations.	
LA 8	Programs of education, training, counseling, prevention and control of risk to give assistance to employees, their relatives or members of the community in relation to serious diseases.	
LA 10	Average number of hours training per year per employee, described by functional category.	
LA 11	Programs to manage skills and continuous learning which support the continuation of workers' employability and prepare them for the end of their career.	
LA 12	Percentage of employees who regularly receive performance analysis and career development.	Eliminate discrimination at the workplace.
LA 13	Composition of groups responsible for corporate governance and description of employees by category, according to gender, age range, minorities and other diversity indicators.	Eliminate discrimination at the workplace.
HR 2	Percentage of contracted companies and critical suppliers which were submitted to an evaluation related to human rights and the measures taken.	Respect and protect human rights. Prevent violations of human rights. Abolish forced labor. Abolish child labor.
SO 1	Nature, scope and efficiency of any programs and practices to evaluate and manage the impacts of the operations in the communities, including the entry, operation and departure.	
SO 5	Positions in relation to public policies and participation in drawing up public policies and lobbies.	Combat corruption in all its forms, including extortion and bribery.
PR 1	Phases in the life cycle of products and services on which the impacts on health and safety are evaluated, aimed at improvements, and the percentage of products and services subject to these procedures.	
PR 5	Practices related to customer satisfaction, including results of surveys which measure this satisfaction.	



Millennium Goals	Ethos Indicators	Pages
Ensure environmental sustainability.	Managing the impact on the environment and the life cycle of the products and services. Minimizing entry and exit of materials.	95
Ensure environmental sustainability.	Managing the impact on the environment and the life cycle of the products and services.	93 and 95
	Valuing diversity. Commitment to professional development and employability. Management of the impact of the company in the neighboring community.	35
Improve maternal health. Combat HIV/Aids and other diseases.	Policy on remuneration, benefits and career.	44 and 45
Improve maternal health. Combat HIV/Aids and other diseases.	Policy on remuneration, benefits and career. Care in terms of health, safety and conditions at work. Commitment to professional development and employability.	44 and 45
	Policy on remuneration, benefits and career. Commitment to professional development and employability.	37
	Valuing diversity. Behavior in relation to dismissal.	36 to 40
	Policy on remuneration, benefits and career. Commitment to professional development and employability.	36
Promote gender equality and empower women.	Valuing diversity.	42 and 101
Develop a global partnership for development.	Managing the impact of the company on the neighboring community. Leadership and social influence. Support in development of suppliers. Child labor in the productive chain.	55
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.	Valuing diversity. Managing the impact of the company on the neighboring community. Relations with local organizations. Company involvement in social action. Participation in government social projects. Commitment to the future of children.	8; 11; 56; 58 to 95; 100 and 101
	Managing the impact of the company on the neighboring community. Financing social action. Participation in government social projects.	56; 58 to 71; 73; 74; 76; 77; 80; 91; 100 and 101
	Knowledge of the potential damaging effects of products and services.	23 to 27
	Knowledge of the potential damaging effects of products and services.	17 to 21



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VP Means

Angel Oscar Agallano

General Secretary and Compliance

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VP Wealth Management

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